A Descriptive Study on Youth and the Nepalese Labour Market

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Abstract

Workers aged between 15 and 24 are considered as youth workers. The major challenge related to employment of young people is to stay in low productivity with unpaid position or the opportunity to move for foreign employment. Nepal is not an exception to this trend. This study was carried out to describe the legal framework of Nepal regarding youth workers. As per Central Bureau of Statistics (CBS), about 0.5 million youths enter Nepalese market every year. It is found that the unemployment rate of young works in Nepal is 19% compared to 2.7% for the whole population. Though the labour and trade union rights in Nepal are addressed at satisfactory level, the implementation status still needs high attention. Due to unavailability of appropriate job with fair pay, majority of them seek foreign employment in their early age. Reasonable wage rate, social protection, and labour right of the country in line with international conventions play in shaping the utilization and movement of youth workers. Nepal needs to work a lot on satisfaction of youth worker for the national prosperity.

Keywords: youth workers, global employment trends, minimum wage, formal and informal economy

Background

The resource that resides the knowledge, skills and ability is human resource. It covers the part of population, which is from 15 to 59 years in Nepal and 15 to 65 years in developed countries. According to National Population Census, 2011, this constitutes 56.96% of total population of Nepal. Among them, the population lies between the ages 15 to 24 years are called as youth workers.

The youth workers are an important factor of economic development. The youth workers are economically active and can contribute for positive change of a nation. They are dynamic and more significant than any other natural and capital resource. The prosperity of a country is determined by the skill, efficiency and attitude of youth workers used by that country. As for example, the countries like Japan, Singapore, Germany and China have been able to achieve economic miracle by mobilizing their human resources. The function of youth workers is to improve performance and ability. While employees are often expected to know a certain amount their jobs or have a specified degree or level of
a means to improve the overall performance and ability of employees in the jobs they are doing and in future position. The youth workers can function to improve performance or individuals abilities in an area in which an employee is weak. It can also function to teach an employee about an area in which the employee has had no prior experience, such as transitioning from one role into different role.

**Position of New Entrants in the Labour Market**

Youths and youth employment may be understood in different countries in their differing contexts. Normally in international standard, persons aged 15-24 are considered youth workers. Persons after the age of 25 are adults with matured age. Below 14 years of age are children, though teenage starts from 13.

International Labour Standards cover the key issues of educational capacity, enhancement of employability, entrepreneurship and creation of productive jobs for young people. International Labour Standards also lay down important provisions on how young people enter the workforce and on their conditions of employment, such as minimum age of admission to employment, pay, working time, night work, medical examinations, occupational safety and health and labour inspection.

The statistical overview shows that more than 64 million youths are unemployed worldwide and that 145 millions are living in poverty. The Global Employment Trends for Youth as analysed by ILO shows that 68.9 Million youth workers are found unemployed in 2020, however the situation has improved compared to that in 2017 with 71.9 Million unemployed youths. Looking at the youth labour force participation rate, nearly half of the world's young people aged 15-24 are in Labour force. In emerging and developing countries, 16.7% of the youth workers live below extreme poverty threshold of USD 1.9 per day as they start working life from informal economy. In totality, 3 out of 4 young women and men are engaged in informal economy which is 3 out of 5 among adults. In developing countries, the ratio is as high as 19 out of 20 for young women and men.

The number is significant, large majority of which is definitely located in developing countries of South Asia, Africa and Latin America. Hence, ensuring decent and gainful employment to the youth population of the least developed & developing world is a global challenge. It is the issue of top policy concern nationally as well as internationally. Therefore, migration for better employment from developing world to the developed world is justifiable and needs to be regulated as safe migration.
Total Population of Nepal is estimated to be 29.3 Million based on the actual 26.6 Million as revealed by 2011 Census. It is 0.44 % of the world population which means 1 person in every 229 people is a resident of Nepal. If we consider people aged 15 and above into labour force, total labour force of Nepal is 17,052,557, in short to say 17 Million (WB, Trading Economics, website).

Every month, the working age population in Nepal increases by 35,000 and Nepal must create 286,000 jobs every year to maintain the employment for working age people (WB, Jobless Growth? 2017).

