


Transition of the Labour Market in Nepal: Challenges and Opportunities

¹Yeak Narayan Sharma

¹Assistant Professor of Management, Tribhuvan University, Saraswati Multiple Campus, Kathmandu, Nepal

[(Email: yek.sharma@smc.tu.edu.np) ORCID: <https://orcid.org/0009-0007-8214-1622>]

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Abstract

The objectives of this study explore the transitions in Nepal's labor market, focusing on the shift from traditional agriculture to more diversified sectors, including manufacturing and services. It highlights the socio-economic factors driving these changes, the challenges faced by the workforce, and the implications for poverty alleviation and economic growth. The research method is based on a comprehensive analysis of labor market data, poverty profiles, and sectoral contributions to Nepal's economy. It incorporates data from national surveys, government reports, and international sources to examine employment trends, sectoral shifts, and labor productivity. The finding of this research is the study reveals a significant transition in Nepal's labor market, with a reduction in agricultural employment from 39% in 2003 to 24.6% in 2024, coupled with an increase in the service sector's contribution to the economy. Despite these shifts, agriculture remains the largest employing industry, albeit with low productivity and underemployment. The informal sector dominates, accounting for over 60% of total employment. Rural poverty and income inequality persist, with a Gini index of 0.30 in 2023, reflecting disparities between urban and rural areas. International migration has emerged as a crucial factor, with remittances contributing significantly to household incomes. The conclusion of this study is Nepal's labor market is undergoing rapid transformation, driven by globalization, technological advancements, and international migration. However, challenges such as skill mismatches, gender disparities, and high youth unemployment require targeted policies. Enhancing vocational training, fostering entrepreneurship, and formalizing the informal sector are essential for improving employment outcomes and promoting economic growth.

Keywords: Labor market transition, sectoral shifts, poverty alleviation, rural poverty, international migration, employment challenges.

Introduction

Nepal's labour market has undergone significant transformation, evolving from a traditional agrarian economy to a more diversified structure that includes manufacturing, services, and international migration. This shift has been driven by various factors, such as globalization, technological

advancements, educational reforms, and policy changes. The labour market transition reflects broader socio-economic developments, with new opportunities emerging alongside persistent challenges.

Historically, Nepal's economy has been dominated by agriculture, which employed a substantial portion of the population. However, low productivity and limited employment opportunities in this sector have necessitated a shift of the workforce toward other sectors. This transition is crucial for economic growth, poverty reduction, and overall development. Despite the increasing prominence of the manufacturing and service sectors, a significant part of the labour force remains engaged in informal and underpaid jobs, with limited social security and job stability.

The challenges faced by Nepal's labour market include a mismatch between the skills produced by the educational system and the demands of the economy, high levels of informal employment, gender disparities, and youth unemployment. Furthermore, the agriculture sector continues to struggle with issues such as land fragmentation, lack of modern technology, and the impact of climate change, which have constrained its potential to contribute to national economic growth.

On the other hand, the evolving labour market presents opportunities for growth and development. Enhancing vocational training and skill development, promoting entrepreneurship, formalizing the informal sector, and implementing inclusive policies can help unlock the potential of Nepal's workforce. Additionally, leveraging remittances from international migration for productive investments can have a transformative effect on the economy.

Navigating the complexities of Nepal's transitioning labour market requires strategic planning and coordination between the government, private sector, and international partners. By addressing the challenges and capitalizing on the opportunities, Nepal can create a more resilient, inclusive, and dynamic labour market that supports sustainable economic development.

Review of the Literatures

The transition of the labor market in Nepal presents a complex interplay of challenges and opportunities, shaped by various socio-economic factors. This analysis draws on the provided research articles to elucidate the dynamics of labor migration and its multifaceted impacts.

Labor migration has significant health implications. A study on the wives of labor migrants highlights the increased risk of HIV infection, driven by factors such as literacy status, age of migration, and behavioral aspects like alcohol consumption and living conditions abroad (Jaquet et al., 2019). These health risks underscore the need for targeted prevention strategies that address both migrants and their families.

