

PATHWAYS TO PROSPERITY AND INCLUSIVE JOB CREATION IN NEPAL

26 October 2017, Kathmandu, Nepal

Event Report

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INTRODUCTION

On 26th October 2017, the [Overseas Development Institute](#) (ODI) in collaboration with [South Asia Watch on Trade, Economics and Environment](#) (SAWTEE) presented research on job creation and pathways to prosperity in Nepal. Building a consensus view of how Nepal can transform and create jobs in the future is crucial to incentivise policy action.

However, there seems to be little or no political debate on job creation. This presented an opportunity to agree a consensus view and unifying, practical vision on how the country can transform and create jobs. A [new extensive study](#) carried out in January 2017 examined what can be done to ease Nepal's constraints to job creation, based on a new firm-level survey in four promising sectors: agro-processing; light manufacturing; information and communication technology (ICT); and tourism. The study examined major constraints to the firm-level growth and the Nepalese labour market in terms of labour market tightness and labour market skills and proposes general recommendations as well as sector-specific policy suggestions.

[Supporting Economic Transformation \(SET\) programme](#) is an applied research and advisory programme at the ODI funded by the UK Department for International Department (DFID). South Asia Watch on Trade, Economics and Environment (SAWTEE) is a Kathmandu based NGO and a leading think tank engaged in policy research, advocacy, capacity building, sensitization, and networking and alliance building.

Event summary

- Nepal grew 4% pa (2000-2015) and poverty rates halved from 53.1% in 2004 to 24.8% in 2011, thanks in great part to remittances (which are 30% of GDP and from around 4 million workers)
- Nepal is on course to graduate from a low-income country (LIC) to a lower-middle-income country (LMIC) by 2030. However, this would require the creation of 6.1 million jobs, of which 3.1 million are needed simply to match population growth.
- There has also been insufficient economic transformation as well as a declining manufacturing share, casting doubt on reaching targets on income levels, growth and employment creation.
- Researchers have now urged the government and all political actors to put a long-term vision and plan in place for economic transformation and job creation in four key sectors identified in a [new report on Pathways to Prosperity](#): agro-processing and light manufacturing; information and communication technology (ICT); and tourism.
- It is essential to think about export-focused job creation – no country has been able to grow without export sector, and these sectors drive productivity. Nepal also need to think about how to create jobs in a relatively labour-intensive way.
- Nepal urgently needs a unifying, practical vision on how it will create jobs and transform the economy, focusing on tackling the most binding constraints (such as targeted energy and transport infrastructure, on the job training and improved state-business relations) in transformational sectors
- The National Planning Commission (NPC) stated that we need to think about big enablers such as digitisation and technology, smart industrial policies and to prioritise policy recommendations and think about specifics such as building Special Economic Zones.
- The Confederation of Nepali Industries (CNI) stressed that Nepal must improve labour regulations, and CNI are already having discussions with government on regulatory changes. Nepal must make the country an attractive and lucrative place for young people to work, to stem migration.
- DFID summarised the actions raised at the event, including the need for Nepal to promote exports (currently it is the only country in South Asia that has policies controlling exports - others promote exports), to conduct further research into the labour market particularly vis-a-vis skills training and increased investment in infrastructure (which was a common finding amongst all sector reports as a constraint to growth and, in turn, labour demand).

WELCOME REMARKS & INTRODUCTION TO GROWTH AND TRANSFORMATION PATHWAYS FOR NEPAL BY DR DIRK WILLEM TE VELDE, SET PROGRAMME DIRECTOR AND HEAD OF INTERNATIONAL ECONOMIC DEVELOPMENT AT ODI

Dirk Willem te Velde began his presentation with the positives, reminding the audience of Nepal's recent strong growth rates and significant poverty reduction before discussing the challenges and potential solution. A key finding of the [Pathways to Prosperity](#) report is Nepal is 'on track' but needs very high growth to become a Middle Income Country (MIC) or even a Lower Middle Income Country (LMIC) as hoped. The country urgently needs to move jobs out of low productivity sectors and into higher productivity ones.