The Economic Survey of Ministry of Finance exposes that 500,000 youths enter every year in the working age, most of them feel compulsion to go in foreign employment due to lack of jobs within the country. ILO labour updates of Nepal reveal the fact that 63.7% of Nepali population is young out of 26.5 Million population recorded on 2011 Census. But unfortunately the unemployment rate of the young workers aged 15-29 is at 19 %, compared to 2.7 % for the whole population (ILO Labour Updates of Nepal, 2019).

Thus major challenge related to employment for young people is to stay in low productivity with underpaid position in almost starving informal economy or to move for foreign employment by saling or mortgaging the last alternate assets mainly land. As overwhelming majority of working age population cannot become entrepreneur to create productive self employment position in product and labour market, most of the young workers think from the very beginning of their working age to go abroad. If we look at the ages of the migrants, around 70 percent are people below 30 years of age (ILO, Global Employment Trends for 2019). Nepal is not an exception to this trend.

Coverage of employment in the formal sector is too small and informal sectors have to absorb ever-increasing supply of labour. Hence the volume of underemployment is always very high in Nepali economy.

Open unemployment looks declined but is just an illusion caused by the increased outflow of young workers. Unemployment rate as such is 2.6% at the end of 2020. Labour force participation rate is at 75.47% in 2019, it was highest at 86.2% in 1995.

Looking at the shares of employment in various sectors, agriculture covers almost 64.54 %, while manufacturing stands at 13.29% and the miscellaneous services at 22.17% (Economic Survey, 2018/19). However considering the fast changes during few recent years, the situation must have changed, but still dominant coverage is of agriculture and flourishing position is of Service sectors, manufacturing more or less in constant position. In a gender point of view, it is notable that out of the total workers in agriculture, males cover only 39.4% and the rest 60.6% is covered by female workers. In
manufacturing sector on the other hand, males cover 60.7% of the total workforce whereas females cover 39.3%. In service sectors, the gap is narrow with higher presence of males. In the total workforce, female workers are 53% and the males 47% reflecting the impact of sex ratio which stands at 94.6. It is also evident that males quickly transfer themselves to the high paid and non agricultural jobs whereas women remain in low paid or household chores and informal economy. Therefore, the role of informal economy with agriculture and home-based works is of high significance in Nepal. This reflects the low coverage of wage employment, limited implementation of minimum wages and very little presence of formal social protection system, which create frustration and depression in the young people of working age.

**Minimum Wage and Social Protection**

Though employment situation is not inspiring and outflow of young workers has become a common phenomenon, fast urbanization in Nepal has pushed economic activities towards a fast track. Within a period of half of the recent decade, total number of municipalities has become 283 from a total of 58 in function. Ultimately the urban population has crossed 50 percent from only 16 percent just in five years. In number, the urban population currently is around 16.5 Million which were just 4.4 Million previously.

Level of employment in manufacturing sector is more or less constant in spite of declining farming-based agricultural population. It indicates that transfer of labour-force is towards service sectors. As young workers to the maximum extent are not interested in traditional agriculture, the flow of young workers is naturally into numerous avenues of service sector. During the past 10 years, the contribution of service sector in GDP of Nepal remained 51.7% in an average, however considering the recent statistics of FY 2019/20, service sector contribution has reached to 53%. Thus in comparison to Agriculture and Manufacturing sectors of the economy, concentration of economic activities and potentials of employment have become higher in services. The expansion of service sector means expansion of wage employment. Naturally space of wages in GDP is going up and the volume of wages has been increased manifold.

The contribution of remittance to GDP reached to 24.07 percent in GDP also signifies the increased share of wage-incomes in the economy of Nepal (Economic Survey 2019/20). If we go into depth, the youth workforce which is considered to be engaged as self employed in agriculture, actually to a large extent works as wage worker in Korea, Malaysia, Gulf Countries and several other destinations. Hence the wage income remitted from foreign land is contributing significantly to the economy of Nepal.
After reinstatement of multiparty democracy and freedom to trade union activity particularly from 1992, a makeable increase in real wages is observed. During 1992-2019, with interventions of trade unions in the labour market as legal social partner, real wages have increased by 45%. It is only 3 per if compared with real wage of the year 1965. But still it is too less to meet the basic needs of life for working families (Jyala, 2019).