Transnational labor migration has a dual impact on food security and sovereignty in Nepal. While remittances have improved short-term food security, they have also led to a dependence on food imports, undermining local food production and eroding food sovereignty (Shivakoti, 2022). This paradoxical situation necessitates a balanced approach that integrates food security with food sovereignty to ensure sustainable access to food.

Internal migration, particularly to brick kilns, poses significant challenges for children's education and exposes them to child labor. Educational interventions have focused on schooling access, non-formal education, and livelihood support, but these efforts need to be part of a holistic strategy that includes

the perspectives of both parents and children (Adhikari & Khatri, 2023). Addressing these challenges requires coordinated action among various stakeholders.

Nepal's labor migration policy sector is fragmented, with government agencies heavily influenced by the private sector, raising concerns about regulatory effectiveness. Civil society organizations, despite their potential role as watchdogs, face internal conflicts and competition for funds, limiting their impact (Sunam & Adhikari, 2016). This fragmentation highlights the need for stronger regulatory frameworks and collaborative efforts among stakeholders.

Former bonded laborers transitioning to contract labor in industrial settings face chronic precarity and assertive resistance to managerial authority. This precariousness, shaped by historical experiences of bonded labor, reflects broader issues of labor rights and social justice (Campbell, 2018). The limited impact of the Maoist Revolution on improving labor conditions further complicates the labor market landscape.

Remittances from labor migration constitute a significant portion of Nepal's GDP, driving economic growth and improving livelihoods. The financial benefits of migration include better access to education, food, and housing for families left behind (Daly et al., 2020). These economic gains highlight the potential of labor migration as a livelihood strategy.

International labor migration has enabled marginalized groups, such as Dalits, to contest caste institutions and mobilize financial, human, and symbolic capitals. This empowerment has facilitated social and economic mobility, challenging historically entrenched systems of exploitation and domination (Stevens et al. 2021). Such transformations underscore the potential of migration to drive social change.

Outmigration has led to diverse land management strategies in the hills of Nepal. While some areas have experienced forest recovery due to land being left fallow, others have seen land degradation from increased grazing. These varied impacts suggest the need for context-specific approaches to land management that consider regional conditions and the role of remittances (Hoffmann, 2018).

Addressing the multifaceted effects of labor migration requires integrative strategies that consider health, education, food security, and labor rights. The comparative study of Nepal and the Philippines emphasizes the importance of aligning migration policies with the Decent Work agenda of the Sustainable Development Goals to achieve sustainable socio-economic growth (Sunam, 2014).

The transition of the labor market in Nepal presents both challenges and opportunities. Health risks, food security issues, child labor, policy fragmentation, and labor market precarity pose significant challenges. However, the economic benefits of remittances, empowerment of marginalized groups, diverse land management strategies, and the potential for holistic development approaches offer promising opportunities. Addressing these challenges and harnessing the opportunities will require coordinated efforts among government agencies, civil society organizations, and other stakeholders.

Labor migration has significant health implications, particularly for families left behind. Studies indicate an increased risk of HIV infection among the wives of labor migrants, driven by factors such as literacy status, age of migration, and behavioral aspects like alcohol consumption and living conditions abroad (Khatriwada & Basya, 2022). These health risks necessitate targeted prevention strategies that address both migrants and their families.

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The impact of male migration on the labor market behavior of women is significant. Male migration has been found to negatively affect women's labor market participation in Nepal (Shivakoti, 2022). This underscores the importance of considering gender aspects in the migration dynamics when formulating economic development strategies.

Internal migration, particularly to brick kilns, poses significant challenges for children's education and exposes them to child labor. Educational interventions have focused on schooling access, non-formal education, and livelihood support, but these efforts need to be part of a holistic strategy that includes the perspectives of both parents and children (Aryal, 2021).