The challenge:

- Nepal grew 4% pa (2000-2015) and poverty rates halved from 53.1% in 2004 to 24.8% in 2011, thanks in great part to remittances (which are 30% of GDP).
- However there has been insufficient economic transformation as well as a declining manufacturing share, casting doubt on reaching targets on income levels, growth and employment creation.

Towards a solution:

Nepal must design and implement a vision of economic transformation and job creation, by:

- Putting in place *unifying, practical* vision based on promising sectors for prosperity and inclusion (agri-business, light manufacturing, ICT and tourism)

- Tackling *binding* constraints to job creation in key sectors, which often relate to attracting business and building skills
- This vision would also need to be *embedded* across government and partners to make implementation easier.

Practical steps now:

- Foster a (political) debate on long-term growth, job creation and transformation (which involves a deep institutional success factor, and sees jobs and transformation as a nation building project);
- Tackle priority, sector constraints through targeted, co-ordinated action in areas with the greatest pay-off
- The private sector is the job creator, but public need to create environment.

Q&A with audience

Why isn't construction a selected sector?

We identified which sectors are more productive, which are export-oriented and can have potential to grow. The sectors we chose were also identified as important in a range of other studies.

You chose ICT sector which is very good, but will the Planning Commission take this as a priority and take action?

ICT is a strong export sector and also an enabling sector that can create high quality jobs. But a country does need to be ready for it by developing e-commerce etc.

Can migration drive productivity? Have you considered the effects of skills upgrading?

Remittances and returning migration can certainly help productivity. But the challenge now is that skilled workers are leaving to go abroad. Nepal needs good quality jobs in the future with targeted demand for jobs.

In villages there is a scarcity of labour in agriculture. How can we transform jobs into higher productivity ones?

We need to think of segments of the labour market. In agriculture, we think of the value chain – the scarcity is more in the high-skilled workers. Important issues are skills, training and even provision of electricity.

COMMENTS BY DR RURIK MARSDEN, HEAD OF DFID NEPAL

From DFID's perspective, we want to understand how the Government of Nepal can create more jobs and this is a very important and timely discussion. We asked two key questions in this project:

- Can we say anything about which sectors Government of Nepal should prioritise?
- How can we (DFID) help to create jobs in those sectors?

Prioritisation is necessary and resources/political capital are needed to create a good investment environment. We need a nation-building project and the political reality is that reforms *can* happen with specific ideas of how to unlock jobs and what investment to make. We took two key findings from the rigorous reports:

- 1) It is essential to think about export-focused job creation – no country has been able to grow without export sector, and these sectors drive productivity.
- 2) We also need to think about how to create jobs in a relatively labour-intensive way.

We need to think about whether demand for labour is restricted by lack of / poor quality supply or broader constraints (and how to address them). The report found that ICT and tourism have firms which are growing well, but there are reported shortages of skilled staff. Agro-processing and manufacturing are not growing as much, and so wider constraints are likely to be more of an issue than labour.

REMARKS FROM CHAIR - DR POSH RAJ PANDEY, EXECUTIVE CHAIRMAN, SAWTEE

Ensuring macro stability and a nation-building vision is the responsibility of government, but the private sector is looking for profit maximisation, not employment maximisation.

Therefore, the Government needs to create a policy framework which *incentivises* the private sector to create enough jobs.

MR. SHEKHAR GOLCHHA, SENIOR VICE PRESIDENT, FEDERATION OF NEPALESE CHAMBERS OF COMMERCE AND INDUSTRY (FNCCI)

500,000 young Nepalese people come into job market each year and of this, 80% leave to work abroad as they don't see a future in Nepal. Of the 20 % still in Nepal, 96% are in unorganised (informal) sector. On surface remittances have been a 'backbone' for Nepal's growth and have helped the country survive, but there are indications this is going down.