Recently revised minimum wages are significant in monetary terms as it reached Rs. 13,450 from the previous NRs. 9700 of 2019. However there is a tendency of going tight on basic wages and flexible on dearness allowance. Workers prefer cash-in-hand and employers based on this weakness of workers & trade unions try to minimise the impact on additional liabilities including social security expenses being created by basic wages. Hence basic wages are under the pressure in Nepali labour market.

Table 1

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>Total</th>
<th>Basis</th>
<th>Basic</th>
<th>Dearness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>13450</td>
<td>Monthly</td>
<td>8455</td>
<td>4995</td>
</tr>
<tr>
<td></td>
<td>517</td>
<td>Daily</td>
<td>325</td>
<td>192</td>
</tr>
<tr>
<td>Tea Plantation</td>
<td>10781</td>
<td>Monthly</td>
<td>6465</td>
<td>4312</td>
</tr>
<tr>
<td></td>
<td>385</td>
<td>Daily</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>517</td>
<td>Daily</td>
<td></td>
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</tr>
</tbody>
</table>

In terms of annual revenue and expenditure of households, insufficiency of minimum wages seems more visible. This insufficiency pushes the new workers towards foreign land with whatever may be the degree of risks. Average Household expenditure per annum is NRs. 292, 312 as revealed by the Household Expenditure Survey of CBS, which shows that NRs. 22,486 is the monthly expenditure. But income of the bread winner of the household in the frame of the minimum wage of unskilled private sector worker is NRs. 174,850 based on current monthly minimum wage of 13, 450. Similarly in comparison, the income of the office assistant of civil service as the lowest paid worker in public sector is NRs. 223, 990 based on monthly salary of NRs. 17,230. Thus the income of the breadwinner is insufficient to meet the expenditure, which indicates towards compulsion of household members to go for supportive jobs for their normal livelihood. And one of the most witnessed outcomes is the outflow of young members of the Household/family.
On the other hand, if the minimum wage is analyzed from the viewpoint of calorie, almost the same conclusion can be derived. As minimum calorie requirement is 2220, the estimated monthly expenditure on minimum food items for this minimum calorie requirement is NRs. 14,786 (Gautam & Prasain, 2018). If the ratio of food and non-food items is assumed to be 7:3, expenditure on non food items will be NRs. 6337. Thus monthly minimum income to meet this expenditure will be NRs. 21,123. But current Minimum wage of private sector workers is NRs. 13,450 and that of low paid office assistant of civil service or public sector is NRs. 17,230. Definitely the analysis demands for Revision of minimum wages to lift it at a higher level to meet the minimum expenditures of the households. If current level of wages remains below minimum household expenditures, the young persons try to flow across the border.

**Status of labour rights in the country**

Labour and trade union rights in Nepal are now addressed to a satisfactory level by the laws and constitution. However, the status of implementation still needs high attention from all three social partners, mainly by the government.

Workers in public sector mainly civil service and public enterprises are in privileged position and have been exercising the rights given by the constitution and various related laws & regulations. But the situation in private sector and informal economy is quite different. Hire and fire is regulated by law to a larger extent in the formal segment of private sector with more job security, but informal economy is fully dominated by employers and small employers are more suppressive in terms of labour right. Particularly agricultural, home-based workers, domestic workers and street vendors, though addressed by Labour Act 2017, are not enjoying labour rights in the real sense in spite of the presence of their own sectoral trade unions. Suppression under a low paid condition are compared by youth workers to the suppression under a high paid condition, which enables them to chose the later and move for foreign employment.

In the absence of Labour Inspection mechanism and weak labour administration in terms of coverage, labour right situation needs more dedicated efforts for improvement.
Table 2

Young Workers in Constitution of Nepal

| Under Fundamental Rights:                      |                                                                 |
| Article 18(4)                                   | Guarantee of no gender discrimination on remuneration and social security for equal work |
| Article 34(2)                                   | Right to fair wages, benefits and social security to every worker   |
| Article 43(1)                                   | Right to social security based on law to poor, disabled, helpless single woman, children, and citizens of declining social groups |

| Under Directive Principles and Policies of the State:                                                        |
| Article 51 (2)                                        | Guarantee of social security with assurance of basic rights to every worker based on the concept of decent work |

a) Rainfall                                           b) Relative humidity

| Under Annexure 9                                      | Social security and poverty alleviation as the common area of work for the Federal, Province and local governments |

International conventions on young workers

Among the ILO core Conventions, the fundamental conventions, which are to be respected by ILO state members even if they do not ratify, Nepal has ratified 7 and one concerning Freedom of Association C87 is still not ratified. Efforts from trade unions have not been successful to convince the government to ratify this convention, mainly because of the fact that government is in illusion about the freedom of association to the government employees.

