

Creating Jobs in Growing Urban Areas in Nepal

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The Story

- More than 450 thousands labor enter to labor market annually
- Almost same number of labor leaves country for jobs
- A long queue especially with university degree is scene when there are vacancies
- There is scarcity of semi-skilled manual labors in urban areas specially Kathmandu
- The country is yet to enjoy 'demographic dividend'
- The country is experiencing dismal performance on Growth



Objective and Methodology

- The objective of this paper is to find out the areas of employment opportunities in growing urban areas in Nepal-In particular, it will examine the sectors and occupation that can provide new jobs in urban areas
- A descriptive and analytical farmework is adopted. The data used is Nepal Labor Force Survey (1998 & 2008), Nepal Living Standard Survey (2011), Economic survey Ministry of Finance
- Sectoral employment elasticities were computed to extrapolate for job opportunities in Nepal
- For extraploation, an optimistic growth rate of 6 percent is assume

Growing urban areas in Nepal

- The urban areas is growing in Nepal especially after 1990s when economy is liberalized attributing to growing opportunities in urban areas
- The rural urban migration is also growing; the proportion of population is also growing
- Perhaps, the missed fact is that population having access to urban amenities (specially public utilities and private goods along) is increasing in recent years



Urban Area definition

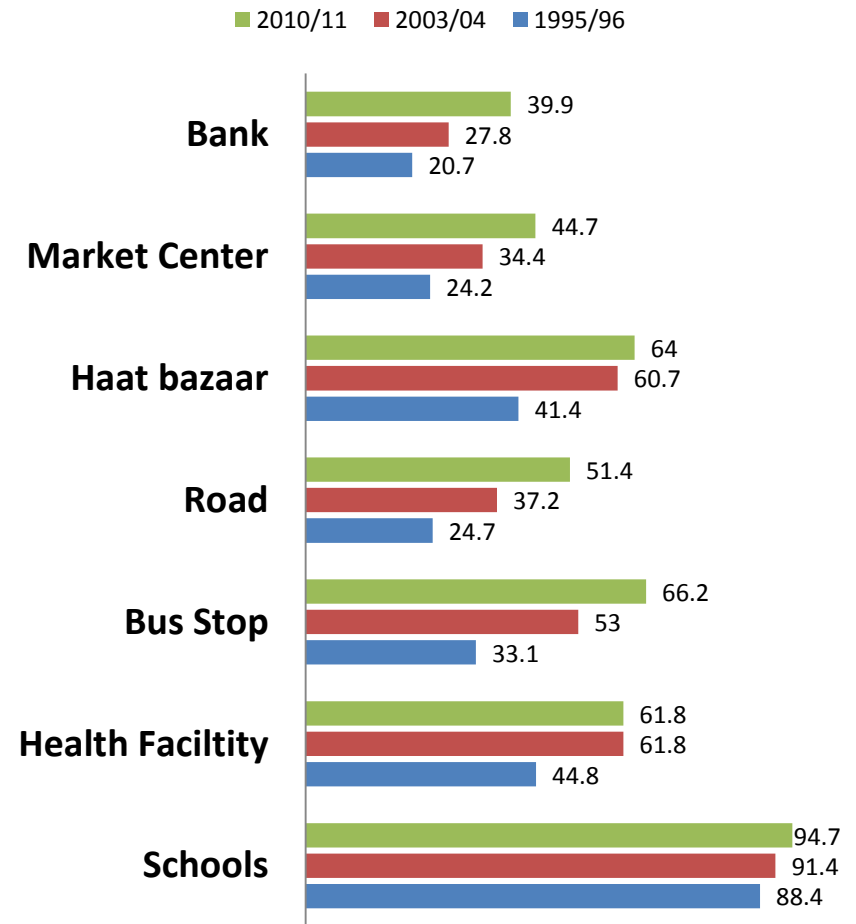
- The definition of urban area lacks consistency and so it difficult to measures the population or employment opportunities over a period of time
- The local Self governance act define urban areas with three district categories as
 - Metropolitan
 - Sub-Metropolitan
 - Municipality
- In recent years, many market centers have emerged with demand specially for semi-skilled labor

