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Employment Promotion Experiences of Nepal

Madhukar S.J.B.Rana

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Madhukar S.J.B. Rana is a development economist with wide-ranging experiences with universities, governments (Nepal and Canada), and international organisations (UNCTAD, SAARC, ESCAP, and UNDP).

Recently he has served as a member on SAARC's Independent Commission on Poverty Alleviation and as UNDP's Senior Programme Manager for South Asia

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PREFACE

The first version of this paper on "Employment Promotion Experiences of Nepal" was presented to the 'Regional Conference on Employment Generation and Poverty Alleviation' at the Pakistan Administrative Staff College in Lahore on October 30th, 1994, which the author attended at the request and with the assistance of the Friedrich Ebert Stiftung. Since that time it has been revised by the author, following review. Paragraphs on social mobilisation, food security, traditional food systems, and labour-saving technologies have been added to the Conclusions. An Annex on "Labour Force and Employment Parameters" provides a statistical background to the discussions herein.

On behalf of ICIMOD, Dr. Pitamber Sharma looked after the technical editing of this paper.

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Employment Promotion Experiences of Nepal

Introduction

This paper makes a broad analytical sweep of Nepal's endeavours for the last 45 years in tackling poverty and creating jobs for the poor. The purpose is to present the forests and not the trees, as it were, so that policy-makers and scholars might derive comparative knowledge and insights for garnering a regional perspective on employment and poverty.

Basic Perception and Conceptual Premises

Nepal ventured upon planned development in 1955. Currently, the Eighth Five-year Plan (1992-97) is being implemented. Except for the Third Plan (1965-70), when the largest share of investment was allocated to the transport sector, all other plans invariably gave priority to agriculture. As more than 90 per cent of Nepalese households depend on land for their livelihood and also, as less than 10 per cent of the country's population is urbanised, it would be safe to view Nepali planning thrusts as being aimed at rural development, both in spirit and form. Indeed, the policy of the democratically elected Nepalese Congress Party's government (1991-1994) was to allocate 70 per cent of the total investment in the current Eighth Plan to rural areas.

In this long journey of planned development, there are many milestones worthy of note; some of them are: (a) the improvements in human development indicators, per capita income, and transport and communications' infrastructure; together with (b) the creation of additional growth centres and sectors with the birth of small towns and also the growth and deepening of the service sector respectively; and, not least, (c) the diversification of our international economic relations.

Despite these notable milestones, when it comes to poverty elimination and employment creation for the poor, we seem to start each plan right at the beginning. As always, there is a constant 49 per cent of the population who remain poor and deprived and whose ranks continue to grow in absolute numbers.

What accounts for this phenomenon? Not population growth, which has dropped significantly from 2.8 per cent in the 1950s, to 2.1 per cent in the

1980s, and is heading towards 1.8 per cent in the 1990s. Neither lack of macro-economic growth, which has risen steadily from two per cent in the 1950s and 1960s to three per cent in the 1970s and then four per cent in the 1980s looking likely to reach five per cent in the 1990s.

It is the institutional strategy of development adopted that has created this dilemma, as the bureaucracy-led development model failed to deliver goods and services to the poor, although it was most cost-effective while doing the same for the elite and those with access. Being a supply-led development strategy, judged on its results, three fundamental lessons can be derived for dealing with issues of employment and poverty. They are the following.

- (i) Past development plans almost completely bypassed the poor because government institutions delivering services failed consistently to reach out to the grassroots beyond the district level.
- (ii) Horizontal coordination among sectoral ministries has been almost impossible to achieve.
- (iii) The concept of a national civil service has cost the rural and remote areas dearly as (a) development programmes go a-begging for lack of adequate staffing and poor morale among the outposted; (b) standardisation of plans, budgets, administrative rules, and regulations have foregone the opportunities arising from the vast sociocultural and biological diversity available in the country, and (c) decentralisation, although politically endorsed, tends to be obstructed by the lack of bureaucratic interest in divesting monopoly powers to local governments, community organisations, or the private sector.

