

Challenges in Creating Employment Opportunities for Youths in Nepal

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ORGANIZATION OF PRESENTATION

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YOUTH POPULATION GROWTH TRENDS

Definition of Youth Population:

Recently GoN endorsed 10 years “Youth Vision 2025” program defined – 16-40 years population

	1971	1981	1991	2001	2011
Size In Ml.	4.62	5.87	6.92	8.95	10.67
Share (%)	39.98	39.11	37.54	38.67	40.29
Total Pop In Ml.	11.55	15.02	18.49	23.15	26.49

Highlights

- More than doubled between 1971 and 2011 and reached to 10.67 MI.
- Projected to reach 14.10 MI in 2026
- Share on total population is steadily rising & accounts more than two-fifths (40.6%)
- The growth rate of Youth population is much faster (1.92%) compared to total population growth (1.44%) during 2001-2011

DEMOGRAPHIC DIVIDEND

- Nepal is undergoing important demographic shift
- A very high concentration of youth population (41%) with low median age of 22.2 years.
- In the case of population age group 15-64 it is 59.75%
- This is expected to cut spending on dependents and spurs economic growth
- Generally considered as demographic bonus provided this bonus is seized, nurtured, and realized effectively (Hisamatsu, 2008)
- Nepal has not been able to translate it into economic gains as the large rise in working ages is not matched by employment generation

OVERVIEW OF EMPLOYMENT SITUATION

CBS's Annual Household Survey 2012/13

- 78.4% of the population aged 15 yrs and above are employed
- LFPR - 81.1
- Unemployment rate is very low at 3.3% in 2013; much higher in urban areas at 8%
- Among the youth (15-24) the unemployment rate in urban area was high (14%)

Employment Composition

Sector:

- Agriculture, forestry fishing - 66.5%
- Manufacturing - 5.2%
- Construction - 5.0%
- Total Services - 23.3%
- Declining share of agriculture
- Rising share of service sector with stagnant manufacturing sector.
- Share of service sector in employment increased from 11.5% in 1998/99 to 23.3% in 2013

LABOUR UNDERUTILIZATION

	Unemployment Rate	Time Related Under ER	Skill mismatched	Inadequate earnings	Labour Underutilization Rate
Male	3.2	13.9	4.9	11.0	32.9
Female	3.4	13.0	3.6	3.3	23.4
Rural	8.0	9.5	5.9	17.1	40.5
Urban	2.5	14.1	3.9	5.1	25.6
Literate	4.1	13.5	7.0	9.7	34.3
Illiterate	2.1	13.3	0.00	2.7	18.1
15-24	5.9	13.8	10.4	5.7	35.8
25-44	3.3	13.4	3.1	9.7	29.5
45+	1.3	13.1	0.7	4.2	19.3

LABOUR MIGRATION

- 20.3% of the population are considered to be migrants
- 57% of such migrants are believed to be internal migrants while 43% have gone for foreign employment
- the largest proportion of the migrant population lies
- in the age group 15 to 29
- Employment opportunities growing only at 2.9%
- Limited employment opportunities forced youths to migrate for foreign employment
- About 1,500 workers leave the country everyday the total of which is estimated to have reached 3.6 million
- 364,740 has left for foreign employment in the first 8 month of FY 2014/15.

Foreign Employment and Flow of Remittances

- Remittance inflows have continued to grow along with the rise in number of labour migrants.
- Amidst difficulties in creating jobs there is huge labour migration for foreign employment
- Statistics released from Nepal Rastra Bank revealed that remittance income reached to US \$ 5.22 billion in FY 2013/14
- This accounts 28% of GDP

EMPLOYMENT CREATION

- Estimate shows that Nepal requires to create around 500,000 “productive employment” per year during 2009-15. (ILO. 2010)
- Employment growth is limited to less than 3% annually.
- Issue of Employment Elasticity
- EE seeks to capture the responsiveness of the labour market to changes in macroeconomic conditions (as represented by GDP growth).
- Growth thresholds at which employment creation reaches the point of absorbing new entrants to labour force not fully known