Defining Urban Area 2

- Acceptable basis: Density, occupational structure
- Criteria used in Nepal
 - 1952 census: prominent settlement, ≥25000 population
 - 1961 census: Urban environment, ≥ 5000 population
 - Municipal Act 1962: Urban environment, ≥ 10,000 population
 - LSGA 1999: **Metropolitan City** (≥ 300,000; NPR 400 m revenue; Urban facilities; already sub-metropolitan); **Sub-metropolitan** (≥ 100,000; NPR 100 m revenue; Urban facilities; already Municipality); **Municipality (Tara)** (≥ 20,000; NPR 5 m revenue; Urban facilities), **Municipality (Hill)** (≥ 10,000; NPR 500,000)

Access to Facilities has increased over years

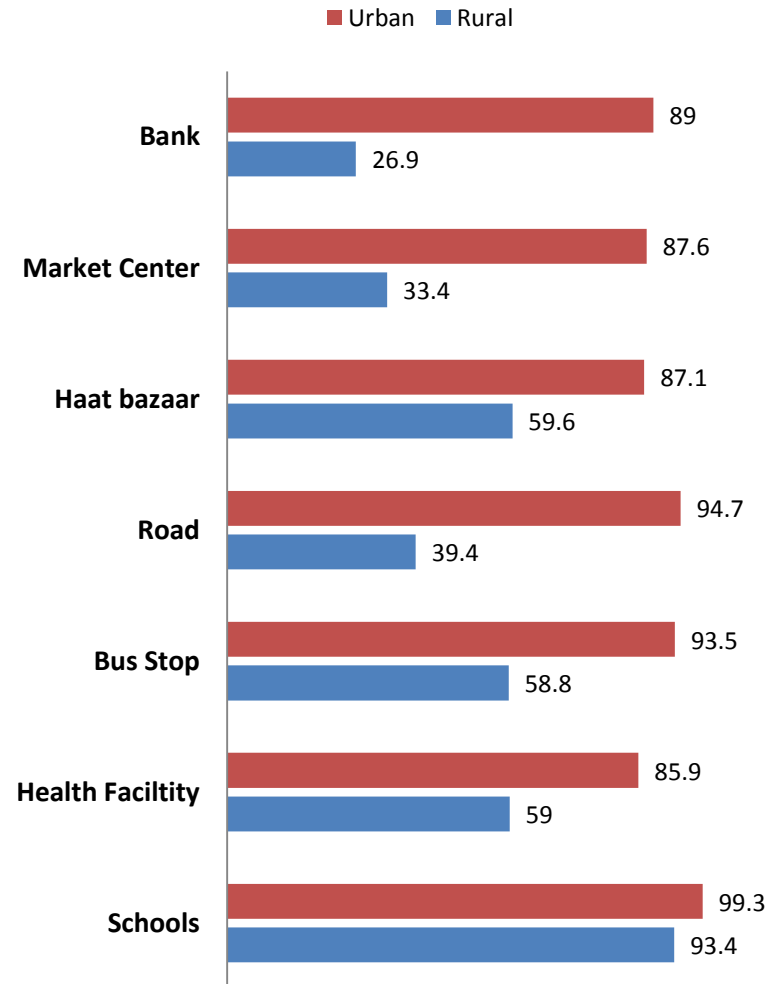
- The Access to various facilities has increased over the years
- The access to market centers, road, bus stop in particular has highest point increment
- These facilities suggests that urban amenities are growing over period of time