Table 3

Fundamental and Additional Conventions Ratified

Fundamental conventions ratified are:

a) Concerning Right to Organize and Collective Bargain C 98
b) Concerning Forced Labour Elimination C 29 and C 105
c) Concerning Child Labour Elimination C 138 and C 182
d) Concerning Discrimination C 100 and C 111

In addition to fundamental conventions, other ratified are:

a) Concerning Minimum wage fixation C 131
b) Concerning Tripartite consultations C 144
c) Concerning Weekly Rest C 14
d) Concerning Rights of Indigenous & Tribal people C 169
Despite the ratification of several ILO Conventions and commitment of the Nepal Government for International Labour Standards, it is unfortunate that the Convention 102 concerning Social Security and Recommendation 202 are not ratified. Similarly, The Conventions 177 and 189 concerning victimised group of informal economy workers - the home-based and domestic workers - are not ratified by the government.

**Coverage and Sensitivity of Labour Movement**

Trade union movement in Nepal has gained strength in recent years, though it is young compared to other South Asian countries. Trade unions came into existence early in 1946 after the establishment of first batch of modern organized industries in the eve of and during Second World War. The industries at that time were the outcome of joint efforts of Indian investors and few feudal families of Nepal. Biratnagar and Birgunj were the first cities to develop as industrial cities of Nepal. The capital city Kathmandu and the Kathmandu valley were the third one while looking at from the point of view of industrial development.

Without stability of the political system and institutions and without opportunity to build labour market institutions, ban on political parties and organizations including trade unions came all of a sudden in 1960 by the king of the time. In the absence of democratic institutions and open air environment, development of labour market was heavily disturbed. The autocratic rule continued up to 1990. During this period, the ILO membership, start of minimum wage and enactment of few labour laws including Factory & Factory Workers Act 1959, Bonus Act 1974, and Foreign Employment Act 1986 were major steps. However in the absence of trade union rights, an alliance of state and employers dominated the labour market. Nepal Labour Organization created by the autocratic state was just a show off for maintaining tripartite position in ILO. Only after the successful movement for multiparty democracy in 1990, organizational freedom could be achieved, which opened new avenues for labour market, too. In few years, significant achievements were witnessed in labour right and industrial relation with two major labour laws - Labour Act 1992 and Trade Union Act 1993.

The confrontation between and among actors of labour market gradually took the path of negotiations towards building up of a sound labour management relations. Unfortunately political instability caused by violent conflict and ambitious palace, achievements were paralysed. The result was the popular historical mass movement in April 2006, which resulted into Federal Democratic Republic Nepal.

The struggles and unity among trade union centres of Nepal gave birth to JTUCC as a common platform for single position on pertinent labour issues. On minimum wages,
social protection and labour legislation, single stand of workers organizations became possible. However, individual efforts of particular national centres also continued in combination with united efforts.

Thus Nepali trade union movement is a successful movement in struggles, pressures, lobbying and policy interventions with regards to labour laws, wages & minimum wages, working conditions and social protection. Individually trade union centres and national unions have developed their own protection schemes for their members also.