Agricultural Policy

The basic goal of agricultural policy has been to attain self-sufficiency in food, especially as the hill and mountain areas have food deficits and are constrained by poor access. Most of all, a lot of reliance has been placed on demonstration of improved varieties of seeds and the use of chemical fertilisers, for which the government provides transport subsidies. Poor marginal farmers could not afford these inputs.

The Nepalese experience in the agricultural sector has been a bitter one. There has been no breakthrough despite repeated priority in investments given to this sector. What is more, Nepal has emerged as a food deficit country from being a food surplus country in the 1950s - one out of six worldwide - after 45 years of planning!

The political leadership had a vision for regional development as far back as the early 1970s, with the goal of diversifying agriculture to exploit regional comparative advantages. Livestock-raising was to be developed in the mountains, horticulture in the hills, and cereals and cash crops in the plains (*terai*). This goal persisted until 1985, but with the advent of the Seventh Five-year Plan (1985-90) it has been formally relinquished in favour of local self-sufficiency in food.

The grand vision for regional balance could not be realised because, among other reasons, it was not supported by foreign aid donors, who preferred to transfer known technologies (i.e., paddy and wheat) and to promote the use of chemical fertilisers. In addition, the national decision-making centres were too unsure of themselves to be in a position to implement perspective strategies for radical transformation of the agricultural base. The Nepalese bureaucracy, made up overwhelmingly of generalists, was clearly not capable of tackling the complex technical, scientific, and economic issues on a sustained basis nor able to negotiate foreign aid towards its chosen goals. Further, the vexing issue of food security, which is axiomatic to any form of regionalisation of agriculture, was never seriously taken up.

And so, despite the national political rhetoric of diversification and commercialisation of agriculture, the area under foodgrains in the plains, hills, and mountains continued to expand to occupy more than 80 per cent of the cropped area today. As marginal lands are cultivated, land productivity remains stagnant and environmental degradation accelerates.

Road Building

Road building, especially from 1950 to 1984, could be cited as another eminent Nepalese employment promotion policy. It was a *sine qua non* of the conventional wisdom that, without market accessibility, 'development' and 'nation building' were impossible. Such a development paradigm has proven to be grossly erroneous as national highways were built that led nowhere and which the government could not afford to maintain. Growth did not automatically result with transport infrastructure in place. Neither could planners actually integrate the available highways with the rural economies they traversed.

It is now known that traditional economic feasibility analyses are inadequate for decision-making on mountain highways as they tend to ignore the need to integrate engineering and socioeconomics with ecological and geological

sciences. It has also been observed that 15 to 20-year integrated master plans are needed for the optimum use of infrastructure.

Integrated Rural Development Programmes (IRDP)

In the mid-1970s, the goal of meeting the basic minimum needs was enunciated. Until 1990 the IRDP was the favoured strategy of development.

The IRDP approach was popular with the political leadership because it sought to advance the concept of decentralisation, which was a fundamental tenet of the *Panchayat* system of 'guided democracy'. Another reason was that it permitted the mobilisation of foreign aid for possible avenues to integrate the economies of the mountains, hills, and plains. A World Bank/UNDP evaluation study that reviewed the six IRDPs under implementation found that none could be called successful as they neither promoted rural employment nor met the basic minimum needs of the poor. Their success lay in the supply of social and economic infrastructure. Essentially, these projects were no more than integrated welfare schemes that failed to generate local economic growth.

Where the Poor Benefitted

The programmes that have benefitted the poor are those that were targetted at them. In Nepal, three broad categories of intervention have been aimed at alleviating poverty:^{1,2}

- (i) vocational skills' development,
- (ii) direct employment creation, and
- (iii) asset creation through credit supply.

Vocational Skills' Development. This programme is Nepal's attempt to put forth a manpower policy by meeting the supply-demand gaps arising from certain skills in the national labour market through training and information on available opportunities (e.g., barbers, tailors, carpenters, masons, etc). As is evident, this policy is urban-oriented and aimed at absorbing the unemployed in urban places. Its other rationale is to stem the flow of Indians into the Nepalese labour market by stepping up the vocational training of Nepalese.

