

Nepal: Labour Liberalisation and Productivity

1. Background

Nepal is one of the world's least developed countries. According to the Human Development Report 1998, Nepal's position is 152nd; it was previously 154th in 1997. Also it should be noted that it is second last among the 29 Asian countries. Since the Nepalese economy is primarily agro-based, 81% of the active labour force is employed in agriculture. 2.5 per cent and 16.5 per cent are engaged in manufacturing and services respectively. On the other hand, self-employment is the dominant form of employment covering 79 per cent of the total labour force indicating a very low waged employment of just 21 Per cent. This clarifies the scenario of labour management relations in our context. Feudalistic norms are still in a dominating position, which signifies that, the labour/management relationship is also suffering from a similar feudal character in the Nepalese economy.

2. Globalisation & Liberalisation

The process of liberalisation in Nepal started in the form of structural adjustment programs in 1985, which were slow up to 1990 and were limited at that time to a few monetary & fiscal reforms. But after the mass movement of 1990 and the reestablishment of democracy, the process was launched forcibly with a predominant emphasis on privatisation - unfortunately in our case blind & haphazard privatisation. Now, while looking at the actual position of privatised PEs, we find that 50% of the workers have lost their job, prices have gone high up and working conditions have further worsened. In spite of the fact that the number and share of PEs in national income and employment is low in Nepal, they are significant for balanced growth and for the benefit of people living in remote rural areas. Unfortunately, the government has ignored their significance and PEs have been put in the trade-basket for sale in the name of privatization instead of managerial reforms, control of corruption and maximum capacity utilization.

Looking at the other side of liberalisation, imports are found to be highly liberalized. Cottage and small scale industries have suffered serious setbacks. The manufacturing sector has started to diminish. The agricultural sector is under heavy pressures. Although there are no EPZ & FTZ, MNCs are also very few, entrepreneurs are pleading that labour law reforms are made in their favour in the name of a competitive advantage. Only the service sector is found flourished rapidly. But we think that the growth of the service sector, without a sound & stable manufacturing base, will lead nowhere but to its collapse during economic difficulties.

With increasing liberalisation and globalization, consumerism has affected the whole of national life- not only urban, but also rural. But productivity consciousness remains very low. In connection with productivity movements and improvements, we are still at the primary phase of building awareness.

3. Implementing productivity approaches

A thrust for higher and higher productivity is increasing among entrepreneurs, but their approach is not very realistic. They try to gain and strengthen a competitive position by adding more burdens to the workers and persuading the workers to make more sacrifices. But in our context, even minimum social security provisions are still lacking. The coverage of minimum wages is limited to the formal sector only and the violation of minimum wage legislation by management is frequent. On the other hand, a productivity incentive system is not yet developed. However, through tripartite consultations, a process of co-operation and an understanding of the problems of each other this is being expanded. Through international institutions like WO, APO and FES and in co-operation with the National Productivity & Economic Development Centre, Federation of Nepalese Chamber of Commerce and Industries and our General Federation of Nepalese Trade Unions, an adequate environment for implementing productivity approaches is being created.

4. Issues and Possibilities

Because of the mass poverty in Nepal and a high unemployment of 14 % as well as heavy underemployment, employment security and job security have been the serious issues. Minimum wages, sound social security network and good incentive earnings are still out of the access of the workers. Labour law protection to the workers is also insufficient. Therefore attitudinal change is inevitable to safeguard the interests of the workers. If employers change their traditional outlook and increase their

contributions for the betterment of the employees, labour productivity can be raised to a considerable height. Technological improvement and skill training have to be given more emphasis both by employers and government. Similarly, we trade unions have now focused our attention towards an intensive workers' education program.

At present, no transparent and systematic productivity gain - sharing system has taken a shape in our economy. Therefore efforts in this issue through tripartite consultations and understandings have become extremely necessary.

In conclusion, we are of the opinion that in Nepal our concentration has to be focused mainly on the following:

- a) Attitudinal change
- b) Skill-orientation and technological adjustment training
- c) Intensification of workers' education program
- d) Sound minimum wage system and social security network
- e) Transparent system of productivity gains - sharing.

*(Presented to APO programme, 14-16 Oct 1998,
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