The contribution of industry to GDP has gone down from 15 to 4% which indicates there is not enough substance in the economy to sustain growth. Challenges for private sector have changed over last 2-3 decades; energy and political instability are less of an issue and now is the time to create jobs. We also need more investment-friendly labour laws. We have worked closely with unions and there are lots of positives and a better 'tone' to discussions. This is the best time now to discuss job creation and each province will now be forced to think about economic agendas.



HONOURABLE DR SWARNIM WAGLE, VICE CHAIRMAN, NEPAL NATIONAL PLANNING COMMISSION (NPC)

- There is some debate on job creation, but we recognise there is not enough translation of this in the context of epic migration and lack of dynamism in the Nepalese economy
- The studies and ideas will be extremely useful to us in terms of long term vision, and this will fit into our own planning.
- The government has apportioned a large part of the budget into education and health, proving sustained public investment. Nepal is already the most generous social provider in South Asia, spending 4% of GDP on social protection.
- We take a programmatic approach and noted some of the diagnostic studies carried out so far identified big constraints repeatedly including energy, connectivity, transport, policy inconsistency

and labour problems. The energy problem is solved, labour issues are not prominent and policies should see continuity with new government from January 2018 which will rule for 5 years.

- The NPC is embedding sector strategies into the Vision 2030 and there has been administrative restructuring. The government recognises we are ‘in it together’ and attitudes are changing from labour unions towards the private sector etc. The NPC has an advisory role and tries to solve implementation coordination failures (it can help if chaired by Prime Minister). The Vision 2030 document will take a thematic approach rather than sectoral (the 14 plans always took a sector approach, which in effect became a ‘ministry approach’ and proved less effective).
- Nepal has not had a linear structural transformation process from agriculture to industry and finally services. In Nepal, people are not leaving agriculture and being absorbed by industry and manufacturing has halved in 20 years. In services, lots of informalisation has emerged from burgeoning remittance fuelled changes. Is this a policy failure or failure of private sector?
- We need to think about big enablers such as digitisation and technology which help to leapfrog, more financial inclusion. Hydropower could be a clean source of all our energy needs.
- We can also think about what smart industrial policies - Nepal for example is 45% forest but very little is commercially exploited - how can we extract revenue?
- There are lots of risks in terms of geography such as floods and earthquakes. Climate change will affect our monsoon seasons (and in turn agriculture, hydropower) and melting of glaciers will impact Nepal. Regional solutions are important.
- Policy recommendations need to be creative and a lot needs to be done – but need to prioritise and think about specifics.
- SEZs – ideally you want a country where regulation, skills and infrastructure are good, but if you can’t realistically achieve this quickly then you can have a special zone. We would like to look at things on a sector basis – identify success stories and disseminate with events like this

The Honourable Vice Chairman extended his thanks to ODI and SAWTEE for the work and stated he expected the reports to be very valuable to the NPC’s work as they need “sectoral stories” and evidence even with a thematic approach to planning.



REMARKS FROM CHAIR - DR POSH RAJ PANDEY, EXECUTIVE CHAIRMAN, SAWTEE

A few takeaways:

- Creation of jobs should be at centre of economic transformation and development processes, but they are not an automatic by-product of growth process.
- Nepal needs to design and implement a new vision for transformation that is jobs-focused. This may be in agricultural production or industrial policy.
- This is not a ‘market-only’ issue – a job delivers social benefits and contributes to poverty alleviation etc. Jobs also encourage social inclusion and importantly, can have positive effects on political stability.

Technical session: Growth, Transformation, Job Creation and Skills in Nepal – a Four Sector study

PRESENTATION BY SONIA HOQUE – SET PROGRAMME MANAGER AND PROJECT RESEARCHER, ODI

Nepal is unique among low-income countries as labour migration is so extensive that in some sectors there are reports of a labour shortage. Up-to-date and in-depth knowledge of the Nepali labour market is limited. The country carried out a comprehensive survey of its labour force in 2008, leaving a significant knowledge gap on movements in the labour market over the past decade.