1 Alleviation of poverty: improvement in the income and asset ownership of the absolute poor as well as their status in terms of access to health, nutrition, family planning, housing, energy, credit, education, vocational skills, and membership in organisations of the poor.

2 Elimination of poverty: provision of the basic minimum needs to all.

Direct Employment Creation. This has taken the form of food-for-work schemes to help build, maintain, or rehabilitate infrastructure. The impact remains marginal, however, and one doubts the sustainability of this approach.

Asset Creation through Credit. Nepal's interventions with credit for poverty alleviation have been through three avenues, namely, (i) the Intensive Banking Programme, founded in 1974; (ii) the Small Farmers' Development Project (SFDP), established in 1978; and (iii) the Production Credit for Rural Women (PCRW) Programme, established in 1982.

Following the formulation of the first-ever comprehensive Industrial Policy in 1973, His Majesty's Government sought to promote cottage and village industries by requiring that all commercial banks invest five per cent of their deposits in 'priority sectors' as defined by the Central Bank (which included agriculture and services) or face a penalty. In 1976, the investment ceiling was raised to seven per cent. Since 1981, it has provided a focus on poverty alleviation based on group lending. In 1985, the ceiling criteria changed to 10 per cent of the banks' total loans and investments rather than total deposits. In 1989, the so-called Lead Bank Schemes were designed to strengthen the programme and the ceiling criteria were again changed to include 10 per cent of the total credit (and not loans and investments only).

The commercial banks face tremendous adjustment problems (and are possibly reluctant) over dealing with lending (i) without collateral; (ii) because of the smallness of the loan amounts, and (iii) because of the demands upon management style, including time for supervision and utmost use of discretionary powers. These banks, used to short-term lending for trade mainly and some amount of medium-term investment, were required to engage in social intermediation involving a package of services such as community development (health, education, sanitation) and human resource development (HRD) training along with credit supplies for areas with 250 to 400 households that were eligible for loans. Additionally, households with a per capita income below Rs 2,510 were considered to be eligible for loans without collateral but on the basis of a group guarantee. Thus the banks were required to engage in social mobilisation activities by undertaking the formation of self-help groups.

The performance resulted in a loan disbursement of Rs 4.6 million in 1981/82, which rose to Rs 1,415 million in 1990/91. Agriculture accounted for 42 per cent, with cottage industry accounting for 40 per cent, and 17 per cent going into services in 1991. Noticeably, only four per cent of all loans went to the

mountain areas. The main weakness of the intensive banking programme is the inability of the banks to lend to the very poor.

The Agricultural Development Bank of Nepal was the pathfinder in financial intermediation to benefit the poor, albeit in the form of small farmers and, hence, not the ultra poor. Started as a pilot project in 1975, the Small Farmers' Development Project (SFDP) took the shape of a national programme in 1981. Its success is well documented by the SAARC Secretariat's report on poverty alleviation "Meeting the Challenge" (1992). Basically, the SFDP project engaged in (i) public works -- irrigation, roads, drinking water, afforestation, and user group formation; (ii) social mobilisation -- formation of homogeneous self-reliant groups for basic health, nutrition, basic education, management, group dynamics; and (iii) credit -- agriculture, horticulture, sericulture, livestock, beekeeping, and cottage industry. In 1991/92, loans disbursed amounted to Rs 232 million, with the formation of 20,046 groups and involving 141,727 members (of which 34,890 were women). Group savings reached Rs 31 million in 1992. Most investments were in livestock, followed by cereals and cash crops. The recovery rate in 1991/92 was 54.7 per cent.

Nepal's other success in poverty alleviation is the Production Credit for Rural Women (PCRW) programme, begun in 1982 by the Ministry of Local Development in collaboration with the commercial banks, Central Bank, and UNICEF. Its goal was to raise the status of women by: (i) facilitating the linkage between rural women and the government's provision of services, (ii) income-generation, and (iii) reducing the burden of household chores.

By 1993 a total of Rs 52 million had been disbursed to 15,627 women, with only Rs 33.4 million, or 72.1 per cent being recovered. Again, most loans (70%) went to livestock, followed by agriculture (17%), services (8%), and cottage industry (5%).

