



Ulandssekretariatet
LO/FTF Council

Danish Trade Union
Council for International
Development Cooperation

Nepal

Labour Market Profile

2014

This Labour Market Profile is a yearly updated report that provides a broad overview of the labour market's situation and development. The report is based on the latest data available and following trends. Each section has also accesses to the sources' links that can be used to go more in-depth on selected themes. This is a revised version.



Nepal – Labour Market Profile 2014

Executive Summary

Nepal is among the world's poorest and least developed countries. Much can be attributed to social unrest and political instability during the last two decades. Many structural changes have been implemented. A peace agreement was reached after the armed conflict between government forces and Maoist fighters from 1996 until 2006; an interim constitution governed the country since 2007; the abolition of monarchy and a declaration of a federal republic in 2008; the rise of strong ethnic identity movements; and the new elected Constituent Assembly in November 2013. Nepal's second attempt to write a new constitution is only just beginning to take its first steps. A new draft Labour Act is also under preparation, but both employers and trade unions have expressed reservations over the draft. It has created a crisis of confidence between the parties resulting in worsening industrial relations with strikes, lockouts and blockages becoming a commonplace. It has also showed that the social dialogue platforms remain frail. All this has been affected by the eroding public institutions and absence of well-functioning and well-implemented labour laws.

It is noteworthy that there has been a strong growth in the middle class and there is now less working poor. However, there is a huge lack of formal or waged employment opportunities. Over half of the employed are affected by time-related underemployment, and slightly less than half have skills mismatches in their jobs. A recent survey from 2014 estimated a 'strict' youth unemployment rate at 19%.

Migration from rural to urban areas, mainly by men, has drastically reduced male rural populations. Overseas migration has also become very common, especially to Gulf States. Their jobs are often dangerous and workers are frequently barred from entering trade unions. Remittances have become central to the Nepalese economy, reaching 29% of GDP which is one of the highest rates in the world.

In May 2013 the new minimum wage was fixed at Rs. 8,000 (US\$85) per month. Overall, workers' nominal minimum monthly wage has been increased by 29%, which is the highest growth in the South Asia. The minimum wage exceeded the poverty line's Rs 125 (US\$1.25) per day, but is still barely sufficient to meet subsistence needs. Females' wages lag well behind men's.

Formal social security schemes have a limited coverage. A Social Security Fund was established in 2011. This is in the process of being implemented but with some uncertain legal provisions. In August 2014 a new social security of worker bill was presented, which seeks to ensure a universal social security scheme for all types of workers, including workers from the informal economy. Moreover, the government has also revived plans to launch a contribution-based pension system since pension payments are ballooning with financial strains.

It has been estimated that 1 per 1,476,000 workers in the labour force are covered by labour inspection. The ILO recommends 1 per 40,000 workers in less developed countries. It explains why the Implementation and enforcement of Occupational Health and Safety standards are minimal. The Ministry of Labor considers this as the most neglected area of labor law enforcement. The ministry found violations across sectors, including in construction, mining, transportation, agriculture, and factory work.

The trade union density has been estimated at 11% and around 5% are covered by Collective Bargaining Agreements. The trade union movement has experienced improvements in strengthening legitimate and democratic methods as well as curbing a rivalry that previously has affected relations.

Contents

Trade Unions	4
Trade Unions in Nepal	5
Employers' Organisations	5
Central Tripartite Structures	6
National Labour Legislation	6
ILO Conventions	7
Trade Union Rights Violations	7
Working Conditions	8
Workforce	9
Unemployment and underemployment	10
Sectoral employment	11
Migration	12
Informal Economy	12
Child Labour.....	13
Gender	13
Youth	13
Characteristics of the Working Age Population	14
Social Protection	15
General Economic Performance	16
Trade	17
Trade agreements	17
Export Processing Zones (EPZ) / Special Economic Zones (SEZ)	17
References	18

Trade Unions

Trade unions in Nepal (2014)	
Number of trade unions	166
Dues (median)	Rs. 24-Rs. 60 annually
Members of trade unions	1,653,858
Trade union members share of labour force	11 %
Trade union members to waged workers	48 %
Female member share of trade unions	17 %
Affiliated trade union members from the informal economy	475,015
Number of CBAs	1,047
Workers covered by CBAs	737,974
Share of workers covered by CBAs	30 %
Share of labour force covered by CBAs	4.9 %
Labour force (2013) ¹	15.1 million

The Trade Union Act provides for the right of workers to form and join unions of their choice, except those deemed by the government as subversive or seditious organizations. Freedom of association extends to workers in both the formal and informal sectors.

Nepali workers have the right to strike and bargain collectively, except for employees in 16 essential services, including public transportation, banking, security, and health care, among others, who have no such rights. Freedom of association and the right to collective bargaining have been generally respected. In many cases, collective bargaining agreements were not effectively implemented, though, because of technical problems, ambiguity in the terms and conditions or simply because the agreements were not based on "good faith bargaining".²

Unions often have links to political parties and have not operated independently from them. Labor leaders face challenges in reaching collective bargaining agreements due to political infighting among trade unions, which often delayed settlement.

General Federation of Nepalese Trade Unions (GEFONT)

There were no genuine national trade union confederations or federations until 1979. In 1989, The General Federation of Nepalese Trade Unions (GEFONT) was established as an underground association of four federations of workers. Today GEFONT has 30 affiliates, representing 387,000

workers. An estimated 73,000 are in the agricultural sector and 104,000 are in the non-agricultural informal sector.³ Fifth-teen women (32%) were elected in National Executive Committee of GEFONT from its 6th National Congress. GEFONT will start the Trade Union School in 2014 as a new way of educating in trade union movement.

Nepal Trade Union Congress (NTUC)

In 1990 NTUC came into existence. In 1998 the Democratic Confederation of Nepalese Trade Unions (DECONT) was formed as a breakaway federation from NTUC. They both merged again in 2008. NTUC has close to 381,000 members and with a female share at 20%. Close to 165,000 paid members are from the informal economy, out of which 15,000 have access to social protection schemes.

All Nepal Federation of Trade Union (ANTUF)

The newest union is the Maoist union, ANTUF, which has entered into the mainstream legitimate trade union scene after the end of the civil war in 2006. ANTUF is the largest trade union federation in Nepal with slightly over 375,000 members.⁴

Nepal has two platforms of collaboration and coordination between trade union centres:⁵

- ITUC-NAC: International Trade Union Confederation – Nepal Affiliate Council, established in 2003 by the NTUC and GEFONT. It is the more developed organisation with a common secretariat, and with the view to develop single unionism.
- JTUCC: Joint Trade Union Coordination Centre (JTUCC) established in 2007 involving NTUC, GEFONT, ANTUF, CONEP, FENEPT, NDECONT-I, NTUF, NDFONT, and INDCONT. It is a high level trade union mechanism which functions as a looser forum.

Rivalry between the unions has resulted in a fragmented trade union movement. A few years back, none of the national centres were on talking terms. Not all the trade unions during the past years of conflict have been committed to use only legitimate and democratic methods. The initiative of GEFONT and NTUC to start steps for harmonious relations has created a much better environment.

A breakthrough in the relationship between the unions was achieved when the main national centres NTUC (which, in these days, were split up into NTUC-I and DECONT, as previously mentioned), GEFONT and ANTUF which signed a common declaration in 2006. In the 10 points of the Declaration, the trade unions were committed to use democratic means to strive for poverty alleviation, gender equality, social security as well as ratification and adherence to the ILO core conventions and declarations. Moreover, the trade unions bound themselves to secure sound industrial relations on all levels and promote social dialogue and

to cooperate among themselves in a constructive manner using social dialogue to achieve their goals.