Source: NLSS I, II & III

The disparity exists between rural and urban areas

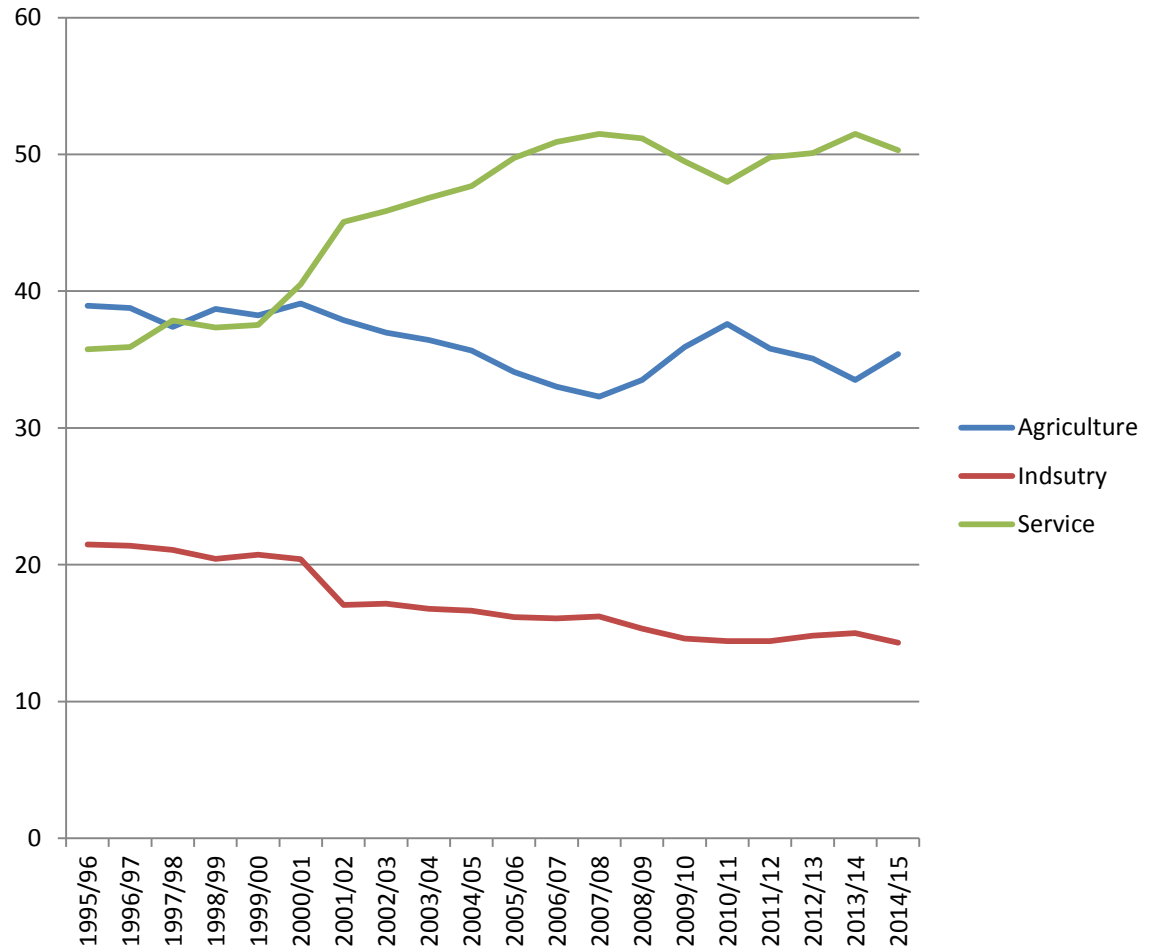
However the disparity between rural and urban areas exists and often the case in developing countries. This also scope that urban is growing more faster than the rural, thereby indicating a possibility to create job opportunities in urban areas.