For example, union initiative by GEFONT is significant in its Emergency Relief Fund, Disaster Relief Fund, GEFONT Solidarity Fund, Women Social Assistance Fund and Separate initiatives of affiliate federations mainly Transport & Construction sectors. Other trade union centers and federations also have their own schemes. In addition to their own financed programmes, pressurizing and lobbying have been highly significant - individually by GEFONT, NTUC, ANTUF and CoNEP. Joint pressures & lobbying through ITUC-NAC and JTUCC proved to be highly significant. Major outcomes in short are:

- Social Security Fund 2013
- Labor Act 2017
- Social security Act 2017
- Permanent structure for Minimum wage fixation
- Single national minimum wage in manufacturing sector
- Assurance of coverage of informal sectors by SSF
- Political representation of workers in various policy decision bodies

Challenges Faced in Market and Society

- **Attitudinal problem**: Nepali labor market has always witnessed the consideration of declared minimum wages by employers and management as the maximum wages and salaries. This is attitudinal problem from the very beginning of the tradition of minimum wages basically from 1965, which is in continuation up to now. Similarly, same type of attitudinal problem is continuous in workers side. Young workers are compelled to work on minimum for several years intolerable.

- **Monitoring and implementation problem**: has proved to be a giant challenge in the labor market and economy. The coverage of labor administration is too little as human resource and network of offices is insufficient to a large extent to meet the needs of the labor market.
• **Labor inspection system:** The implementation of legal provisions based on constitution and labor laws in the informal economy is not supervised or inspected by the labor offices as their capacity and manpower is insufficient even to cover the formal sector. Altogether 10 labor offices how can cover the 1.2 Million establishments and 3.4 Million workers (Economic Census 2017/18). In such a situation, the workers not associated to any establishment are always out of coverage by the concerned authorities and administrative units.

• **Trend of outsourcing:** Gradually the trend of outsourcing is taking an upward moving position in recent decade particularly from 2005. Various services including security, cleaning, driving automobiles, accounting etc. are based on direct individual and company contracts not only in private sector, but also in government & public services. It has created discrepancies in implementation of minimum wages and provisions of social protection. For Instance, most of the security companies which provide cleaners, drivers and guards in outsourcing to the factories and offices do not give even minimum wages to the workers concerned, however they compel them to sign on higher pay sheets for just show off to fulfil the legal necessities. Most of the security guards and cleaners/sweepers and allied workers get lower than minimum wage of NRs. 13, 450 though their pay-rolls if checked will show more than the minimum wage set by the government. Among them, more than half are young workers below 35 years of age.

• Weak individual bargaining of the workers due to option less environment with regard to livelihood caused by poverty and inequality is also a serious problem to younger workers.

• **How to address those self employed informal economy workers like home-based and street vendors** in a minimum wage frame or social protection frame who are everywhere in the market visible informally but nowhere in the records of the market & invisible formally. As they are not wage-based, How to ensure income equivalent to currently existing minimum wages to them is one of pertinent question and challenge to those who fight against poverty and inequality.

• There is threat also in one-sided emphasis on minimum wages. If unions are stronger compared to employers' organization and labor market unrest is very high, tough bargaining to increase minimum wages and strong collective bargaining above the national minimum level will naturally push the product market to lower the labor intensity as much as possible. Here in Nepali case though technology has not much higher labor displacement effect, but replacement through cheap migrant labor in
Indian border side has been witnessed in major industrial areas of Biratnagar, Birgunj, Bhairahawa, Kapilvastu, Nepalgunj and Dhangadhi. This replacement effect is also caused by an intention to avoid potential costs of social security by the private forms. Thus labor displacement effect is also one of the challenges which should be considered in policy decisions. Thus the need is to prevent employers to go into the excitement zone of Nepali labor displacement/replacement. A balanced approach to kill the snake without breaking the stick will be necessary.

- We are passing through a transitional phase of social protection in Nepal, where joint family based, caste-ethnicity based, religion based traditional system is at an almost end, but modern system of social protection is not yet established, how to shorten or minimize this transition and ensure social protection for all irrespective of any discrimination is an unavoidable question for state, civil society and trade unions as well as employers in the product market.

- In spite of clearance in principle by the new regulation for social security fund, Weak fiscal base of Social Security Fund with deposit of 1% from the wages/salaries of the Pay-rolls can be witnessed.

- Poor long-term vision and no specific detailed plan or phase wise frame of the government to ensure social protection and welfare system with a broad coverage of entire population

- Schemes under Social Security Fund are not yet stabilized, though five schemes are declared, where allocation of accumulated fund is based on hypothetical supposition with weak actuarial calculations.

- Deposit collection modality is in initial stage which has been limited to formal sector and needs to be rooted to local level with increased coverage of informal sectors. Benefit distribution mechanisms are not yet clear under the Social Security Fund and it needs more shaping for easy understanding to the people and concerned beneficiaries.