According to the International Trade Union Confederation (ITUC),⁶ the main trade union centres and employers' associations signed also an agreement in 2011 providing an increased pay and the creation of a social security net. In exchange for this agreement, the social partners pledged to maintain industrial peace for four years, and not to resort to any form of lockouts, closures or strikes that contravene the labour legislation.

Trade Unions in Nepal⁷						
Members, Dues, Collective Bargaining Agreements (CBA) and Occupational Safety and Health committees						
Trade Union Centre	Total Members (2014)	Female Members	Dues	Number of CBAs	Workers covered by CBAs	Number of OSH committees at workplaces
ANTUF All Nepal Trade Union Federation	375,413	75,335	Rs. 60	480	218,153	-
GEFONT General Federation of Nepalese Trade Unions	387,418	77,755	Rs. 60	372	192,000	Altogether 44 joint OSH committees formed by GEFONT & NTUC
NTUC Nepal Trade Union Congress	380,762	78,125	-	175	216,918	
CoNEP Confederation of Nepalese Professionals	203,000	30,000	Rs. 24	6	90,000	-
FENEPT Federation of Nepalese Progressive Trade Unions	46,000	3,220	Rs. 50	6	903	-
NTUF Nepal Trade Union Federation	45,000	2,700	-	-	-	-
N-DECONT National Democratic Confederation of Nepalese Trade unions	36,000	1,800	-	-	-	-
NRWU Nepal Revolutionary Workers' Union	N/A	-	-	-	-	-
NDFONT National Democratic Trade Union Federation	42,110	2,560	-	-	-	-
INDCONT Independent National Democratic Confederation of Nepalese Trade Unions	64,000	4,400	-	-	-	-
NDECONT-I National Democratic Trade Union Federation - Independent	36,655	11,741	Rs. 60	8	20,000	-
IDFONT Inclusive Democratic Federation of Nepalese Trade Union	37,655	-	-	-	-	-
INTUC Inclusive Nepal Trade Union Confederation	37,500	750	-	-	-	-

Employers' Organisations

Federation of Nepalese Chambers of Commerce & Industry (FNCCI)⁸

FNCCI was established in 1965. Its mission is Facilitating Nepalese Businesses Become Globally Competitive [sic]. It has an Executive Committee which forms various Committees, Forums or Councils. One of

these is the Employers Council. FNCCI has been implementing projects with partners such as ILO, USAID, DFID, among others. FNCCI is managed by an Executive Committee which consists of 74 members, headed by Mr. Pradeep Jung Pandey.

Central Tripartite Structures

Mediation and Arbitration

Individual disputes are handled by a Labour Officer, who must attempt mediation then rule on a decision, which can be appealed to the Labour Court. Collective Industrial disputes are first attempted to be mediated by the Labour Officer, if it fails then strike or lockouts may be held and a mutually appointed Mediator or a tripartite Committee will then decide the dispute.

Central Labour Advisory Board⁹

The Board may be constituted by the government with representatives of workers, employers and the government. It offers advice to the government on labour, employment and vocational training policy

Minimum Remuneration Fixation Committee¹⁰

The Committee consists of equal members representing government, workers and managers. It gives recommendations to the government on changes in minimum remunerations.

Freed Bonded Labourer Rehabilitation and Monitoring Committees¹⁴

The Committees is to oversee, coordinate and make recommendation on the rehabilitation of freed bonded labourers. Each district is to have a Committee made up of 13 members from various local authorities plus a maximum of three trade union representatives.

Social Security Fund Management Committee:

A tripartite committee called the Social Security Fund Management Committee has been formed under the Ministry of Labour and Transport Management to oversee and implement new social security schemes.

Other bi/tripartite organs

- Board of trustees in Social Security Fund
- Directives Council for formulation of employment policy

National Labour Legislation

Constitution

Nepal is governed by an interim constitution from 2007. The interim constitution established a constitutional assembly. Disagreement particular on whether the country should be divided into federal states along ethnic lines, meant that the assembly failed to deliver a draft constitution to their last deadline in May 2012, which was supposed to lead to a major restructuring of Nepal into a federal state. The assembly was then dissolved. Now, election for a new Constitution Assembly was held in November 2013. After the assembly, Nepal's second attempt to write a new constitution is only just beginning to take its first steps, but under an extreme busy agenda.

Labour Act¹¹

The Labour Act from 1992 regulates employment relations, working hours, labour disputes and Occupational Safety and Health standards. It establishes the Labour Court, Minimum Remuneration Fixation Committee, the powers of the Labour Inspectorate and the Central Labour Advisory Board. The act has special provisions for tea estates, construction, transport enterprises, and travel, trekking, adventure, rafting, and jungle safari

enterprises. A new draft Labour Act is under preparation.¹²

Trade Union Act¹³

The Labour Act of 1992, amended in 1999 governs registration, operations and management of enterprise level trade unions, trade union associations and federations.

Bonded Labour (prohibition) Act¹⁴

The Act from 2002, prohibits bonded labour in the form of labour or service to be rendered for a creditor without wages or with nominal wages, to pay back dept obtained by the labourer his family or ascendants. The act also establishes the Freed Bonded Labourer Rehabilitation and Monitoring Committee. Kamaiya and Hailya are traditional systems of bonded labour, where a person could obtain a loan and pay it back through labour at a low interest rate. The systems are not completely abolished, and many were released into poverty with little support.

Several other legislations exist that regulate and sets standards and restrictions for the labour market.¹⁵

ILO Conventions

Ratified ILO Conventions ¹⁶		
Subject and/or right	Convention	Ratification date
Fundamental Conventions		
Freedom of association and collective bargaining	C087 - Freedom of Association and Protection of the Right to Organise, 1948	Not ratified
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1996
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930	2002
	C105 - Abolition of Forced Labour Convention, 1957	2007
Effective abolition of child labour	C138 - Minimum Age Convention, 1973	1997
	C182 - Worst Forms of Child Labour Convention, 1999	2002
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951	1976
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1974
Governance Conventions		
Labour inspection	C081 - Labour Inspection Convention, 1947	Not ratified
	C129 - Labour Inspection (Agriculture) Convention, 1969	Not ratified
Employment policy	C122 - Employment Policy Convention, 1964	Not ratified
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	1995
Up-to-date Conventions		
Working time	C014 - Weekly Rest (Industry) Convention, 1921	1977
Wages	C131 - Minimum Wage Fixing Convention, 1970	1974
Indigenous and Tribal People	C169 - Indigenous and Tribal Peoples Convention, 1989	2007
Fundamental Conventions are the eight most important ILO conventions that cover four fundamental principles and rights at work. Equivalent to basic human rights at work.		
Governance Conventions are four conventions that the ILO has designated as important to building national institutions and capacities that serve to promote employment. In other words, conventions that promotes a well-regulated and well-functioning labour market.		
In addition, there are 71 conventions, which ILO considers "up-to-date" and actively promotes.		

Trade Union Rights Violations

The International Trade Union Confederation (ITUC) has not registered violations in practice for the year 2013 and 2014 (August).¹⁷ On the other hand, legal issues have been raised, e.g.: A strike can be held, but only following a secret ballot of 60% of the union's membership; and legislation denies the right to strike to employees providing essential services. In recent years, the government has used that legislation to ban strikes in many sectors, including banking, telecommunications, electricity, water supply, road, air and sea transport, the print industry, the government, press, and hotels and restaurants.