Labour and Employment Policy 2006

- Provides a comprehensive framework for Nepal's labour sector
- Distinct Objectives: i) the creation of an investment-friendly environment to generate employment; ii) augmentation of employment through production of competent & skilled human resources & iii) increasing the efficiency of labour and employment administration

Youth Vision 2025

- GON has recently introduced this 10 yrs program.
- Youth categorized into two: 16-25 and 25-40
- Accordingly priorities have been fixed
- Major priority area is to create employment for youths
- Each Ministry is required to set aside budget for youths

Youth and Small Enterprise Self-Employment Fund (YSESEF) Programme

- The Fund established in 2008/09
- The main target groups of the programme are unemployed youth and small business people who would be provided with collateral-free, low-interest loans of up to NPR 200,000 to serve as seed capital.

Karnali Employment Programme: “Karnali One Family One Employment” in operation since 2006/07 to make employment opportunities available to the families of Karnali Zone

Challenges in creating employment opportunities for youth

- Employment growth (2.2%) fall short of labour force growth (2.6%) (Islam, 2014)
- Creating around 500,000 “productive employment” per year is obviously a formidable challenge
- Low labour productivity – Nepal’s per worker productivity lowest in Asia (Sharma, 2014)
- Predominance of employment in the informal
- Studies documented that economic growth less effective in terms of employment generation. – Gobless growth

Challenges contd....

- Mismatch between demand and supply of skilled manpower. Unavailability of skilled workers demanded by the private sector
- Poor infrastructure development (inadequate power, and poor quality transportation network considered the most binding constraints to growth (Sharma, 2014)
- Government inefficiency in public spending (less than 50%of the allocated budget in the first 8 month of the FY 2014/15 (MoF, 2015)
- Nepal has slipped five places from 94 to 99th rank in the latest “Doing Business Report 2016” Distance to Frontier score changed from 60.3 to 60.41

Challenges contd....

- Low agriculture productivity (associated with technology, irrigation, fertilizers etc). Only 20% of the total agricultural land has year round irrigation facility
- Disappointing FDI, difficulties creating jobs without FDI
- Trade Union & labour Issue – In Global Competitiveness Report 2013 Nepal ranked 140 out of 144 countries in the cooperation in employee labour relations; Too many trade Union

Challenges contd...

- Poor private sector investment- contribution of private sector in GFCF is less than 20% of GDP.
- Urban centric mentality of job seekers (sanctioned post remained unfulfilled in hill and mountain regions)
- World Bank estimate of 8.2 to 11.8% of GDP investment requirement until 2020 – challenge for fiscal space
- Labour Quality – Dominance of unskilled labour. Only 12.5% male and 6.4% female migrant labour are skilled (MoF, 2015)

WAY FORWARD

- Employment oriented Education Policy – Slogan of “better education for better jobs”
- It has been observed that research oriented scientific, need based and technical education is lacking in Nepal (Pyakuryal, 2013)
- Quality education to match market demand
- More priority on Vocational education and skill development training
- To advance development amid demographic change, the strategic priorities recommended by **Global Monitoring Report 2015/16** are to create jobs and invest more on youth population;

WAY FORWARD

- Need for a shift in the sector composition of employment with suitable investment policy
- Supportive policies for attracting domestic and foreign investment.
- Studies have recommended supportive policies in the following areas: infrastructure development, reform in labour laws, favourable business climate, simplified regulatory mechanism

WAY FORWARD

- Promotion of Tourism Industry to increase the length of stay; high growth potential and employment generation. 1% increase in the average length of stay will increase direct and indirect employment by 2.27 & 2.61 respectively (Islam, 2014)
- Agricultural commercialization
- Discourage use of heavy equipments in rural road sector that displaces labour.
- Make statutory provision of single trade union within the establishment
- Budgetary allocation for increasing productivity for research and training

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