- Fast changing labor market with increased in Formalization and Automatization has put pressure on demand for labor with Displacement effect causing shocks to bargaining power of workers.

- Unexpected Budgetary Pressure by Disasters, which as big shocks easily suck funds immediately without providing permanent solutions to the victimized households and masses.

- Piecemeal and Ad Hoc Programmes based on demands put forth by various social grouping and interest groups.
Recommendations

The number of youth population is significant, large majority of which is definitely located in developing countries of South Asia, Africa and Latin America. Hence, ensuring decent and gainful employment to the youth population of the least developed and developing world is a global challenge. It is the issue of top policy concern nationally as well as internationally. Therefore, migration for better employment from developing world to developed world is justifiable and needs to be regulated as safe migration. Prosperous Nepal: Happy Nepali is definitely more relevant for young workers and also the achievements depend on their quality of work, gainful employment and dedication. The Nexus of the three - Minimum wages, Collective bargaining and Social security as far as we witness is inevitable to change the lives of the working people. As Minimum wages ensure normal livelihood, effective collective bargaining is essential for assurance of decent work to the working people in the country. On the other hand, social security/protection is inevitable for decent life with quality and dignity.

The choice is between static wages with reduced labour cost for higher production and prosperity or higher wages - higher productivity for higher production and prosperity. If we have to go through a road of welfare to socialism and prosperity as designed by our Constitution, wage based - employment based development strategy will be necessary instead of profit-based pro-capitalist strategy. The development circle will move around higher wages- higher productivity-higher demand for labour-higher profit for enterprise.

Liberalism took a path of export-oriented profit based strategy, where higher production and highly increased GDP was possible, but the returns were concentrated in few hands aggravating more inequality for the working masses. Hence the need is to compel profit-based strategy to compromise with wage-based development strategy. Even if we go through a wage-based employment based development strategy, the agenda of social protection, social assistance, social welfare and social security asks for attention on:

- Sustainability of the schemes and programmes
- Issue of monitoring and implementation for high effectiveness in favor of needy ones
- Location-based Municipality-based protection system so that working people at the grassroots could be addressed directly without any middling agency or intermediaries.
- Focus at Informal Economy and precariousness
- Capacity building to deal with post disaster adversities for rescue, relief, rehabilitation and employment
Moreover, our minimum wage system must be able to address the necessities of working families. Determination of Minimum wages under a tripartite mechanism of discussion based on cost of living as ongoing practice is to be continued. After Minimum Wage fixation, the existing system of collective bargaining for higher wages based on capacity to pay and productivity and for social security benefits is viable and desirable. On the other hand industrial level and regional/provincial level as well as local level considerations for higher wages above than the national minimum wages are necessary to promote wage-led growth in the economy. Moreover, a system of social protection as a multifold package of the currently introduced Social Security Fund and additional social assistance & welfare programmes of the state should be promoted by state, employers, unions and civil society. It is obligatory for us as our new constitution and commitments of state are socialism oriented through a path of welfare programmes.

In this analytical background, the following recommendations are made to the concerned authorities;

- Establish Joint Trade Union Coordination Centre to start interaction on the issue of designing policies and programmes for new workers.

- Conduct rapid assessment studies to explore immediate needs and long-term areas of campaign for young workers.

- As right to work and right to social security has been the fundamental rights of the citizens, minimum 100 days employment with assurance of existing national minimum wage for every unemployed worker can be demanded. Similarly, assurance of social security coverage to every working individual or at least to one member of every household is an agenda to be put forth as demand.

- The federal government and local government are to be targeted for the action. In addition, provincial government are to be pressurised for necessary legislation in order to ensure these provisions in the provinces.

- Similarly, representatives of local government should conduct a series of interactive programs such as campaign for ILO convention 102 and recommendation 202 for social security, lobbying with pressurising campaign for the assurance of MW to migrant workers in destination countries and minimum possible social protection both in origin and destination countries, broad based review of public policies in favour of working masses with special focus on youth employment, informal economy and precariousness, and pressurising for labour inspection system in local level to issue expert licence for inspection similar to that of auditing.
References