We selected 4 key sectors for in-depth firm-surveys: ICT, Agro-Processing, Tourism & Light Manufacturing (based on the Pathways to prosperity and inclusive job creation in Nepal report). In January 2017, a team carried out 43 firm-level interviews in Kathmandu and Biratnagar as well as a range of in-depth interviews with key stakeholders in January 2017. We first asked firm's questions about their perceptions of general growth prospects and industry challenges, followed by questions on their demand for labour and any constraints they faced with expanding their labour force/creating more jobs.

Tourism sector survey key findings

- Growth constraints are related to the demand side – firms are not positive about growth due to a lack of adequate infrastructure to facilitate tourism, weak government support in promoting Nepal as a tourism destination. Countries such as the Maldives and Sri Lanka have succeeded despite political instability due to good promotion.
- The demand for labour in tourism is naturally linked to the demand for tourism services – need to bring in more tourists to Nepal and this will help create more jobs.
- However, once probed, all firms also discussed labour supply constraints – namely, lack of skilled, experienced workers (with the latter being particularly valued) and the loss of good workers to migration abroad.
- Another key finding was that firms are forced to hire less experienced workers and to provide on-the-job training, and graduates aren't seen to have practical skills (possible solution: compulsory work placement schemes as part of tourism related degrees).
- Recommendations for dealing with these issues are presented in the tourism [background paper](#).



PRESENTATION BY ALBERTO LEMMA – RESEARCH FELLOW, ODI

ICT sector survey key findings

- **ICT infrastructure** (high costs and inefficiency), foreign exchange controls (limiting FDI and intl. transactions) and the size of the domestic market were cited as the main constraints to growth for the sector;

- **Labour issues** revolve around the migrating workforce. Workers that build-up experience tend to leave to work for more competitive salaries abroad, young graduates also prefer to move abroad where opportunities are perceived to be better;
- Firms cite practical experience gaps for **new entrants** in the market, solved through a (typical) period three to six months of on-the-job training, bolstered through online certification courses.

Agro-processing challenges

- Future growth will be more **capital-** than labour-**intensive**: as firms face higher labour costs as such, they are increasingly looking at more capital-intensive methods of production
- Immediate challenges of accessing a **power supply and the trade-related problems** that are often spurred by domestic and international political crises (value chain approach)
- Skills in highest demand were **mechanical engineering skills** that allow engineers to maintain and modify industrial machinery. To address these technical skills shortages, a small number of foreign workers were hired.

Light manufacturing challenges

- Insufficient **energy supply, high energy costs and limited transport links** are significant growth disruptors in the sector. These were cited as the main growth inhibitors in the sector and significantly limit the competitiveness of Nepali firms.
- These constraints are compounded by perceived **rigidities in current labour laws** (hiring/firing), limited research & development capacity and a migrating workforce.
- Firms are considering greater **automatisation** to replace migrating unskilled workers although insufficient technical skills to operate and fix machinery limits uptake productivity gains.

What affects firm growth?

- Whilst a skills gap exists, often they are not the main binding constraints: **Firms cite reliable power, transport logistics and lack of infrastructure as the main constraints to growth.**
- **Other binding constraints** include regulatory barriers (i.e. foreign exchange restrictions) and limited state-business interactions.
- Even though these are well known constraints in Nepal, firms reported that they had yet to find effective ways to work with government to relax these constraints.
- **Labour skills do, however, still present an additional challenge.** Whilst firms can fill positions that require relatively unskilled labour, more experienced workers and those with technical skills are in short supply and often require in-house training to fill skills gaps – **this emphasises the need for on-the-job training.**
- **Migration reduces the supply of experienced labour in Nepal.** Therefore, lack of skills (because of migration) in tourism and ICT and a lack of technical skills in agro-processing and light manufacturing mean that firms need to continuously train and skill-up new workers, or even hire technically skilled workers from abroad.