From the above-cited Nepalese experiences with financial intermediation, it is clear that many challenges lie ahead. For the leadership of these programmes, their cost-effectiveness should be paramount. On this would depend their ability to expand and multiply. It is not known with certainty what their impact on poverty alleviation is and whether households have "graduated" from their dependence on the facilitators.

The paramount issue remains: how sustainable are these programmes? Can they earn a surplus from their operations by better recovery and lower

overheads? And how can the beneficiaries develop to become self-reliant groups that grow and develop on their own?

Perhaps even more fundamentally: what is the role of governments in social intermediation/mobilisation? Should governments not play a leading role instead of leaving financial institutions, or NGOs, with the responsibility of supporting the poor to organise themselves in order to improve their access to resources and services? How this may be done by the State has been well defined in the SAARC Report on poverty alleviation: "Meeting the Challenge" (1992).

The Central Bank of Nepal appears to be quite cognisant of its vital role. It has proceeded to allow a plurality of banks to operate -- commercial banks, cooperative banks, and rural banks -- in a rather unique manner. It seems to be placing its faith in competitive banking and has finally recognised the positive role that the informal people's sector can play in poverty eradication, growth, and development.

Science and Technology for Poor Farmers

Nepal is a land of small, marginal farmers, the majority owning less than 0.5 hectares of land. By and large these farmers have been ignored by the planners. Their foremost needs are irrigation, credit, appropriate technology, and market access.

Recently a breakthrough has been achieved by the so-called Lumle model of agricultural research and development. The goal of the British-founded Lumle Agricultural Centre, established in 1988, is to improve the productivity and income of hill farmers through generation, verification, and dissemination of relevant and sustainable technologies. It pursues a multidisciplinary and integrated approach to combine research, training, and extension under one roof. It also pursues a participatory approach to jointly involve farmers in determining their needs and identifying action plans in three priority areas, namely: (a) soil fertility, (b) fodder availability, and (c) income-generation. It pursues further participation by trials and studies for the verification of technologies identified through testing with farmers in their own fields. The Centre has produced 51 improved varieties of hill rice (500-2000m); and it has facilitated the generation of income through the production and sales of vegetable seeds and by improving the productivity of cows and buffaloes.

The Current Perspective and Some Issues

The Eighth Plan document enunciates the following policies for employment promotion:

- i) intensification and diversification of agriculture, development of agroforestry, and promotion of irrigation;
- ii) construction of rural infrastructure through labour-intensive techniques and through the involvement of local government;
- iii) cottage and small industries' promotion in rural areas;
- iv) skills' development for employment abroad;
- v) expansion of technical and vocational training and basic education;
- vi) development of appropriate technology;
- vii) creation of employment centres; and
- viii) encouragement of industrial dispersal to disadvantaged regions.

The major employment issue is obviously the gap (i.e., 1.20 million) between the jobs to be created (1.45 million) and the projected labour supply (2.65 million). By any criterion this gap is too wide. It would be wider if the assumed savings, investments, or the capital-labour and capital-output ratios are not realised (or are actually higher than what the planners assume).

It is not known how many of the 1.20 million without jobs fall under the estimated 9.1 million absolute poor in 1991. Probably most do.

The following issues also need to be tackled to devise a suitable planning methodology.

1. No synergy exists between national employment policies and targets.
2. At the macro-level, there is no systematic employment strategy that brings into a harmonious whole the macro- and sectoral targets with the sectoral investment programmes.

3. It is not known where jobs are to be created and how many are planned for each district or region.
4. Surveys on employment, unemployment, underemployment, migration, immigration, and emigration are hardly ever carried out. Frequent censuses of manufacturing activities are being undertaken. However, the data can hardly be useful for tackling the gravity of the job problem for the poor.
5. The definitions for the 'labour force' and those 'economically active' and 'inactive' need to be revised to portray current social realities accurately. And the concept of 'underemployment' needs to be further refined to relate it with income earned.