Nepal's labor migration policy sector is fragmented, with government agencies heavily influenced by the private sector, raising concerns about regulatory effectiveness (Lokshin & Glinskaya 2009). Civil society organizations, despite their potential role as watchdogs, face internal conflicts and competition for funds, limiting their impact. This fragmentation highlights the need for stronger regulatory frameworks and collaborative efforts among stakeholders.

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Labor migration has significant health implications, especially for families left behind. Studies indicate that internal migration, particularly to hazardous industries like brick kilns, increases the risk of child labor and disrupts children's education. Educational interventions are crucial but need to be part of a holistic strategy involving all stakeholders, including parents and children (Lokshin & Glinskaya, 2009).

Transnational labor migration affects food security and sovereignty in Nepal. While remittances have improved short-term food security, they have also created a dependency on food imports, undermining local food production and eroding food sovereignty (Daly et al. & Shrestha, 2020). This paradox requires a balanced approach that integrates food security with food sovereignty to ensure sustainable access to food.

The impact of male migration on the labor market behavior of women is significant. Studies show that male migration negatively affects women's labor market participation, highlighting the need to consider gender aspects in migration dynamics when formulating economic development strategies (Lokshin et al., 2007). Additionally, the adaptation of irrigation governance to increased female participation reflects broader institutional changes driven by male migration (Shivakoti, 2022).

Internal migration to industries like brick kilns poses significant challenges for children's education and exposes them to child labor. Interventions focus on access to schooling, non-formal education, livelihood support, and child safeguarding, but need to be holistic and inclusive of local strategies for child and youth development (Lokshin & Glinskaya, 2009).

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Methodology

The analysis of Nepal's labour market transitions requires a multifaceted methodological approach. This section outlines the research design, data sources, and analytical techniques used to explore the shifting labour dynamics in Nepal's economy. The methodology integrates quantitative and qualitative data to understand both the historical and current labour market trends, focusing on agriculture, manufacturing, services, and migration.

Research Design

A mixed-method research design is employed to capture the complex nature of labour market transitions in Nepal. This approach involves:

- Quantitative Analysis: To analyze historical and current employment data across sectors (agriculture, manufacturing, and services).
- Qualitative Analysis: To explore underlying socio-economic factors driving labour market shifts, such as globalization, technology, and migration.
- Comparative Analysis: To compare labour market structures across time periods and draw conclusions about the progression of employment sectors in Nepal.

Data Collection

Primary Data Sources

- Surveys and Interviews: Primary data collection involves conducting interviews and surveys with key stakeholders, including government officials, employers, and workers in various sectors. Interviews with experts from the Ministry of Labour, Employment and Social Security (MoLESS), and other institutions are essential for understanding policy impacts.
- Field Observations: On-site observations in key regions will provide contextual insights into the functioning of agriculture, manufacturing, and service sectors.

Secondary Data Sources

- National Statistical Databases: Data from the Central Bureau of Statistics (CBS), Nepal Labour Force Surveys (NLFS), and National Living Standard Surveys (NLSS) will be used to analyze employment trends. Historical data on labour force distribution, sectoral contribution to GDP, and productivity will be extracted from these databases.
- World Bank and UNDP Reports: These reports will provide additional macroeconomic data on labour productivity, poverty levels, and socio-economic indicators.
- Department of Foreign Employment (DoFE): Data on labour migration trends and remittances will be sourced from DoFE publications.

Analytical Techniques

Descriptive Statistics

- Sectoral Employment Trends: Descriptive statistics will be used to summarize the distribution of employment across agriculture, manufacturing, and services over different time periods. This includes calculating the percentage share of each sector in total employment and GDP.
- Poverty and Inequality Measures: Key indicators like the poverty incidence, Gini Index, and poverty gap will be calculated to assess economic disparities between urban and rural areas. Data from the NLSS will be used for these calculations.