According to the U.S. Annual Human Rights Practices Report¹⁸ there were cases of violence in labor disputes which usually involved labor unions that threatened government officials, employers, or other union members if they did not agree to the union's demands. An incident was when the CPN-M-affiliated All Nepal Communication, Printing, and Publications Workers Union allegedly attacked the head office of the country's major telecommunications company, to protest the removal of 87 staff from a second telecommunication company owned by Ncell. Despite damage to the building's windows, computers, and customer service section, authorities did not take action against the attackers.

Working Conditions

Wages and earnings			
Monthly average and legal minimum wages			
	Source	Current rupees	2011 US\$
Average wage Agriculture (2010)	Living Standard Survey ¹⁹	5,171	73
Average wage Non-agriculture (2010)		8,000	113
Minimum wage (2013)	GEFONT ²⁰	8,000	85
Minimum wage for a 19-year old worker or an apprentice (2014)	Doing Business ²¹	5,658	76
Ratio minimum wage to value added per worker (2014)			0.77
Wage Share Unadjusted (2010)	Global Wage Database		35 %
Growth of real minimum wage (2000-2011)			60 %
Growth of real non-agricultural wage (2003-2010)	Living Standard Survey ²²		21 %
<p><i>Ratio of minimum wage to value added per worker denotes the minimum wage share of labour productivity. Reported as ratio of minimum wage to value added per worker in the Doing Business Report.</i></p> <p><i>The Wage Share is the share of GDP that goes to wages and other forms of labour compensation. It is not adjusted for the self-employed, and can therefore underestimate the amount of GDP that goes to workers, if there are many self-employed in the economy.</i></p>			

In May 2013, the Minimum Wage Determination Committee, which consisting employers, trade unions and the government, agreed to increase the minimum monthly salary of workers by Rs 1,800. Thus, the minimum wage was fixed on Rs 8,000 (US\$85) per month, which includes a basic salary of Rs 5,100 a month and dearness allowance of Rs 2,900 and 318 has been fixed as the daily wage. On this background, workers' basic monthly salary has been increased by 44%, dearness allowance by 9.4% and daily wage by 38%. Overall, workers' minimum monthly wages has been increased by 29% and is the highest in South Asia.²³ The minimum wage exceeded the poverty line of 125 rupees (US\$1.25) per day but is still barely sufficient to meet subsistence needs.

Based on the Global Wage Database the real wages are increasing and also the average wage has increased 70% from 2008 to 2011. So presumably the average wage is higher than the minimum wage in 2014. The average wage is also most likely to be very close to the minimum wage. The average wage is low because there is an abundance of unskilled labour and few employment possibilities. The average wage is also low because the minimum wage is often not observed.

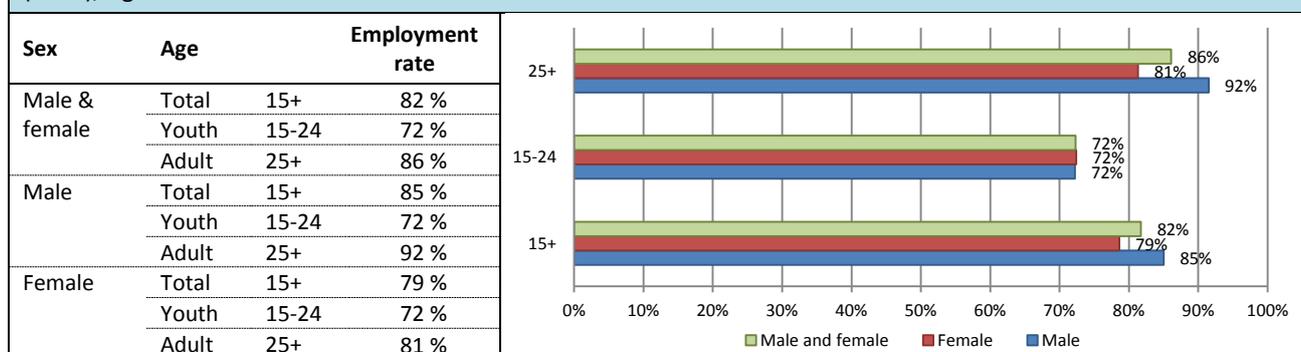
According to the Ministry of Labor most factories in the formal sector comply with laws on minimum wage and hours of work, but implementation varies in the informal sector, including in agriculture and domestic workers. The ministry employed up to 10 factory inspectors for the entire country, who also acted as labor and occupational health and safety inspectors. It equals that the 10 labour inspectors cover 1 per 1,476,000 workers in the labour force. The ILO recommends 1 per 40,000 workers in less developed countries.²⁴ It explains why the Implementation and enforcement of occupational health and safety standards are minimal, and the Ministry of Labor consider it the most neglected area of labor law enforcement. The ministry found violations across sectors, including in construction, mining, transportation, agriculture, and factory work.²⁵

Most workers have little knowledge of Occupational Safety and Health. Therefore, accidents, often fatal, are commonplace in many sectors. The construction sector is one of the most dangerous. Work related diseases such as rheumatism, cancer and lung problems are common in the agriculture, carpet industry and the agricultural processing industry.²⁶ According to the U.S. Annual Human Rights Practices Report,²⁷ accurate data on workplace fatalities and accidents were not collected on a regular basis. In addition, the government required contracts to be translated into Nepali and instituted provisions whereby workers have to attend a pre-departure orientation program. However, the effectiveness of the initiatives remains questionable.

Workforce

Employment rates²⁸

(2012), Age and Sex distribution



The total population of Nepal is estimated as 31 million persons out of which, 14.8 million cover the labour force. Nepal has a relatively equal high rate of employment rates for both men and women. It is also noteworthy that the youth has a very equal rate.

Asia has seen a strong growth in the middle class during the last decade. Nepal has seen a stronger increase in especially the lower middle class than the average for South Asia, so much so that it now is larger in Nepal: In South Asia 18% lived for US\$2-4 a day and 3.9% for US\$4-20 in 1999. In 2008 23% lived for US\$2-4 a day and 5.7% for US\$4-20. In Nepal 17% lived for US\$2-4 a day and 5.6% for US\$4-20 in 2003. In 2010 33% lived for US\$2-4 a day and 9.4% for US\$4-20. The dollars are in purchasing power parity.²⁹

With the latest data from 2010, Nepal has experienced a significant reduction of working poor, and is lower than the average for South Asia. Notably, there was very little gender difference.

Working Poor³⁰

Age 15+

		Share of workers in total employment	
		1.25 US\$ a day	2 US\$ a day
Nepal (2003)	Both	50 %	74 %
	Male	51 %	74 %
	Female	50 %	74 %
Nepal (2010)	Both	22 %	54 %
South Asia (2003)		41 %	77 %
South Asia (2010)		27 %	64 %
South Asia (2012)		24 %	61 %

Working poor measures employed people living for less than US\$1.25 and US\$2 a day, as proportion of total employment in that group

Unemployment and underemployment

Unemployment, youth unemployment and underemployment ³¹ (2010/11)			
	Un-employment	Youth Unemployment	Works less than 40 hours per week
Total	3.2 %	3.6 %	54 %
Urban	5.0 %	7.2 %	49 %
Rural	1.7 %	2.9 %	55 %
Male	3.2 %	5.2 %	46 %
Female	1.5 %	2.4 %	61 %

The unemployment rate is very low at 3.2%, largely because underemployment, precarious work and employment reduced the open unemployment rate. Even then unemployment is higher in urban areas, and among men and the youth.