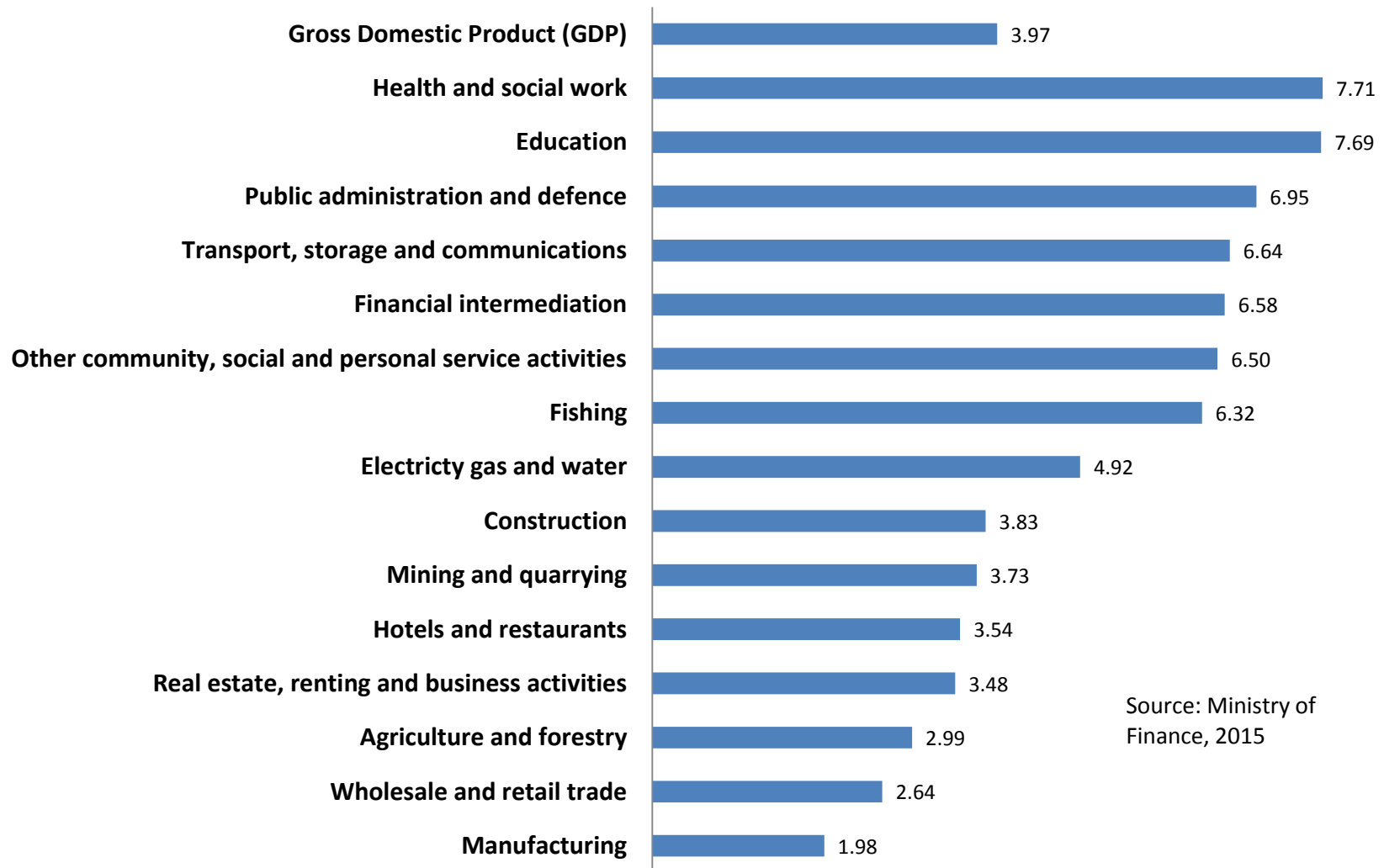
Source: NLSS I, II & III

Sectoral Contribution

- The service sector is on lead followed by Agriculture. The manufacturing of Industry is stagnant at 5 %



Macro scenarios: Sectoral Growth



The growth seems urban centric. Central Bank of Nepal estimates that about 40 percent of GDP is accounted for Kathmandu Valley Alone.

Sectoral Employment in Nepal

Agriculture has been the large sector of employment. It accommodates about two third of the labor force. However, a substantial proportion is engaged on subsistence farming. Manufacturing sector provides about 5 percent of labor force and is stagnant over years; so is the case with industry. The construction and service sectors have seen a growth while services being in front in the race.

Sectoral Employment in Nepal (% of employed population)

Sectors	1998-99	2008	2013
Agriculture	78.00	73.87	66.50
Manufacturing	5.85	6.56	5.20
Construction	3.64	3.19	5.00
Industry	10.50	10.90	11.00
Services	11.54	15.22	22.40

NLFS (1999 & 2008); Sharma (2015)