Time-Series Analysis

- Longitudinal Data Analysis: Time-series analysis will be employed to track the evolution of sectoral employment, productivity, and GDP contribution from 2003 to 2024. This analysis will highlight key periods of transition and the effects of economic policies.
- Trend Projections: Based on historical data, projections of future labour market trends will be made using regression models. These projections will help in forecasting the potential impact of ongoing labour market policies.

Comparative Analysis

- Sectoral Shifts: Comparative analysis will be conducted to evaluate the shifts in employment between the primary (agriculture), secondary (manufacturing), and tertiary (services) sectors. This will involve comparing the data from 2003, 2013, and 2023.

- International Comparisons: Nepal's labour productivity and sectoral contributions will be compared with other South Asian countries, particularly in agriculture, to benchmark performance.

Qualitative Analysis

- Content Analysis: Qualitative data from interviews and policy documents will be analyzed thematically. Content analysis will be used to identify recurring themes related to labour market challenges, such as skill mismatches, gender disparities, and informal employment.
- Case Studies: In-depth case studies of specific sectors (e.g., agriculture mechanization and service sector growth) will be conducted to understand the micro-level dynamics driving labour transitions.

Policy Analysis

Policy Review

- A review of key government policies, such as employment generation programs, skill development initiatives, and migration policies, will be conducted. This review will assess the effectiveness of these policies in facilitating labour market transitions.
- Shramadhan Job Fairs: The role of government initiatives like the Shramadhan job fairs will be evaluated based on participation rates, employment outcomes, and stakeholder feedback.

Impact Assessment

- The impact of remittances on household income and labour market participation will be analyzed. The study will examine how remittances have influenced migration patterns and domestic labour supply.
- Policy Recommendations: Based on the findings, actionable recommendations will be provided for policymakers to address labour market challenges and capitalize on opportunities for growth and development.

Limitations and Assumptions

Data Limitations

- The analysis is constrained by the availability and reliability of secondary data, especially for the informal sector. Inconsistent reporting and gaps in data collection may affect the accuracy of trend analysis.

Assumptions

- Projections and forecasts assume that current policy trends and economic conditions will continue. Any major policy shifts or economic shocks may alter the projected outcomes.

The methodology integrates both quantitative and qualitative approaches to provide a comprehensive analysis of Nepal's labour market transitions. The study aims to offer insights into the factors driving

employment shifts and to propose policy interventions that can foster a more resilient and inclusive labour market in Nepal.

Results and Analysis

The transition in the labour market reflects broader economic changes, social dynamics, and policy shifts. Understanding these transitions is crucial for policymakers, businesses, and the workforce to navigate the challenges and seize the opportunities presented by a rapidly evolving economic environment. Shifting of a large number of labour force from agriculture to other sectors is crucial for the country's economy to Vault. The involvement of a substantial portion of the country's population 39% to 24.6% (period 2003 to 2024) in the agriculture sector, contempt its low productivity, presents a challenging for poverty alleviation. Usually, agriculture and forests served as major sources of employment, livelihood, and entrepreneurship. However, refining productivity in this sector requires mechanization and modernization, which entails minimizing dependence on manual labour.

Table 1

Contribution of labour - agriculture, service and manufacturing sector in the economy

FY	Contribution in the economy %			Size of the economy (Rs. billion)
	Primary-sector (Agriculture, forest)	Secondary-sector (manufacturing)	Tertiary-sector(service sector)	
2003/04	39.00	*61		494.88
2013/14	33.73	14.04	52.23	1,928.51
2023/24	24.60	12.50	62.90	5,704.84

Source: National statics office, Nepal

Unfortunately, a large number of individuals engaged in agriculture remain underemployed, and the sector's output has failed to significantly enhancement per capita income.

People often believe that the agriculture sector can create jobs, but in reality, it offers limited opportunities for employment. The current need is to transition the workforce away from agriculture and into other sectors like manufacturing and services. To improve productivity in agriculture, modernization and mechanization are essential.