The planning methodology so far adopted is insufficient for an employment-oriented approach that aims at productive job creation. It is necessary to go beyond the vision of labour as simply constituting a derived demand. Labour can be the most dynamic factor of production as it creates the social wealth that generates income and jobs. It would be more accurate to consider labour as a local resource yielding manifold opportunities for growth and development locally. For too long people have been moved to jobs. It is time to reverse the conceptualisation process and deal with the real challenges of enhancing the productivity of rural households; enlarging opportunities for productive self-employment; reducing the drudgery of labour, especially among girls and women; providing women with the access needed to commercialise their skills; and motivating men to share in household chores.

Conclusions

When one talks of Nepalese experiences in employment promotion policies, one has to keep in mind that it is an experience drawn from a mountain environment. It is an environment in which the tasks ahead are naturally so much more daunting than in many others, since in developing countries poverty and mountains are coterminous.

However, this poverty is not necessary if we learn to use fully the bounties and opportunities provided by nature. We need to begin to plan land management in line with the watersheds. Otherwise, continued subsistence farming and migration to the plains and elsewhere will always be the two prominent features of the employment horizon for the mountain peoples of Nepal and South Asia.

In terms of the problems arising from rapid population growth and breakdown of traditional institutions, deforestation and degradation of the environment are really the strategic issues as Nepal prepares for the next century. Such Himalayan challenges require that our academics and policy-makers seek ways of achieving much higher rates of economic growth than the projected five per cent per-year to create jobs and eradicate poverty within a timeframe (say before 2005 A.D.) This requires the body politic to give as much attention to policies aimed at globalising the Nepalese economy as to policies seeking to deepen the roots of democracy by inculcating the participation of the entire population through social mobilisation and devolution of political responsibilities. Much higher rates of economic growth are possible if the poor are allowed to contribute their share.

Permanent migration to the plains in Nepal and temporary migration to India have provided Nepal with the safety nets to cater to the employment needs of the poor. The vast planned and unplanned resettlement of people that occurred in the 1950s and 1960s, following the eradication of malaria in the *terai* belt, has not resulted in the upland people being better off. Nor, indeed, have the indigenous people of the plains benefitted from this historic migration as the resettlement was again for self-subsistence farming.

Social Mobilisation

Too many issues are left unresolved by the policies envisaged by the Eighth Plan with respect to employment. The approach to employment planning is not adequate, neither conceptually nor institutionally. It is investment in social mobilisation that will lead the poor to contribute to growth through self-help and self-employment initiatives. This will ensure that jobs are taken to people rather than people to jobs. For this to happen, it will have to be recognised that, when mobilised, the labour and entrepreneurship of the poor are solid national assets that can contribute to national growth with equity and human development.

With social mobilisation, the 1.25 million that the Eighth Plan cannot now envisage having jobs might quite possibly be gainfully self-employed. By 'social mobilisation' is meant the State supporting the formation of organisations of the poor and their empowerment through pro-poor policies and plans.

People below the poverty line, especially the poorest amongst them, live forever under one threat - that of hunger. Therefore, any programme designed for employment and poverty eradication must incorporate this vital element if it is to be holistic and sustainable. Lack of awareness concerning the vital importance of traditional foods for the poor household's food security is perhaps the greatest policy constraint facing South Asia from the perspective of the poor. Investment in the "traditional food systems" of the poor (defined to mean the production, distribution, and storage of the foods consumed by households below the poverty line which have been in usage from one generation to another over long periods of a community's history) may help usher in a new division of household labour towards greater gender equality, provided total household and community productivities are raised based on households' time allocation and skill-availability/baseline studies, on the one hand, and micro-environment baseline studies, on the other.