According to the latest national survey from 2010/11, 54% worked less than 40 hours per week. Time related underemployment is those who involuntary work less than 40 hours per week, whereas the measure for Nepal indicates all those who worked less than 40 hours per week. The concept of underemployment does sometimes also include those who are employed below their skill-level.

Unemployment and youth unemployment are key problems, but the lack of decent and productive work is more common and affects the majority of workers in Nepal. Underemployment is high, and the labour force survey of 2008 indicated that there were skills mismatches among 45% of the labour force.³²

Fewer work between 20 to 40 hours per week, as 32% worked less than 20 hours per week and 22% work less than 40 hours. The labour force survey from 2008, indicated that 21% of those working less than 40 hours, did so involuntary and were therefore underemployed. The reasons were “can't find work” (41%), “off season inactivity” (56%) and “other” (3%).

Interpretation of the open unemployment and employment rates as indicators of a well-functioning labour market is problematic in developing countries. When unemployment is not an option where a person can survive, work of some sort has to be found, often casual and informal work. Unemployment should

therefore be understood in relation to the strength of social safety nets, the prevalence of informal employment and how much of informal employment is underemployment due to few formal employment possibilities.³³

A new survey from 2014³⁴ compares strict and relaxed unemployment rates in Nepal. The table below shows that the strict unemployment rate for young people is high at 17% for men and 22% for women. This indicates a situation where young people do not find anything to do of economic value, not even of short duration, which is surprising in a labour market with such a high share of informal employment. A gender difference is apparent but is limited to 5.1% points in favor of men.

The rates for relaxed unemployment are not surprisingly substantially higher at 25% for young males and 34% for young females. The gender gap is also higher, reaching 9% points.

'Strict' and 'relaxed' youth unemployment rates ³⁵ (2013)		
	Strict	Relaxed
Total	19.2 %	28.9 %
Male	17.1 %	25.1 %
Female	22.2 %	34.1 %

'Strict' unemployment according to international standards is defined as the situation of a person who: "(a) did not work in the reference period, (b) was available to take up a job one had been offered in the week prior to the reference period, and (c) actively sought work within the past 30 days. The definition of "relaxed unemployment", in contrast, differs in the relaxation of the "seeking work" criterion. I.e. in situations where the conventional means of seeking work are of limited relevance, where the labour market is largely unorganized or of limited scope, where labour absorption is, at the time, inadequate or where the labour force is largely self-employed.

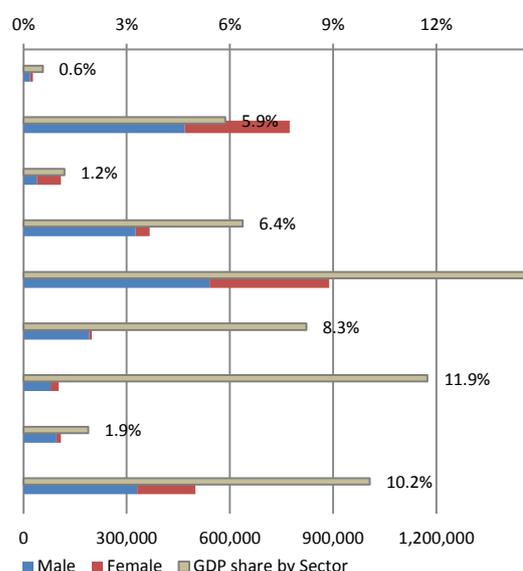
According to ILO, there is no universal solution to finding a job, and both the employed and unemployed use similar methods. Those unable to join a family business, for whatever reason, are at a serious disadvantage. Moreover, the high share of informality in employment explains a pattern in these results, i.e. the reliance on informal means of job searching. The striking lack of use of employment centers has serious policy implications.

Sectoral employment

Employment (2001)³⁶ & GDP share (2013)³⁷

Sector & Sex distribution – (Graph without Agriculture)

Sector	Male employment	Female employment	GDP share per sector
Mining and quarrying	19,000	8,000	0.6 %
Manufacturing	469,000	305,000	5.9 %
Electricity, gas and water	39,000	70,000	1.2 %
Construction	326,000	41,000	6.4 %
Trade, restaurants and hotels	541,000	348,000	15.3 %
Transport and communication	191,000	8,000	8.3 %
Finance, real estate and business services	79,000	23,000	11.9 %
Public administration	96,000	13,000	1.9 %
Others services	330,000	170,000	10.2 %
Agriculture	3,429,000	5,275,000	31.6 %

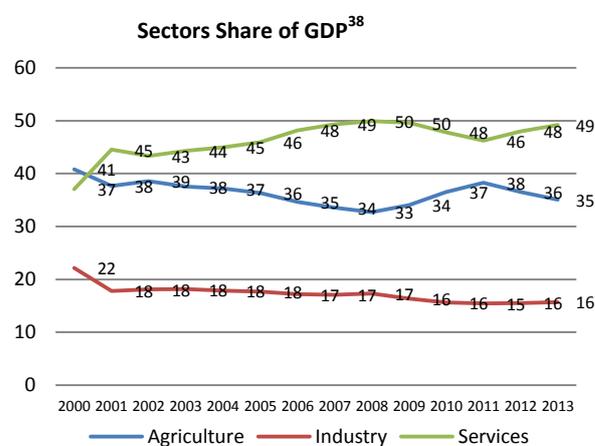


There are no updated data on the sectoral employment. Based on data from 2001, the vast majority or 74% work in agriculture, which only contributes with 32% to GDP; and 84% of employed women and 62% of men work in agriculture. There are large differences in contribution to GDP and between the sectors. They do, however, not follow gender differences in all sectors.

Industrial activity mainly involves the processing of agricultural products, including pulses, jute, sugarcane, tobacco, and grain.

The Finance, Real Estate and Business service and the Transport & Communication sector have large contributions to GDP relative to employment.

There has also been a slight sectoral shift away from agriculture into services.



Migration

Migration ³⁹		
Net migration (2008-2012)	Nepal	- 400,570
Net migration to average population per year (2008-2012)	Nepal	- 1 : 335 inhabitants
	South Asia	- 1 : 1,135 Inhabitants
Personal transfers i.e. remittances received, % of GDP (2012-2013)	Nepal	29 %
	South Asia	4.7 %

International migration is an important part of the Nepalese labour market. The net migration has registered a high increasing outflow of migrants as 400,570 in the period 2008-2012. It is noteworthy that the Nepal's net migration rate has superseded the South Asia's average. At 29%, remittances form a very large part of GDP. It has increased from only 2% of GDP in 2000, among others as a result of the weak currency have boosted workers' remittance inflows. The top three destinations for migrants are India, Qatar, and the United States.⁴⁰

Informal Economy

There were large numbers of workers in the informal sector, although no data are available to confirm the size of the informal economy with precision. Core labour standards are not implemented in the informal economy.

The Labour Force Survey of 2008⁴² estimated 932,000 to be formally employed. This translates into an informal employment at 96% out of total employment. Outside agriculture around 73% are employed in the informal sector. Thus, a slight increase since the rate was at 70% based on the from 1998/99 labour force survey. An additional 16.4% are estimated to be informally employed outside the informal sector. The latter mainly include non-agricultural subsistence workers and contributing family workers. Even for a developing country, this is a high share for the informal sector.