The challenges faced by Nepal's agriculture sector include land fragmentation, lack of access to improved seeds, fertilizers, and extension services, inadequate irrigation facilities, limited mechanization, and insufficient use of technology. Additionally, storage facilities and market linkages are critical areas for improvement. Climate change poses a significant threat to the sector. Despite the government's efforts to involve the private sector in agriculture production and supply chains, commercial farming has not made substantial progress in Nepal.

The latest Nepal Labour Force Survey (2018) shows that one in every five people who had jobs in Nepal. In formal agriculture accounted for 22.49% of total employment, were employed in agriculture, it is largest employing industry. Trade industry had the second largest share of (17.5%), construction followed construction (13.8%). However, in overall evaluation, the informal sector excludes agriculture and trade industry had a majority share of 60.01% of total employment. It shows the where hidden unemployment is high.

Table: 2

Employment generated in different sectors

Fig in. 000

Sector	Male	Femal	Total	Percentage(%)
Agriculture, Forestry and fishing	652	871	1523	21.49%
Mining and quarrying	43	16	59	0.83%
Manufacturing	719	353	1072	15.12%
Electricity, gas, steam and AC supply	27	7	34	0.48%
Water Supply	34	9	43	0.61%
Construction	867	111	978	13.80%
Wholesale and retail trade, repair of Vehicles and motorcycles	695	545	1240	17.49%
Transportation and storage	315	7	322	4.54%
Accommodation and food service activities	204	167	371	5.23%
Information and communication	48	13	61	0.86%
Financial and insurance activities	63	55	118	1.66%
Real estate activities	14	3	17	0.24%
Professional, scientific and technical activities	35	9	44	0.62%
Administration and support service activities	57	7	64	0.90%
Public administration and defense	105	29	134	1.89%
Education	304	254	558	7.87%
Human health and social work	78	92	170	2.40%
Arts, Entertainment and recreation	30	4	34	0.48%
Othe service activities	119	37	156	2.20%
Private households	25	48	73	1.03%
Activities of extraterritorial organizations and bodies	12	5	17	0.24%
Total	4446	2642	7088	100.00%
Percentage	63%	37%	100%	

Source: Nepal Labour force survey, 2018

World Bank data shows that the labour productivity in agriculture or the quantity of agriculture output by each individual labour, is the lowest in Nepal among the South Asian countries. Out of the total 7.1 million people who were employed, over 60% were male. The main contributor to total employment was the informal non-agriculture sector, accounting for 41% of all jobs.

The present workforce, tied with subsistence-level agricultural practices, results in low output. Subsequently, the country faces higher employment rates driven by the agricultural sector, where hidden underemployment prevails. As revealed, Nepal Living Standard Survey IV (2022-23) a result, around 20.27% of the population cascades below the absolute poverty line. Rural areas are particularly affected, with 24.66% of residents living in poverty.

Table 3

Poverty profile of Nepal in 2022-23

Region	Poverty Incidence			Gini Index	Distribution	
	Head	Poverty Gap %	Poverty gap squired %		Of the poor	Of the population
Nepal	20.3	4.52	1.48	0.30		
Urban	18.3	4.03	1.29	0.303	62.86	69.48
Rural	24.7	5.65	1.91	0.287	36.14	30.52

Sources: Nepal living standard survey 2022-23

The Gini index is a measure of statistical dispersion and captures the extent of consumption inequality in Nepal. The Gini index is based on inequality in the per capita consumption expenditures, adjusted to account for spatial and seasonal price differences. The Gini measures 13 the amount by which any two households differ in terms of per capita spending, relative to the average. The Gini index ranges between 0 to 1, where a value of 0.0 represents perfect equality, while a Gini of 1.0 reflects perfect inequality. The Gini index for Nepal in 2023 stands at 0.30. The value for urban domains (0.303) is higher than rural (0.287) indicating larger inequalities in per capita consumption spending in urban areas. Table 2. Poverty profile of Nepal in 2022-23 Region Poverty Incidence Gini Index Distribution.