Employment Status: Rural and Urban

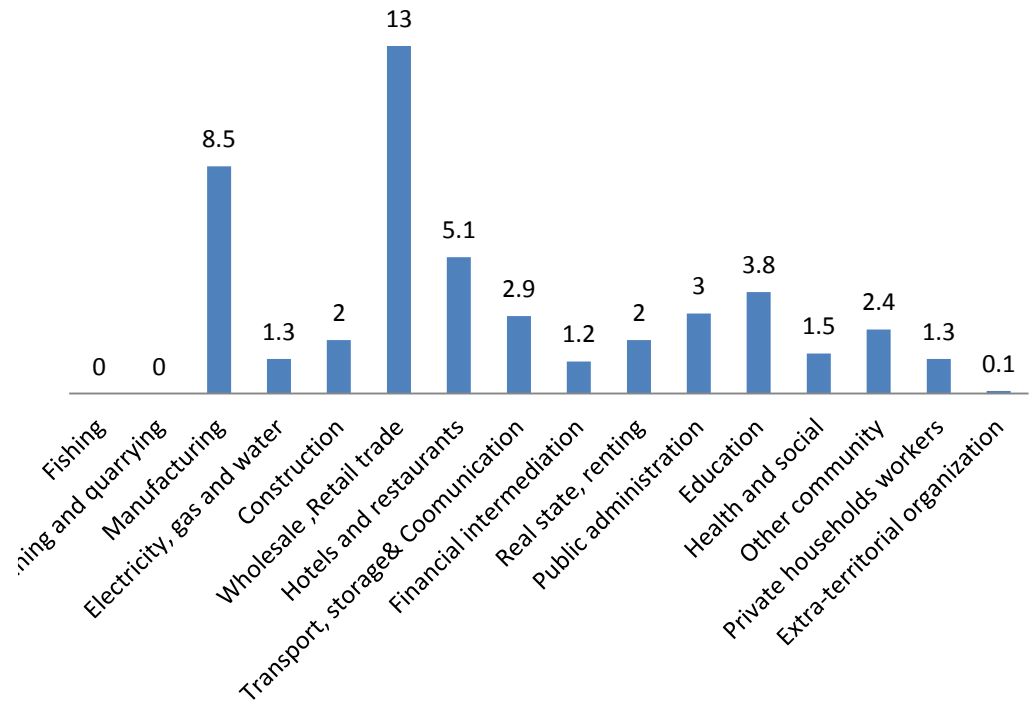
	Nepal			Urban			Rural		
	Nepal	Male	Female	Total	Male	Female	Total	Male	Female
Total	100	100	100	100	100	100	100	100	100
Legislators, Senior officials	0.6	1.1	0.2	1.9	2.7	0.9	0.4	0.8	0.1
Profession als	1.7	2.8	0.8	5.1	6.3	3.6	1.2	2.2	0.4
Technician and assoc. profess.	2	2.7	1.3	5.6	6.7	4.3	1.4	1.9	1
Cleks or assistants	1	1.8	0.3	4	5.5	2.1	0.6	1.1	0.1
Service workers	7.3	9.3	5.5	22.9	24.4	21	5	6.6	3.6
Market agriculture	3.1	2.7	3.5	2.1	1.7	2.6	3.3	2.9	3.6
Subsistenc e agriculture	64	52.9	73.7	26.6	16.1	39.7	69.6	59.7	77.9
Craft and Related trades Workers workers	8.4	11.6	5.5	15.6	18.5	12	7.3	10.4	4.7
Plant and Machine operators	1.4	2.7	0.2	3.4	5.6	0.6	1.1	2.2	0.1
Elementary occupation	10.5	12.2	9.1	12.4	11.8	13.3	10.3	12.2	8.6
Armed forces	0.1	0.1	0	0.4	0.6	0	0	0.1	0

Employment Elasticities

Period	GDP	Agriculture	Industry	Services	Source
Nepal (1991-2003)	0.54	-0.64	3.05	1.6	Islam (2004)
Nepal (2008-2013)	0.32	-0.21	0.92	2.02	Sharma (2015)
Nepal(1998-2014)	0.42	-0.27	0.98	1.98	Author