Practical and targeted points of action emerging from the firm-level survey

- **Targeted trade-related infrastructure and energy:** Increased investment in transport and energy infrastructure is one of the main policy priorities as spillover effects affect demand- and supply-side constraints within the labour market;
- **Systemic on-the-job training:** The perceived practical skills gap could be reduced through a systemic on-the-job training system linking students from tertiary and secondary education with firms looking for the required basic skills;
- **Technical and vocational training:** Providing specific technical and vocational training to cover 'base' technical skills that can be horizontally applied between firms to meet the skills gap;
- **Foreign exchange restrictions:** Allowing Nepalese firms to engage in international (online) payment systems by increasing inward and outward payment caps and simplifying procedures could help firms expand access to international markets;

- **Knowledge Gaps:** The last LFS was undertaken in 2008. A new LFS is needed in order to fully understand where labour market weaknesses can be targeted and needs to include more data on skill lacks, gender and other socio-economic factor to target vulnerable groups.

PANEL DISCUSSION

CHAIR – HARI BHAKTA SHARMA, CONFEDERATION OF NEPALESE INDUSTRIES (CNI)

Nepal has enormous untapped potential e.g. in biodiversity, however the Nepal leadership does not understand this potential. Nepal's macro stability is amongst strongest in the region and there is resilience in the Nepalese economy, plus profitable businesses in manufacturing, insurance, banking and tourism. Although the economy is growing roughly by 7.5% annually, the problem is Nepal is connected to developed, and extremely high-income economies which fuels migration of workers to these markets. Growth rates are expected to decline this year and we have no choice but to improve regulations, and CNI are already having discussions with government on regulatory changes.

RICHARD HOWARD, INTERNATIONAL LABOUR ORGANIZATION (ILO)

There have been positive developments in terms of the Labour Law Act but there are concerns on whether it can be implemented. Three areas Nepal needs to improve are:

- 1) Improving systems of collective bargaining at factory level
- 2) Collective dispute resolution for large scale disputes (labour court to effectively resolve disputes – concerns that Nepal does not currently have this)
- 3) Skills issue – many companies are training their own workers, who then leave to pursue higher-income opportunities abroad (private sector becoming a training institute for Malaysia, India and other countries). Procedures used in Nepal to set wages are currently far below international best practices which fuels this problem.

We are impressed that employers and industry associations have recognised that you can't have 'decent jobs' unless you have jobs to begin with so this is relevant and timely research. However, you need a government system to deliver and manage labour relations at local level. Therefore, the government should focus on mobilising and capitalising on decentralisation process

RITA BHANDARY, LEADING ENTREPRENEUR, FORMER PRESIDENT, FEDERATION OF WOMEN ENTREPRENEURS ASSOCIATION NEPAL (FWEAN)

One important issue is the 'mentality' in villages. There is not much of an environment to start a business and people feel discouraged if they don't earn money immediately, which encourages migration.

There are also issues with donor training, which can be too focused on numbers (of people trained), and carried out at awkward times, for example holidays, and the same people can be trained multiple times. We need more short-term vocational training.

Nepali culture has geared people only to go abroad to study/work and there is not enough focus on encouraging people to start businesses in Nepal. We need to give more respect to uneducated people, offer them opportunities in Nepal.



KESHAV ACHARYA, ECONOMIC POLICY INCUBATOR (EPI)

SEZs are very important as they can help solve coordination problems between government agencies as well as address employment and export challenges. There needs to be more pressure on the government to complete and bring Bhairahawa SEZ into operation.

We are talking only about wage employment today, but self-employment is becoming increasingly important in Nepal and we need policies to encourage self-employment. We also need incentives for the private sector to train workers. Cooperatives is a booming sector in the Nepali economy, which are very useful in micro-enterprise development and in commercialising agriculture. We should think about how cooperative development can boost employment.

Data is also an issue – Nepal needs regular time series data on employment by sector, type of enterprise etc. The current available data is too focused on foreign employment.

Unemployment in Nepal is only around 2%, but the problem is disguised unemployment in agricultural sector and informal economic activities, and we don't have any studies on employment elasticity of investment. It would be good to know which sectors will produce most employment per unit of investment.