Women are more likely to be employed in the non-agricultural informal sector than men. The rate of informal employment also decreases with age, except for over 60 year olds.

According to the Living Standard survey of 2010/11, 56% of households receive remittances - both from domestic and international sources. The vast majority of total remittances are used for daily consumption (79%). Other uses are loans repayment (7%), to acquire household property (5%), education (4%), capital formation (2%) and other purposes (3%). Few remittances are therefore used for investment. In addition, 33% of households have members living abroad, equivalent to 8.7% of the population.

According to ITUC,⁴¹ about 12% of Nepali migrants are in Persian Gulf States, working in sectors such as hospitality, construction, security guards, and domestic workers. Many migrate through recruitment agencies, which link their visas to sponsoring employers in the receiving country, without the possibility of seeking alternative employment. Many migrants are therefore vulnerable to forced labour and exploitation.

More than 400 Nepalese migrant workers have died on Qatar's World Cup building sites as the Gulf state prepares to host the event in 2022. It shows not only about working conditions on sites, but also about the treatment of construction workers.

Sectors, which have the highest degree of formality are the public sector, financial and transport, and communication sector.

Among informally employed in the non-agricultural sector, 40% were employees, 4% employers, 36% self-employed and 20% contributing family workers.

The people within the informal economy are faced with a multiplicity of problems where poverty is the most significant. Most people's income strategies rely on the informal economy where no job protection or social security schemes exist, the risk of being cast back into poverty is highly prevalent since employment seldom is permanent. The large supply of unskilled labour, including migrants and child labour, results in very low wages and a low level of protection, both against occupational hazards and abuse at the workplace for this group of people.

Trade unions have been in an expansion of union activities and organizing workers from the informal economy. E.g. close to 50% of the GEFONT-Nepal membership comes from informal 'sector' workers.⁴³

Child Labour

Working children			
Proportion of all children in age group			
Region	Year	Type	Proportion
Nepal (age 5-14)	2010 ¹⁹	Child labourers	44.3 %
	2010/11 ⁴⁴	Child labourers	27.3 %
Asia and the Pacific (age 5-17)	2008 ⁴⁵	Hazardous work	18.3 %
		Children in employment	20.4 %
		Child labourers	13.3 %
<i>Children in employment include all children who conduct some kind of work, whereas child labourers are a narrower term without mild forms of work. Hazardous work is the worst form of child labour as defined in ILO C182.</i>			

Child labour is very common in Nepal. Two recent estimates of child labour exist, the Living Standard Survey gives child labour at 28% for 2010/11, and the UNICEF Multiple Indicator Cluster Survey gives it at 44% for 2010. Both are much higher than the average

Gender

The proportion of economically active women in Nepal is quite high compared to other South Asian countries. This is in part due to the predominance of subsistence agriculture and male migration from the hills, but it also reflects efforts by the Central Bureau of Statistics to ensure that women's work is recognized.⁴⁶

It has been estimated that 89% of women are engaged in agriculture and forestry compared to 70% of men. Yet, women's wages lag well behind those of men. A study also found that 54% of women face sexual harassment in the workplace, and weak and inadequate laws make it difficult for women to register cases. Furthermore, increasing women migrant workers are more vulnerable than men and face greater exploitation in all the processes of migration.

Youth

The group of young people aged 15–29 in Nepal represents more than one-quarter (28%) of the total population. Actually a large segment of the country's youth is still in school, making them the most educated generation ever, but many still have difficulty finding employment. It has fostered the increasing emigration.⁴⁸ It is also notable that many youth were affected by Nepal's 1996-2006 conflict, including co-opted, manipulated or forced activities that created victims who suffered direct violence and

for Asian and Pacific countries, though the comparison is not straightforward as the Nepal estimates do not include children aged 15-17.

Child labour is higher in rural (46%) areas than urban (31%). Girls (48%) were slightly more likely than boys (41%) to be engaged in child labour. Older children at the age 12-14 (30%), were also less likely to be engaged in child labour than younger at the age 5-11 (51%). Poverty is also a factor, with the poorest quintile of households having a higher incidence of child labour (50%) than the richest (30%).

These include the 53% of children aged 12-14, who works for less than 14 hours per week outside the household and 78% of children doing household chores for less than 28 hours per week, and are not counted as child labourers.

Unemployment, which is mostly an urban phenomenon, is more common among men, whereas underemployment is more common among women.

An Enterprise Survey from the World Bank in 2007 reported that 27% of firms had female participation much higher than the average in South Asia at 16%, and 21% of full time employees were women more than South Asia at 16%.⁴⁷

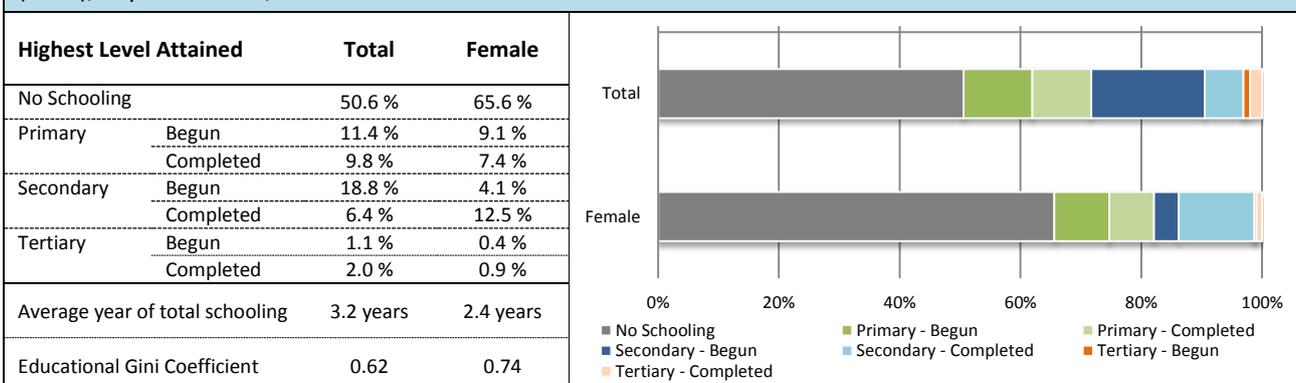
Nepali Trade Union movement has formed a network popularly known as Trade Union Committee for Gender Equality Promotion (TUC-GEP). It has finalized 10-point gender agendas at workplace.

lost the opportunity to attend school or vocational training.

Nepali youth face two interrelated problems: lack of access to relevant education and training, and lack of information. Educational and training institutions lack a career guidance and counseling system that could help youth to select prospective careers.⁴⁹ But, investing in education has brought positive returns to youth in terms of wages and access to the "better" jobs.

Characteristics of the Working Age Population

Highest level attained and years of schooling in the population⁵⁰ (2010), Population 25+, Total and Female



Primary, secondary and tertiary is the internationally defined distinction of education. In Denmark these corresponds to grundskole, gymnasium & university.