Table 4

Employment classification by occupation

Fig. '000

Occupation	No	Share %
Managerial	85	1.20%
Professionals	581	8.20%
Associate professional (Technicians)	312	4.40%
Clerical support workers	220	3.10%
Service and Sales workers	1687	23.80%
Skilled agriculture,forestry and fishery workers	971	13.70%
Craft and related trade workers	1389	19.60%
Plant and machine operator	383	5.40%
Elementary occupations	1439	20.30%
Others	21	0.30%
Total	7088	100%

Over three-and-a-half million working-age individuals have migrated to Gulf countries and Malaysia in pursuit of job opportunities,” Upadhyay states. “The government and private sector must priorities creating domestic employment opportunities and retaining our youth population to accelerate our progress.”

Many believe that Nepal has bypassed the typical cycle of economic prosperity. While most developed nations embarked on their journey toward prosperity through industrialization and manufacturing, Nepal missed out on the peak of manufacturing sector development. Instead, it faced premature

deindustrialization due to armed conflict, inadequate infrastructure, high logistics costs, and the influx of cheaper imports. Globally, countries were fiercely competing to produce goods at competitive rates and export them worldwide.

In this context, the passport reform — initiated in 1998 with the decision to distribute passports from District Administrative Offices — provided easier pathways for Nepali citizens to seek employment opportunities abroad. Youth migration and the subsequent inflow of remittances fueled increased imports and consumption. On the flip side, this reform also prompted policymakers to focus on governance improvements, infrastructure development, and creating an enabling environment for investment within the country, aiming to generate more employment opportunities domestically.

Table 5

Major destination of Nepalese workers migration

Country	No.	Share %
Malaysia	999682	28.12%
Qatar	941897	26.49%
Saudi Arabia	779898	21.94%
UAE	575204	16.18%
Kuwait	149624	4.21%
Oman	46858	1.32%
Cyprus	12296	0.35%
Poland	8249	0.23%
Romania	24636	0.69%
Turkey	4309	0.12%
Malta	10352	0.29%
Portugal	1952	0.05%
Germany	248	0.01%
Total	3555205	100%

Source: Department of Foreign Employment

An initiative for matchmaking between employers and job seekers Shramadhan'job fair: As an initiative of matchmaking between employers and job seekers, the Ministry of Labour, Employment and Social Security organized the Sharamadhan (employment solution) job fair in all provinces jointly with the private sector umbrella associations — Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Confederation of Nepalese Industries (CNI), Nepal Chamber of Commerce (NCC), Federation of Nepali Cottage and Small Industries (FNCSI), Hotel Association Nepal (HAN), and Federation of Professional Training and Employment of Nepal — starting from 2024, May 30 to June 12,

There are employment opportunities, however, due to lack of nationwide information employers and job seekers lack connection and Shramadhan served as a solution - Govinda Prasad Rijal, Joint Secretary of MoLESS(HRM Magazine).

Encouraged with the positive response of the job fair, the government has announced to conduct Sharamadhan job fair every year by incorporating the programme in fiscal budget 2024/25.

Conducted in all seven provinces, a total of 17,921 applications were received in job fairs conducted in seven provinces, whereas the employers have sought 14,788 employees. Various government, non-governmental, private sector organizations and companies, among others, placed stalls during the fair; which simultaneously held various workshops, networking sessions and panel discussions. MoLESS has said that it will collaborate with concerned agencies of all three tiers of the government, private sector and development partners, among others, to organize job fairs. With prudent record keeping and continued monitoring, MoLESS will support applicants to get employed as per the requirement of jobs placed by the employers.