DEEPAK JOSHI, CEO, NEPAL TOURISM BOARD

Tourism in Nepal has bright future and a strong brand. The location is also positive being close to growing markets such as China and India and we already have links with valuable markets in USA and Europe

Tourism also has good benefits for local communities and you can have community-led businesses. Unskilled and semi-skilled workers have turned into entrepreneurs in tourism and a low investment produces high returns.

We know the major limitations are infrastructure, communication and promotion. Currently, investment is mostly in hotels, but we need more in infrastructure and activity-related areas. At the moment there is poor technical knowledge (e.g. limited presence on Tripadvisor etc.)

Around 400,000 people are directly employed in tourism in Nepal, but mostly are not technical or skilled manpower. We need to 'glamourise' the sector through innovation and creativity to create more job opportunities.

PRADIP MAHARJAN, CHIEF EXECUTIVE OFFICER, AGRO ENTERPRISE CENTRE, FNCCI

Data on employment in agriculture is missing and we are not sure how many people are actually involved in agriculture, given the extent of the informal sector.

Productivity of labour in agriculture is very low but there are many opportunities in agriculture. Nepal is lagging due to weak policy implementation and the fact agriculture is a less socially accepted area of employment Nepal (social stigma around manual labour jobs).

We need to educate people about benefit of self-employment and employment in agriculture and need analysis of inflows and outflows of jobs from different sectors.

Another challenge is that Indian farming is heavily subsidised - a large open border with India means Nepali farmers losing out (as they are not subsidised).

BINOD DHAKAL, PRESIDENT, FEDERATION OF COMPUTER ASSOCIATION OF NEPAL

The ICT sector is cross-cutting and can have many benefits to other sectors. However, we need survey of human resources in ICT – there is a big gap between industry and academia in ICT. The industry is not finding enough qualified people and need finishing school before people graduate, for specialisation.

These issues have been discussed for many years, but no significant progress has been made - ICT is not prioritised by the government. We need to brand Nepal as an ICT hub in the world, in order to attract firms and people to come to Nepal (as Bangladesh has done).

GANESH NIROULA, VICE PRESIDENT, NEPAL TRADE UNION CONGRESS

Trade unions want to contribute to employment generation and changes in labour law and policy will improve employment generation. The Labour Law will also cover grievances and social security issues of informal/unorganised sector but capacity building is needed to support implementation of the law.

Trade unions are in favour of conducive labour conditions in the country and we note the minimum wages in Nepal are very low. However, the environment has improved, and we are seeing fewer trade union related issues or strikes in recent times.

Q&A with audience

With the action points – it's difficult to make concrete sense of them, as they seem really simple. Will they really solve the problem to help to achieve economic transformation?

Alberto Lemma: We are happy to have an ongoing discussion about taking this forward in more concrete steps. We are also looking at sectors from an employment angle as well as transformation, so there are two areas of focus concurrently. We have made suggestions and provided tools for prioritisation, but Nepalis will make their own decisions based on evidence.

Dirk Willem te Velde: We need to talk about a vision. The Planning Commission is working on a vision, and maybe this is something we can contribute to. In terms of practical actions, for example, there is a need for improvements to energy, before SEZs can create jobs. We ask the panel to consider what they can contribute as a nation building exercise to facilitate ET and create jobs?

How will skills training help to achieve economic transformation?

Alberto Lemma: We were trying to understand this. Are skills necessary to transform or are over issues in play? We found there are many issues to take into account beyond skills-related ones – yes, skills are important, but you need a conducive environment in place.

Sonia Hoque: There are already a lot of skills programmes in place, esp. by donors. We tried to answer the question of whether training helps people to become employed (in transformational jobs). We found the need is often on the demand side, i.e. need to create jobs *first*, then think about ensuring the skills are there to fill them.

(Audience comment) When talking about knowledge gaps and skills gaps, focus on solutions. Nepal does not have occupational standards or levels. We should talk more about these standards and levels adopted by industries.