Employment Opportunities in Urban Areas by Sectors

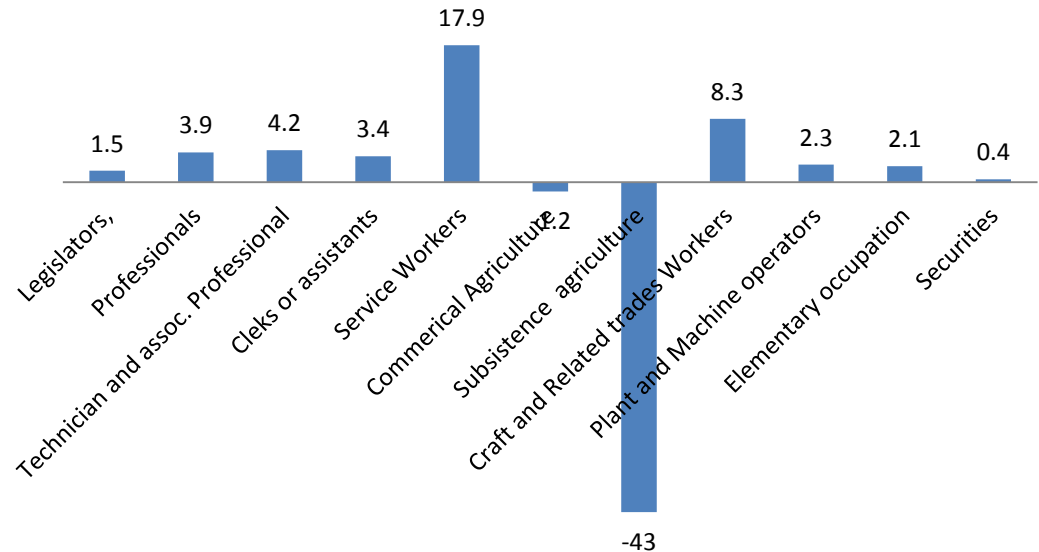
The jobs by sectoral classifications suggest that wholesale, retail trade has highest potential to absorb additional labor force in urban centers. These are followed by manufacturing, hotels and restaurants, education, transport, storage and communication and son on. Obviously, the rural areas will have demand on agriculture and fishing.



Authors calculation based on NLFS(2008)

Employment Opportunities in Urban Area by Occupation

The (positive) bar represents the estimated additional jobs in percent that can be provided in urban areas. The service works were found to have high demand, followed by craft and related trades workers. The area areas include plant and machine operations, professionals, technician and associated professionals. The subsistence agriculture sector is the large demanded sector in rural areas.



Authors calculation based on NLFS(2008)

The intervention

There are not enough supply side interventions. The only government institute to provide vocational trainings stand at hundred- not even thousands. Other development sector interventions (eg EVENT of World Bank) and other private providers are also handful.

Program	Unit	Fiscal	Years
	2012/13	2013/14	2014/15
Skill test Assessors Training	1456	1324	900
Skill Test Manager Training	131	105	0
Chief Trainer Training	40	45	25
Trainer and Assistant Trainer training	320	672	429
Scholarship to Diploma and Technical SLC studying students	908	844	1660
Result based Short term training	6924	14335	18960
Voucher based short term training	-	4495	10081

University	Campuses		Fiscal Year 2012/13			Fiscal Year 2013/14		
	Constituent	Affiliated	Constituent	Affiliated	Total	Constituent	Affiliated	Total
Tribhuvan University	60	1053	273349	331088	604437	148141	257200	405341
Kathmandu University	6	15	5040	8287	13327	5635	9074	14709
Purbanchal University	5	126	854	24866	25720	887	23554	24441
Nepal Sanskrit University	14	11	615	3424	4039	3353	509	3862
Pokhara University	5	58	1774	23508	25282	1782	23508	25290
Lumbini Boudha University	1	5	116	-	116	53	203	256
Agriculture and Forestry Science University	1	-	180	-	180	446	-	446
Far Western University	1	-	951	-	951	2461	-	2461
Mid Western University	1	-	2472	-	2472	1944	-	1944

Issues and Way Ahead

- The urban areas in Nepal is growing with increasing population and migration. Remittance has helped for rural urban migration. This has also created ample scope of job creation in growing urban areas of Nepal.
- The results shows that service sector will play lead role on creating jobs. These primarily include the semi skilled manual jobs.
- There lacks spolicy intervention especially on producing semi-skilled labors.
- Macroeconomic growth remains dismal and there are challenges for ensuring a growth rate at least above 5 % for couple of years
- There obvioulsy need investment. There is low spending of capital expenditure of government budget.
- There is clear need for revisiting our education policy

Thank You