The educational Gini Coefficient is similar to the Gini Coefficient, but instead of measuring the distribution of income in a population, it measures the distribution of education measured as years of schooling among the population.⁵¹

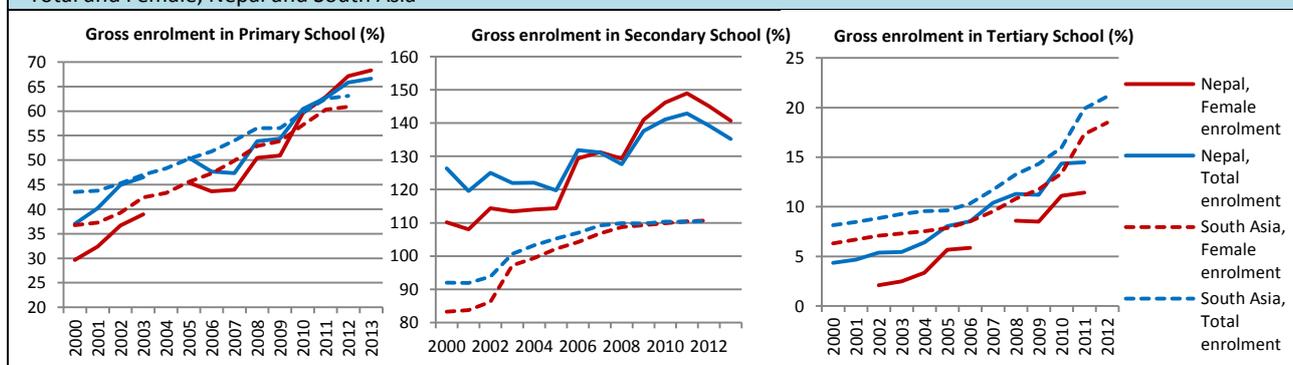
Over 50% of Nepalese have no schooling, and the average years of schooling is 3.2 years per capita, one of the lowest in Asia.

Notably, a much larger share of the women who have begun secondary education have completed it.

However, women in general have less education than men, especially with more having no schooling at all.

The graph above shows the educational attainment of all Nepalese above 25 years, therefore gives a glance of the human capital of the labour force.

Enrolment in Primary, Secondary and Tertiary schools (%) (2000-2013)⁵² Total and Female, Nepal and South Asia



Gross enrolment is the ratio of total enrolment, regardless of age, to the population of the corresponding official school age. Gross primary enrolment is therefore sometimes higher than 100%. Primary, secondary, tertiary net enrolment data was not available and/or it was insufficient.

No recent data on primary school enrolment is available for Nepal. Enrolments into secondary and tertiary schools are a bit lower than the South Asian average, with about the same gender difference and same progress. Though, the data does not extend beyond 2006.

With a ratio of vocational students to 15-24 year olds at 0.33% the number of vocational students is very low, and lower than the average for South Asian countries.

Vocational Training⁵³

Pupils in vocational training (2008)	Nepal	15,053
Ratio of pupils in vocational student to all pupils in secondary education (Average 2005-2008)	Nepal	6 %
Ratio of pupils in vocational training out of 15-24 year olds (Average 2005-2008)	South Asia	7.4 %
	Nepal	0.33 %
	South Asia	0.43 %

Social Protection

Public spending on social protection schemes ⁵⁴ (2013)		
	Rupees	12 billion
	US\$	128 million
Public social protection expenditure, excl. health	% of GDP	0.7 %
	per capita	4.6 US\$
	% of government expenditure	6.0 %
Public health care	% of GDP	1.5 %
Health social protection coverage (2010)	% of population	0.1 %
Trends in government expenditure in health	% changes per year (2007-2011)	7.0 %

Benefits, coverage and contributions to pension schemes ⁵⁵ (2010-2011)		
Social benefits for the active age	% of GDP	0.4 %
Share of contributing to a pension scheme	% of economically active population	3.8 %
Pensionable (58+) age receiving an old age pension	Proportion of elderly	63 %
Active contributors to an old age pension scheme	15-64 years	2.5 %

In Nepal social protection plays a key role of a catalyst in consolidating durable peace. Many cash transfer programs have been introduced, and these have significantly supported closing the poverty gap. According to the ILO, the programs are fragmented, though. Formal social security schemes in Nepal are highly visible, but limited to the coverage of civil servants, security personnel and a small portion of the private sector.⁵⁶

The Social Security Fund was established in 2011 and is run by the Social Security Fund Secretariat.⁵⁷ The fund will create minimum social security benefits for sickness, maternity, employment injury, family and children care, old-age, survivors, invalidity, medical care, and unemployment. The fund is financed through a 1% tax on earnings.⁵⁸ Due to unclear legal provisions, the government has not been able to introduce the social security schemes for workers. Data collection of workers has been at a slow pace. There are around 470,000 public and 283,000 private sector employees who are eligible to be enrolled for social security schemes. Of some 80,000 companies, hardly 500 firms have provided information about their employees to enroll them for schemes. In August 2014, a new Bill for the social security of workers was

put on the table, which seeks to ensure universal social security scheme for all types of workers, including workers from the 'informal' sector.⁵⁹

The Social Security Fund Management Committee has also been formed to carry out social security schemes under the Ministry of Labour and Transport Management. The employers have also agreed to contribute 20% of the total salary received by an individual worker to the social security fund. The government has issued a directive to manage the fund that incorporates a well managed social security fund.

The Employment Provident Fund (EPF) provides benefits for old-age, accident, disability, funeral and survivor. The benefits are paid as a lump-sum, and the Fund also includes a loan scheme where the member can borrow up to 90% of their equity at a low interest rate,⁶⁰ currently between 9% and 10.5%.⁶¹ Government employees are mandatory members and there is voluntary coverage for firms with ten or more employees. EPF had around 450,000 active contributors in 2011. Nepal had a total of 463,000 public employees in 2011, 20% of them female. The number of voluntary contributors from the private sector is therefore tiny, if any exists.⁶²

Public employees are also covered by the Civil Service Pension Scheme. In 2009 173,800 benefitted retired workers benefitted from the scheme. In 2014 the government revived plans to launch a contribution-based pension system since pension payments are ballooning with financial strains.

Employees in firms of more than 10 employees are entitled to work injury, disability and survivor benefits. Employers bear the full cost. However, these compensations are rarely paid in full. Employers often cut deals with the families of the victims; for instance a family member is offered the position of the victim or an amount much smaller than the compensation is paid.

Nepal also runs a successful non-contributory cash transfer scheme.⁶³ The Senior Citizens' Allowance targets elderly above the age of 70, destitute widows above 60 and disabled in general. The benefits are a monthly pension of 150-500 rupees (US\$2-7). The scheme had 211,343 beneficiaries in 2008.⁶⁴

General Economic Performance

Key Facts ⁶⁵ (2013 est.)				
GDP (US\$)	GDP per capita (PPP) (US\$)	GDP real growth	HDI (2012) ⁶⁶	Gini Index (2010)
19.3 billion	1,500 205 of 228 countries	3.6 %	0.463 157 of 187 countries	32.8 102 of 141 countries
<p>The Human Development Index (HDI) measures the average of a long and healthy life, access to knowledge, and a decent standard of living.</p> <p>Gini Index of 0 represents perfect equality, while an index of 100 implies perfect inequality. In terms of the ranking, the first country has the highest inequality, while the number 141 has the highest equality.</p>				