Key Drivers of Transition

1. **Globalization and Trade Liberalization:** Nepal's integration into the global economy, marked by its membership in the World Trade Organization (WTO) in 2004, has opened up new avenues for trade and investment. This has led to the growth of the industrial and service sectors, creating new employment opportunities and diversifying the labour market.
2. **Technological Advancements:** The adoption of new technologies in various sectors, from agriculture to information technology, has transformed the nature of work. Automation, digitalization, and the rise of the gig economy are reshaping traditional employment patterns and creating demand for new skills.
3. **Educational Reforms:** Improvements in the educational system have contributed to a more skilled and educated workforce. Increased access to higher education and vocational training has enabled individuals to pursue diverse career paths beyond traditional agriculture.
4. **International Migration:** Labour migration, particularly to the Gulf countries, Malaysia, and South Korea, has become a significant phenomenon. Remittances from migrant workers constitute a substantial portion of Nepal's GDP, impacting household incomes and driving socio-economic changes.

Challenges in the Transition

1. **Skill Mismatch:** Despite improvements in education, there is a persistent mismatch between the skills imparted by the educational system and the demands of the labour market. This gap hinders the employability of graduates and limits their ability to secure well-paying jobs.
2. **Informal Employment:** A large segment of the labour force remains engaged in informal employment, characterized by low wages, lack of job security, and inadequate social protection. The informal sector's dominance poses challenges for labour market regulation and workers' rights.
3. **Gender Disparities:** Gender inequality continues to be a significant issue in Nepal's labour market. Women face barriers to entry, lower wages, and limited opportunities for advancement, particularly in formal and high-skilled sectors.

4. **Youth Unemployment:** High youth unemployment rates highlight the challenges of integrating young people into the labour market. The lack of job opportunities and career prospects for young individuals contributes to social and economic instability.

Opportunities for Growth and Development

1. **Skill Development and Training:** Enhancing vocational training and skill development programs can bridge the gap between education and employment. Tailoring training initiatives to meet industry demands will improve employability and productivity.
2. **Entrepreneurship and Innovation:** Encouraging entrepreneurship and fostering a culture of innovation can create new jobs and drive economic growth. Supporting startups and small businesses through financial incentives, mentorship, and infrastructure development is crucial.
3. **Formalization of the Informal Sector:** Implementing policies that promote the formalization of informal employment can enhance job security, improve working conditions, and ensure access to social protection for workers.
4. **Inclusive Policies:** Addressing gender disparities and promoting inclusivity in the labour market can unlock the potential of the entire workforce. Policies that support women's participation, such as affordable childcare, flexible working arrangements, and gender-sensitive training programs, are essential.
5. **Leveraging Remittances:** Utilizing remittances for productive investments, such as education, healthcare, and entrepreneurship, can have a multiplier effect on the economy. Financial literacy programs can guide households in making informed investment decisions.

Conclusion

The results and analysis of Nepal's labor market transitions reveal a significant shift from traditional agricultural practices to more diversified sectors, including manufacturing and services. Although agriculture still employs a large portion of the population, it suffers from low productivity, underemployment, and limited opportunities for substantial income growth. The challenges of land fragmentation, inadequate access to resources, and climate change exacerbate the difficulties faced by the agricultural sector. Meanwhile, urban and rural disparities, as indicated by the Gini index, highlight ongoing inequality in income and consumption patterns.

International migration, particularly to Gulf countries and Malaysia, has become a key factor in Nepal's labor market, with remittances playing a critical role in household income. However, the country faces numerous challenges, such as skill mismatches, informal employment, gender disparities, and high youth unemployment. These issues underscore the need for comprehensive policies that address education and skill development, formalize the informal sector, promote gender inclusivity, and support entrepreneurship and innovation.

Opportunities for growth and development in Nepal's labor market lie in enhancing vocational training, fostering entrepreneurship, and leveraging remittances for productive investments. The government's initiative to organize job fairs, such as Shramadhan, demonstrates efforts to bridge the gap between

employers and job seekers. With continued focus on creating domestic employment opportunities, Nepal can navigate the complexities of its evolving labor market and foster economic progress.

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