The green revolution technologies, being basically restricted to irrigated farms and limited to a few cereal crops (i.e., rice and wheat), have bypassed the rural poor because of their unaffordability by the vast masses of subsistence farmers. Furthermore, poor households are noted for their reliance on a diversity of cultivation practices for their food security and, therefore, for them to specialise in one or a few cash crops exposes them to the risks of malnutrition and ill-health from unbalanced diets. Research and development on foods of plant origin (i.e., pulses, vegetables, root crops, fruits, and medicinal herbs) as well as foods of animal origin (i.e., dairy, livestock, poultry, and fish) are extremely limited. This fact has now been recognised by international agencies such as the FAO and UNDP. Past research and development (R&D) investments have not been "pro-poor" as poor farmers residing in ecologically fragile and remote mountain areas are increasingly facing falling land and livestock productivities, intense population pressure, lack of access to credit and roads, and inadequate R&D-cum-extension and marketing support from international and government agencies. It must be recognised that interventions in the form of public distribution systems, food-for-work programmes, IRDPs, etc have, at the core, been no more than brave attempts to generate sectoral growth by providing the poor with access to the so-called "major" crops (i.e., rice and wheat). It is high time now to concentrate on the "minor" crops (i.e., cereals-millet, sorghum; oil seeds-mustard; pulses-sesame, groundnuts, peas, gram, beans; root crops-sweet potato, cassava, yam; vegetables-pumpkin, okra, aubergine, chillies, fruits-plums, apricots, custard apples, peaches, dates, jack fruit; livestock-sheep, goats, pigs, buffaloes; and bee-keeping and poultry).

To begin with, targetted pilot programmes for vulnerable groups and communities should be undertaken as action research projects in the remote areas. Such programmes can help tide the forces of migration to urban areas, conserve biological diversity, and lead to balanced development between regions. R&D on post-harvest technology, to save the vast amounts of annual losses in and damage to foods during storage, preservation, and processing, and product development of some traditional foods to cater to the national and regional markets could reduce the underemployment of the male population.

Labour-saving Technologies

Additionally, development of simple labour-saving technologies for homesteads would enhance the productivity of women's labour and free them of the drudgery of routine household chores while, at the same time, increasing the participation of males in homestead management through the intervention of new technologies in water, fuel, and fodder collection, which they can profitably build, operate, and own (as so-called BOO infrastructure projects to be financed by local governments).

These targetted programmes for the poor living in arid and mountain areas of South Asia (especially if they are not already being served by other development programmes) may be attempted at the household level on the basis of (i) region; (ii) participation of poor farmers in identifying and developing a few traditional foods with the potential for commercialisation; and (iii) provision of opportunities for exchange of know-how among poor households. The aim of regional cooperation should be to transfer regional technology, improve locally-available technology, and create awareness about the role that traditional foods can play in household food security and employment creation for poverty eradication.

It is envisaged that NGOs will serve as support institutions to mobilise and organise the poor households in these geographically disadvantaged areas so that they have the capacity to participate in decision-making with R&D scientists, extension workers, providers of credit, marketing agents; generate savings and undertake investments; and influence local governments to secure their interests.

More research is needed to understand the place occupied by forest-based foods in the sustenance of the poor.

Annex

Labour Force and Employment Parameters

Population Size and Growth

Nepal's population was 18.49 million in 1991, it was 14.69 million in 1981. So the annual average growth rate in 10 years fell to 2.1 per cent, a significant achievement compared to the growth rate of 2.6 per cent between 1971 and 1981. By 2001, it is expected to fall to 1.8 per cent per year. Therefore, some measure of success can be claimed for family planning.

Labour Force and Its Growth

The official Nepalese definition of the labour force includes all those in the 10-59 years' age groups who, according to the census of 1991, accounted for 70.2 per cent of the population or 13.0 million people. The labour force grew by 2.3 per cent between 1981 and 1991 compared to 2.8 per cent between 1971 and 1981. However, those between 15-59 years were 51.8 per cent, or 9.6 million, whereas those over 60 and above made up 5.9 per cent, or 1.1 million

Table I: Labour Force Distribution by Sex (1971-1991)

	1971			1981			1991		
	M	F	Total	M	F	Total	M	F	Total
Labour Force	4.1	4.0	8.1	5.4	5.1	10.5	6.4	6.6	13.0
Economically Active	3.4	1.4	4.8	4.5	2.4	6.9	4.4	2.9	7.3
Economically Inactive	0.7	2.6	3.3	0.9	2.8	3.7	2.0	3.5	5.5

Source: Yadhav S. Thapa, "Employment Situation in Nepal," in CEDA, A Report on Review and Synthesis of the Literature on Manpower Needs of Nepal, Tribhuvan University, July 1994, p.39-61.