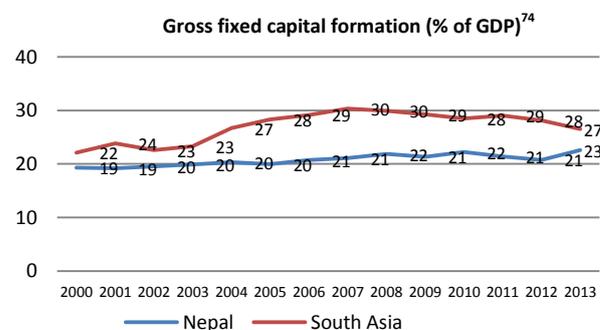
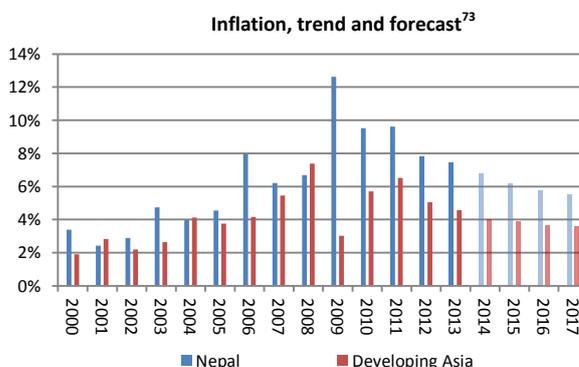
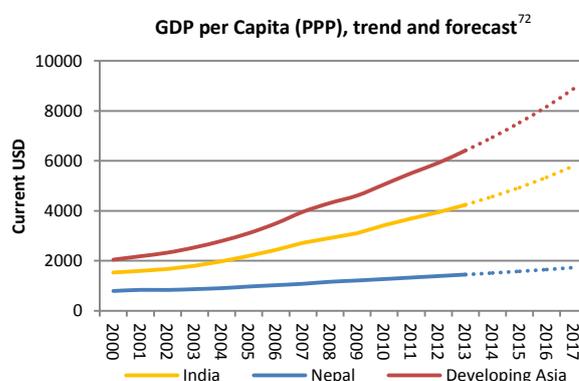
Doing Business ⁶⁷	Control of corruption	Government effectiveness	Rule of Law
108 of 189 countries	- 0.71 (2007) - 0.83 (2012)	- 0.65 (2007) - 0.99 (2012)	- 0.64 (2007) - 0.79 (2012)
<p>A high ranking on the Ease of Doing Business Index means the regulatory environment is more conducive to the start-up and operation of a local firm.⁶⁸</p> <p>The selected Governance Indicators cover the years 2007 and 2012, and ranking from -2.5 to 2.5; i.e. negative tendencies below the zero mean and unit standard deviation, score negative measurements.⁶⁹</p>			

Nepal is among the world's poorest and least developed countries. Much can be attributed to social unrest and political instability during the last two decades. A peace agreement was reached after the armed conflict between government forces and Maoist fighters from 1996 until 2006; an interim constitution governed the country since 2007; the abolition of monarchy and a declaration of a federal republic in 2008; the rise of strong ethnic identity movements; and the new election of a Constituent Assembly in February 2014. The conflict has eroded public institutions and the infrastructure in the hilly country is poor. One of Nepal prospects is its large untapped resource of hydropower.⁷⁰

Compared to the average of developing countries in Asia, Nepal is being decoupled from the growth in GDP per capita measured in Purchasing Power Parity (PPP), and the gap is projected to widen. It includes the regional powerhouse of China, but Nepal is also falling behind its large neighbour India and more comparable neighbouring countries. Nepal is also quite low on the Human Development Index (HDI). On the other hand, the latest Gini Index is from 2010, at 32.8 it indicates that income inequality is somewhat low in Nepal.

Inflation has been rising in Nepal over the last decade. It is projected to become lower, but it will remain above the average for developing countries in Asia. The Nepalese rupee is pegged to the Indian.

The Doing Business indicator ranks Nepal medium at 108 out of 189 countries, stepping up 1 step on the index since 2013/14. Nepal has low, decreasing ranks on the three Governance indicators. After the civil war, corruption is becoming a defining characteristic of the Nepalese economy.⁷¹



Trade

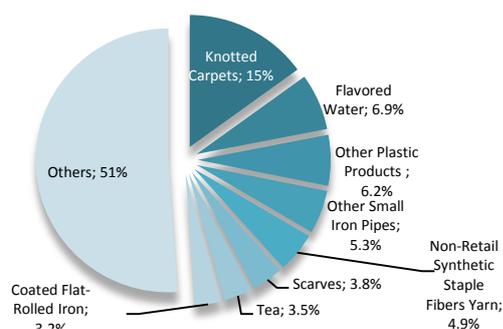
Trade and Foreign Direct Investment ⁷⁵ 2013 (est.)			
Exports	Imports	FDI flow ⁷⁶ (average 2009-13)	FDI Stock
1.1 billion US\$	6.3 billion US\$	77 million US\$	103 million US\$
5.5 % of GDP	33 % of GDP	0.4 % of GDP	0.5 % of GDP

Though export sector is somewhat diversified with manufactured products, exports form a very small part of GDP, whereas imports are much higher. Nepal also receives little foreign investment, with some of the lowest inflows of FDI to GDP.

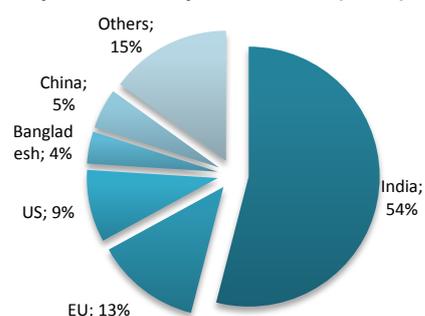
India is the largest export market for Nepal. Given Nepal's landlocked status and proximity to India, it is likely to continue to be linked to the growth and demand from India. The passages to China go through the Himalayas so almost all Nepal's trade goes through India. It also means that that India has considerable economic leverage over Nepal.

The high quantity of imported oil is mainly due to the rising demand for petroleum products as a result of the persistent and long hours of power cuts, and the weak currency.

Nepal's main production share of exports (2012)⁷⁷



Nepal's main export markets (2013)⁷⁸



Trade agreements

Nepal benefits from the United States' Generalised System of Preferences (GSP). GSP is a unilateral trade benefit from the U.S. government, allowing duty and quota free access for some product. A country can be removed if it is violating or do not take steps to uphold the ILO Core Labour Standards. Each country is reviewed annually, by the U.S. government.⁷⁹

Nepal also benefits from the EU's unilateral Generalised System of Preferences, Everything But Arms (EBA), which allows duty and quota free access for all products except arms. A country can be removed from EBA, if it seriously and systematically violates principles of human rights and of the ILO Core Conventions. So far only Myanmar and Belarus have ever been removed.⁸⁰

Export Processing Zones (EPZ) / Special Economic Zones (SEZ)

Albeit initiatives to create SEZ were initiated in 1990, Nepal has still no zones. The SEZ Bill was endorsed by the government in 2009. The government failed to get it endorsed by Parliament or the Legislature-Parliament, though. Among others, it was due to criticism of the bill for not having provisions to protect the rights of laborers by some of the trade unions, particularly the one associated with the UCPN, Both legal and infrastructure limitations still hamper the implementation of EPZ/SEZ in Nepal.⁸¹ The government is now preparing a legal tool to pave the way for the establishment of the SEZ. Moreover, the government approved the SEZ formation order to start developing special economic zones in the country and bring industrial units inside them.

According to the ITUC, the zones will deny trade unions and collective bargaining.⁸² Social security benefits, wages and other terms and conditions will be fixed by the Special Economic Zone authority without participation of any workers' representative.