STRAHAN SPENCER, SENIOR ECONOMIC ADVISOR, DFID NEPAL

Next steps following the event:

Research and pilot testing

- Research why people are migrating for employment when there are jobs available in Nepal or even when they already have a 'good' job (as this can be seen as 'irrational' to economists). For example, wages being too low in Nepal cannot be the reason why people are going overseas because if this was the case, firms would raise them (and wages are in fact going up in sectors with labour shortages). One explanation could be that there is more job security/certainty

overseas (which would rationalise the decision). If so, is this due to lack of information on jobs in Nepal?

- Almost every panel member mentioned culture – so we need to look at cultural factors driving labour migration.
- Given high labour turnover, how can we incentivise firms to still provide training for workers?
 - One option is for the government to provide the training, but there is a risk that it will be poor quality and not relevant.
 - Alternatively, we could help industry associations to collect fees from members and organise training at industry level (DFID is keen to explore this in new skills programme).
- Labour force survey – the ILO could help to improve survey instrument to collect more data on certain issues e.g. skills gaps in key sectors.
- Key thing missing is an analysis on the political economy around growth of these sectors. Why are manufacturing exports not really taking off? Are ‘big businesses’ too focused on selling to domestic market? Businesses usually need foreign exchange to export, but this is not the case in Nepal because of huge inflow of remittances.

Actions for government

- Implementing labour law and social security law, to take into account points Richard Howard made (with support from unions and private sector associations)
- Look into foreign exchange restrictions to import and export (EPI to take this forward)
- Develop crucial infrastructure as discussed.

Actions for government together with academics and industry

- Develop on-the-job training, whether as part of a placement scheme as part of an academic course or vocational training, or as part of subsidy scheme to incentivise firms to take on training. A recent survey of firms found they are generally unwilling whether willing to support costs of training. We want to do in-depth RCTs to investigate different ways to do this and want support from industry associations to explore effective ways.

CONCLUDING COMMENTS FROM CHAIR, HARI BHAKTA SHARMA

Today we have discussed in depth why Nepal’s economy has not created enough jobs.

- It is known that Nepal has not changed policy regulations, and some are very old.
- Nepal is also the only country in South Asia that has policies controlling exports - others promote exports.
- More investment in infrastructure needed, including in improving quality of existing infrastructure
- There are huge social pressures in Nepal for people to migrate for work and this should be addressed. All actors need to work together and make Nepal attractive to young people to stay.

Media coverage

The report and event received extensive local media coverage:

1. Labour issues (full editorial) [Kathmandu Post, 31 October](#)
2. Nepal to face labour shortage by 2030, [Wio News, 27 October](#)
3. National news coverage (from 4:40) [Karoobar news](#)



4. Nepal to face labour shortage by 2030, [Kathmandu Post, 27 October](#) (Online and print)
5. Stakeholders stress on inclusive job creation, [Himalayan Times, 27 October](#) (Online and print)

Nepal to face labour shortage by 2030

The country may fall short of 3.6 million workers in 12 years

RESTAURANT STAND



POST REPORT
KATHMANDU, 27 OCT 2017

The country may face a shortage of 3.6 million workers by 2030 if the current trend continues, according to a report released by the government. The report, titled 'Pathways to Prosperity and Inclusive Job Creation in Nepal', was released on Monday by the Overseas Development Institute (ODI), a London-based independent think tank on international development and humanitarian aid.

The report was released at a time when many are saying the country should gradually break an onerous labour shortage, which has not created a shortage of workers in sectors such as agriculture and construction, and the country over-reliance on remittance. But it says unless the country employment opportunities are created, the country will face a labour deficit of 3.6 million workers by 2030 if economic growth rates remain the same, the report says.

The report implies the country will have to ramp up economic growth and generate more jobs. This is a boost to agriculture and other sectors to

low productivity jobs in agriculture in Nepal because of very slow transformation from low to high productivity economic activities," ODI's Dr William Velde told an interaction on 'Supporting Economic Transformation: Pathways to Prosperity and Inclusive Job Creation in Nepal' organised by the South Asia Watch on Trade, Economics and Environment (SAWTEE) in Kathmandu.