The decline in the growth of the labour force is due to the increasing enrollment in lower secondary schools, especially of boys. This has also had an effect on

the structure of the economically-active population, which fell significantly from 65.10 per cent of the labour force in 1981 to 56.6 per cent in 1991.

Economically-active Population's Characteristics

Most of the economically-active population are heavily dependent for their livelihood on the primary sector, especially agriculture. Nepal's economy is overwhelmingly rural, although there has been a spurt in urbanisation since 1981.

Table II: Distribution of the Economically-active Labour Force, 1991

S.No.	Sector	1971	%	1981	%	1991	%
1	Agriculture, Fishing and Forestry	4580	94.40	6244	91.20	5961	81.20
2	Mining, Quarrying	0.0		0.0	0.01	2	0.03
3	Manufacturing	52	1.07	33	0.50	150	2.0
4	Electricity, Gas, Water	2	0.04	3	0.04	12	0.2
5	Construction	5	0.10	2	0.03	36	0.5
6	Trade, Commerce	64	1.31	109	1.60	256	3.49
7	Transport, Communication	10	0.20	7	0.11	51	0.69
8	Finance, Business	3	0.07	10	0.14	21	0.28
9	Personal, Community Services	138	2.84	314	4.58	752	10.25
10	Unspecified	-	-	127	1.86	98	1.34
11	All	4854	100.0	6849	100.0	7339	100.0

Source: Yadhav Thapa, Op. Cit.

The economically-active population's dependence on the primary sector declined significantly between 1981 and 1991. This was largely due to the

gains by personal and community services, trade, commerce, and manufacturing sectors. Also, the number active in the primary sector declined absolutely in 1991, drastically reducing the rate of growth among the total economically active from 4.1 per cent per year between 1971 and 1981 to 0.7 per cent per year between 1981 and 1991. This explains the swell in the ranks of the economically inactive, which in 1991 amounted to 5.5 million. This inactive group grew at an average of 5.1 per cent per year compared to just one per cent per year from 1971 to 1981.

It should be noted that the labour force's participation rate of 59.3 per cent in 1971 rose to 65.1 per cent in 1981 and fell to 56.6 per cent in 1991.

Underutilisation of the Labour Force

The 1991 population census indicates that 34.5 per cent of the economically active, or 2.5 million, are underemployed, if underemployment includes those working less than seven months or 210 days. This is 9.2 per cent of the labour force, or 34.2 per cent of the economically active. By this reckoning, 64.5 per cent, or 4.8 million, of those economically active comprise the 'fully employed'.

Table III: Underemployment Distribution by Days and Sex, 1991

S.No.	Average Work Duration	Male	%	Female	%	Total	%
1	Less than 90 days	81278	1.9	83649	2.8	164927	2.2
2	Between 90-150 days	219789	5.0	221411	7.5	441200	6.0
3	" 151-200 days	1069087	24.4	858162	29.0	1927249	26.3
4	More than 210 days	2983814	68.2	1789628	60.4	4773442	65.0
5	Not Stated	21615	0.5	11153	0.4	32768	0.4
6	All	4375583	100.0	2964003	100.0	7339586	100.0

Source: HMG Population Census 1991

Unemployment Rate

The census does not provide data on unemployment. The National Planning Commission estimated the following for 1991/92.

Male		Female		Total	
No.	%	No.	%	No.	%
362000	7.1	288000	8.4	650000	7.6

No reliable estimates of unemployment exist. Those who believe the problem of unemployment is more severe than suggested by the National Planning Commission put it at around 10 per cent.

Demand for and Supply of Jobs

The National Planning Commission (NPC) estimates the magnitude of the unemployment and underemployment problems and the jobs needed to mitigate them, during 1992-97, the period of the Eighth Plan, as:

i)	total unemployed stock	-	0.65 million
ii)	total underemployed stock	-	1.00 million
iii)	total additional supply of labour	-	<u>1.00 million</u>
Total Required Jobs		-	2.65 million.

Similarly, according to the NPC, the jobs that need to be supplied sectorally during 1992-97 are as follows.