References

- ¹ [ILO, Key Indicators of the Labour Market Database](#)
- ² [ILO, Decent Work Country Programme, 2013-2017, Nepal](#)
- ³ <http://www.gefont.org>
- ⁴ <http://www.gefont.org>
- ⁵ LO/FTF Council
- ⁶ [ITUC, Annual Survey of violations of Trade Union Rights, 2012](#)
- ⁷ [ITUC, List of Affiliated Organisations, 2012](#)
- ⁸ <http://www.fncci.org>
- ⁹ [ILO, NATLEX, Trade Union Act, 2049 \(1992\)](#)
- ¹⁰ [ILO, NATLEX, Trade Union Act, 2049 \(1992\)](#)
- ¹¹ [ILO, NATLEX, Labour Act, 2048 \(1992\)](#)
- ¹² [Katmandu Post, Ministry comes up with fresh Labour Act draft, March 4, 2013](#)
- ¹³ [ILO, NATLEX, Trade Union Act, 2049 \(1992\)](#)
- ¹⁴ [ILO, NATLEX, Bonded Labour \(Prohibition\) Act, 2002 \(Act No. 21\)](#)
- ¹⁵ [ILO, NATLEX, Country Profile Nepal, Basic Laws](#)
- ¹⁶ [ILO, NORMLEX, Country Profiles](#)
- ¹⁷ [ITUC, Annual Survey of violations of Trade Union Rights, Nepal](#)
- ¹⁸ [U.S. Department of State, Annual Country Reports on Human Rights Practices, 2011](#)
- ¹⁹ [Central Bureau of Statistics, Nepal Living Standards Survey 2010/11](#)
- ²⁰ [GEFONT, Notice publishes on fixation of minimum wage in the Nepal Gazettee, June 12, 2013](#)
- ²¹ [IFC, World Bank, Doing Business 2013, 10th ed.](#)
- ²² [Central Bureau of Statistics, Nepal Living Standards Survey 2010/11](#)
- ²³ [GEFONT, Notice publishes on fixation of minimum wage in the Nepal Gazettee, June 12, 2013](#)
- ²⁴ [ILO, Press Release, ILO calls for strengthening labour inspection worldwide, 16 November 2006](#)
- ²⁵ [U.S. Department of State, Annual Country Reports on Human Rights Practices, Nepal, 2013](#)
- ²⁶ LO/FTF Council
- ²⁷ [U.S. Department of State, Annual Country Reports on Human Rights Practices, Nepal, 2013](#)
- ²⁸ [ILO, Key Indicators of the Labour Market Database](#)
- ²⁹ [World Bank, PovcalNet database](#)
- ³⁰ [ILO, Key Indicators of the Labour Market Database](#)
- ³¹ [Central Bureau of Statistics, Nepal Living Standards Survey 2010/11](#)
- ³² [ILO, Labour and social trends in Nepal 2010](#)
- ³³ Kucera D. & Roncolato L. (2008), Informal Employment: Two contested policy issues, International Labour Review, Vol. 147 (2008). No. 4
- ³⁴ [ILO, Labour market transitions of young women and men in Nepal, May 2014](#)
- ³⁵ [ILO, Labour market transitions of young women and men in Nepal, May 2014](#)
- ³⁶ [ILO, Key Indicators of the Labour Market Database](#)
- ³⁷ [ADB, Key Indicators for Asia and the Pacific 2014, Nepal](#)
- ³⁸ [World Bank, World DataBank](#)
- ³⁹ [World Bank, World DataBank](#)
- ⁴⁰ [World Bank, Migration and Remittances Factbook 2011](#)
- ⁴¹ [ITUC, Annual Survey of violations of Trade Union Rights, 2012](#)
- ⁴² [Central Bureau of Statistics, Nepal Labor Force Survey 2008](#)
- ⁴³ [GEFONT, Nepali Informal Economy and trade Union movement](#)
- ⁴⁴ [UNICEF, Childinfo, Multiple Indicator Cluster Surveys, Available reports/datasets](#)
- ⁴⁵ [ILO, Accelerating action against child labour, International Labour Conference, 99th Session 2010](#)
- ⁴⁶ [ADB, Overview of Gender Equality and Social Inclusion in Nepal, 2010](#)
- ⁴⁷ [World Bank, Nepal Enterprise Survey, 2009](#)
- ⁴⁸ [ILO, Labour market transitions of young women and men in Nepal, May 2014](#)
- ⁴⁹ [UN, Under and unemployed youth \(15-29 years\), Nepal Information Platform](#)

-
- ⁵⁰ [Barro, Robert and Jong-Wha Lee, April 2010, "A New Data Set of Educational Attainment in the World, 1950-2010." NBER Working Paper No. 15902](#)
- ⁵¹ Calculation from based on [Thomas, Wang & Fan \(2001\)](#), with data sets from [Barro-Lee \(2010\)](#) and [Psacharopoulos and Arriagada \(1986\)](#).
- ⁵² [World Bank, World DataBank](#)
- ⁵³ [World Bank, World DataBank](#)
- ⁵⁴ [ILO, Social Protection, Statistics and indicators](#)
- ⁵⁵ [ILO, Social Protection, Statistics and indicators](#)
- ⁵⁶ [ILO, Social Security/ Social Protection in Nepal: Situation Analysis, 2013](#)
- ⁵⁷ <http://www.ssf.gov.np>
- ⁵⁸ [International Social Security Association, Country Profiles, Nepal](#)
- ⁵⁹ [Agora-parl.org, Nepal: Parliament directs govt to table social security Bill, August 6, 2014](#)
- ⁶⁰ [ILO, SECSOC, Nepal, Overview of Schemes](#)
- ⁶¹ <http://www.epfnepal.com.np>
- ⁶² [ILO, SECSOC, Nepal, Overview of Schemes](#)
- ⁶³ [ADB, Nepal's Senior Citizens' Allowance: A Model of Universalism in a Low-income Country Context, September 2013](#)
- ⁶⁴ [Brooks World Poverty Institute, Barrientos et al., Social Assistance in Developing Countries Database, Version 5.0 July 2010](#)
- ⁶⁵ [CIA, The World Factbook, Nepal](#)
- ⁶⁶ [UNDP, Human Development Index trends](#)
- ⁶⁷ [IFC & World Bank, Ease of Doing Business 2014, Nepal](#)
- ⁶⁸ [World Bank & IFC, Doing Business, Methodology](#)
- ⁶⁹ [World Bank, Worldwide Governance Indicators](#)
- ⁷⁰ [World Bank, Nepal Overview](#)
- ⁷¹ [The Economist, Aid and corruption in Nepal: Low road through the Himalayas, May 31st 2011](#)
- ⁷² [IMF, World Economic Outlook Databases](#)
- ⁷³ [IMF, World Economic Outlook Databases](#)
- ⁷⁴ [World Bank, World DataBank](#)
- ⁷⁵ [CIA, The World Factbook, Nepal](#)
- ⁷⁶ [World Bank, World Development Indicators](#)
- ⁷⁷ [MIT, The Observatory of Economic complexity, What does Nepal Export](#)
- ⁷⁸ [European Commission, DG TRADE, Bilateral Relations, Statistics](#)
- ⁷⁹ [Office of the United States Trade Representative, Generalized System of Preferences \(GSP\)](#)
- ⁸⁰ [EC, DG TRADE, Development, Generalized System of Preferences \(GSP\)](#)
- ⁸¹ [The Rising Nepal, SEZ Formation Needs A Quantum Jump: Shanker Man Singh](#)
- ⁸² [ITUC, Report for the WTO General Council review of Trade policies of Nepal, 2012](#)