If Nepal continues to generate low productivity jobs, as in the case of agricultural sector, then many more employment opportunities need to be created to meet the 2030 goal of transitioning to middle income status, the report says.

Nepal has set a target of raising per capita income of Nepalis to \$2,500 by 2030, from existing \$862, to become a middle-income economy in the next 13 years.

The government has long been saying that annual growth rate of 7 percent to 8 percent is essential to reach

by 2030, says the report. The

Even to join the club of low-middle income countries by 2030, Nepal needs to generate 11 million jobs, of which 3.1 million employment opportunities are needed to match population growth, while 3 million jobs need to be created in low productivity agricultural sector, the report says.

Nepal labour market sees entry of around 600,000 workers per year. Of these people, 50 percent are absorbed by foreign labour destinations. Of the remaining 30 percent, around 20 percent are absorbed by informal sector. This implies majority of the jobs created in the country are of low quality.

Looking forward, Nepal should push for creation of jobs in areas that are export oriented. This will drive up labour productivity, said Pratik Mardani, country representative (Nepal) of the UK government's Department for International Development.

The government should focus on development of four sectors: agro-processing and light manufacturing, information and communication technology, services, and tourism, he said.

He will spell out growth enablers and areas that can create jobs in the Nepal (1) union document, which will be launched soon, said National Planning Commission Vice Chairman Swarnim Wagle.

The document, according to Wagle, will include a detailed

Stakeholders stress on inclusive job creation

Himalayan News Service
Kathmandu, October 26

The country has been gradually overcoming the constraints of economic growth and enabling environment to enhance productivity.

Speaking at a programme organised by South Asia Watch on Trade, Economics and Environment (SAWTEE) titled 'Supporting Economic Transformation: Pathways to Prosperity and Inclusive Job Creation in Nepal', Swarnim Wagle, vice-chairman of National Planning Commission (NPC) — the apex planning body of the government — said that the major constraints of growth like lack of regularity and reliability of power supply, lack of connectivity (high cost of transportation), policy instability and labour problems are gradually being resolved, thereby paving the way for the private sector to grow for the expansion of the economy.

Wagle highlighted that lack of transformation in agricultural sector and premature deindustrialisation have adversely affected capacity to generate jobs in country. Consequently, a large number of youths are migrating to foreign countries to seek job opportunities.

Expansion of labour and skill

intensive production sector is a must to retain the youths in Nepal job market, according to Wagle. "Nepal will have a high number — around 60 per cent — of working-age population in the age bracket of 15 to 64 years by 2030."

"Failure to coordinate has been seen as the major challenge to achieve the development results in the desired time. In this regard, NPC has stressed on the need for sectoral approach in implementing development projects rather than the current ministerial approach for synergy in development," Wagle asserted. He also stressed on the need to advance from the linear process of agriculture to establishing agro processing industries and also

creating strong manufacturing base to achieve sustainable economic growth.

Also speaking in the programme, Shekhar Golchha, senior vice-president of the Federation of Nepalese Chambers of Commerce and Industry, said that the industrial sector is moving ahead to a new era along with the regularity of electricity supply, formulation of new policies and laws, as well as improvement in connectivity. Contribution of industrial sector has fallen significantly over the last 20 years due to various hassles to run the industry, including labour problem and a lot needs to be done to make Nepali industries competitive, he said.

Contribution of industrial sector has dropped to 5.5 per cent of the country's gross domestic product from around 11 per cent two decades back. The government should focus on incentivising investors to move forward towards economic expansion, Golchha said.

Decent job generation is still a challenge for Nepal. As per Golchha, around 500,000 youths enter the job market every year, of whom 80 per cent migrate abroad for job opportunities. Moreover, out of the remaining 20 per cent, around 96 per cent work in the unorganised sector that lacks social security schemes and where provisions of labour law are not followed. "Only four per cent get job opportunities in the organised sector,"