Table IV: Additional Job Supply and Distribution, 1992-97

S.No.	Sector	Employment Growth	
		No.	%
1	Agriculture, Irrigation, Forestry	861000	2.2
2	Mining, Manufacturing, Cottage Industry	181000	13.0
3	Electricity, Gas, Water	2000	5.9
4	Construction	35000	6.0
5	Trade, Hotels, Restaurants	68000	6.6
6	Transport, Communications	69000	6.7
7	Finance, Real Estate	10000	7.8
8	Services	223000	5.9
9	All	1449000	3.1

Source: National Planning Commission, Eighth Plan, p.92-97, p.632

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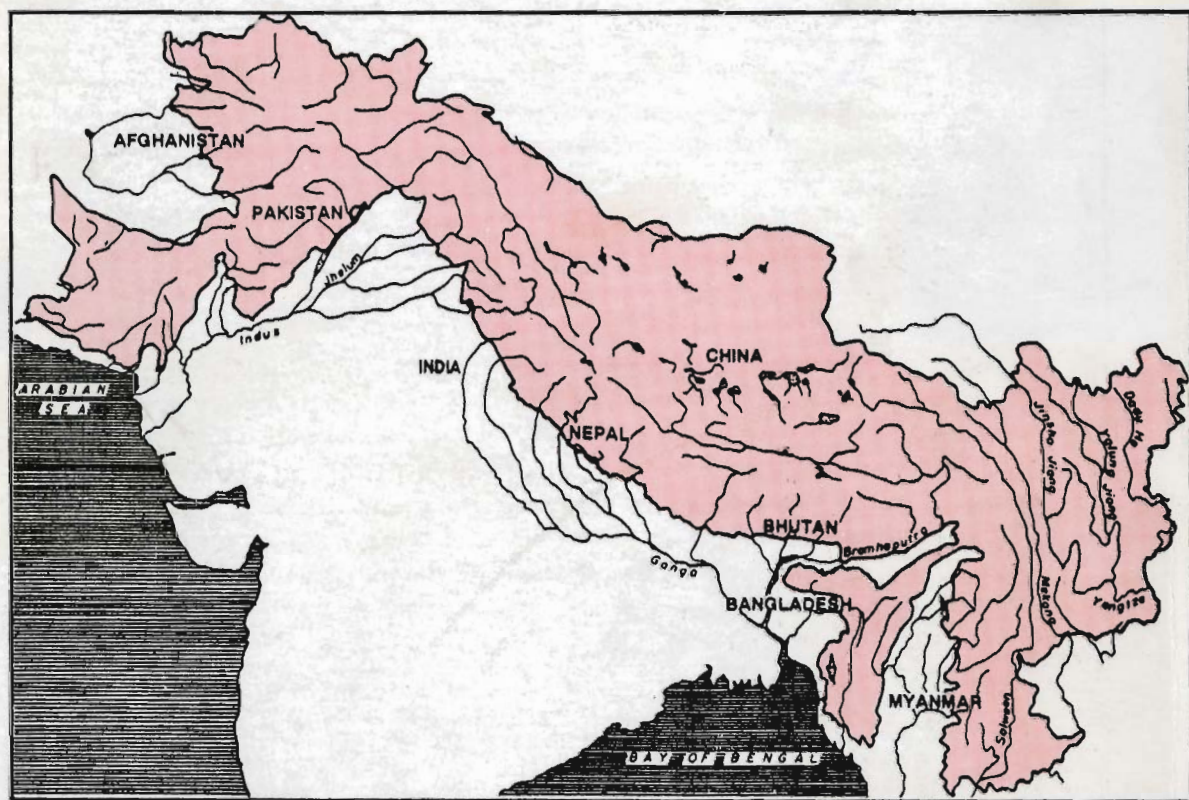
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INTERNATIONAL CENTRE FOR INTEGRATED MOUNTAIN DEVELOPMENT
4/80 Jawalakhel, G.P.O Box 3226, Kathmandu, Nepal

Telex : 2439 ICIMOD, NP
Telephone : (977-1) 525313

Cable : ICIMOD NEPAL
Fax : (977-1) 524509