

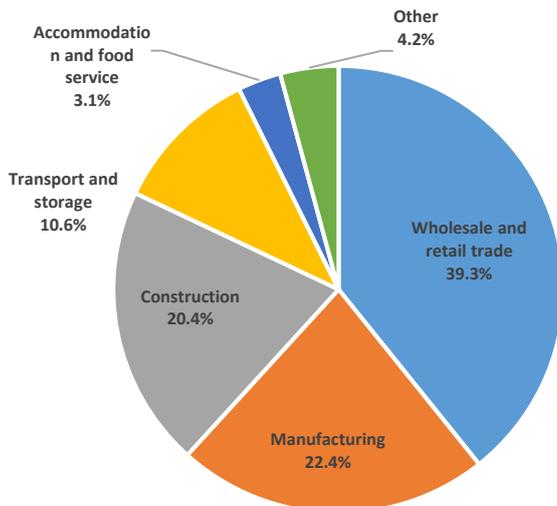
## COVID-19 labour market impact in Nepal

### Jobs at risk

Under the circumstances of lockdown in Nepal, COVID-19 driven blockages in global and regional supply chains, the collapse of the tourism sector, severe drops in consumer confidence and manufacturing, and a negligible economic IMF growth estimate of 1.2 per cent in 2020 (down from 5.7 per cent in 2019), the ILO estimates that:

- There are nearly 3.7 million workers earning their livelihoods in the sectors deemed most at risk to experience a significant (medium to high) reduction in economic output as a result of the Covid-19 crisis. Nearly four in every five workers most vulnerable to disruption are in the construction, manufacturing and trade sectors (figure 1).

**Figure 1. Job risk assessment by sectors of medium-high risk**

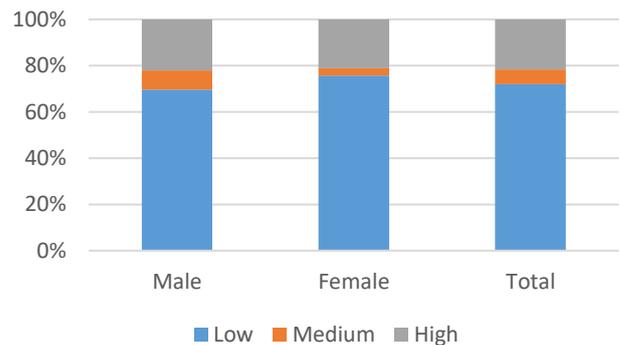


Source: ILO assessment based on Nepal Labour Force Survey data, 2017/18. See Annex I for methodology.

- Within the at-risk sectors, the female share of employment is low in many of the higher-risk sectors like construction and manufacturing. As a result, **the share of men's employment at risk of disruption due to Covid-19 is higher than women's** (figure 2).
- **Between 1.6 and 2.0 million jobs are likely to be disrupted in Nepal in the current crisis,**

**either with complete job loss or reduced working hours and wages.** In total, 631,000 female jobs (24.3 per cent of the 2018 female workforce) are estimated as at risk in the higher impact scenario, compared to 1.3 million jobs for men (also 30.3 per cent of the 2018 male workforce).

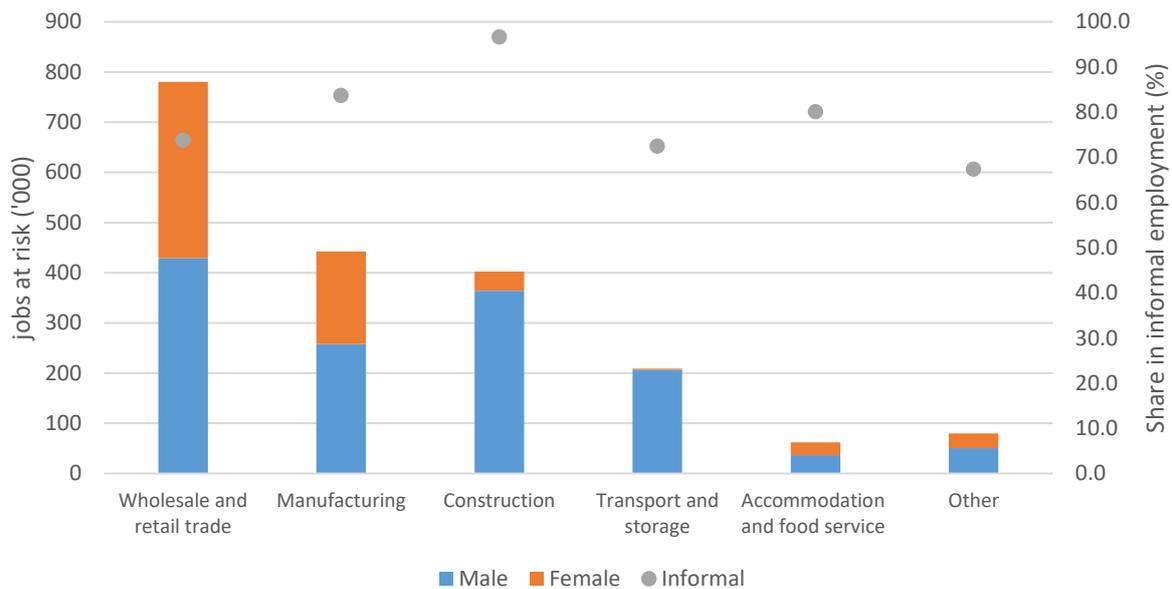
**Figure 2. Employment risk level by sex**



Source: ILO assessment based on Nepal Labour Force Survey data, 2017/18. See Annex I for methodology.

- Based on the higher-impact scenario, the jobs disrupted includes nearly 780,000 workers in wholesale and retail trade, 446,000 in manufacturing, 404,000 in construction, 211,000 in transport and 62,000 in accommodation and food service activities and 83,000 in other services, real estate and administrative activities (figure 3).
- In Nepal, the tourism sector is an important source of revenue and jobs. In 2018, the sector employed 573,000 workers (8 per cent of total employment) and accounted for 26 per cent of total exports. **Three-quarters of workers in the tourism sector are in informal jobs, leaving them with no protection and no income** as the sector has ground to a halt.

**Figure 3. Potential Covid-19 job disruption by sector and sex ('000) and informality rate by sector (%)**



Source: ILO assessment (higher risk scenario) based on based on Nepal Labour Force Survey data, 2017/18. See Annex I for methodology.

### Vulnerable workers

- **Approximately 5.7 million or 80.8 per cent of workers in Nepal have informal jobs.** The majority of workers in all sectors are in informal employment, including the sectors expected to face the highest degree of disruption: construction (97 per cent), trade (74 per cent) and manufacturing (84 per cent) (figure 3). Informal workers lack the basic benefits usually provided by a formal job, including social protection coverage. If they stop working due to economic downturn, sickness, or quarantine, they have no state-funded safety net.
- **Another category of precarious workers are home-based workers.** There are approximately 1.4 million home based workers in Nepal – nearly all women – producing goods for export. With global supply blocked due to the pandemic, also this source of livelihoods is at risk.
- In its ILO Monitor, third edition, **the ILO estimates that the first month of crisis has resulted in a decline in earnings of informal workers of 60 per cent globally.** The loss of income among informal workers is expected to lead to a significant increase in relative

poverty. As a low-income country, the **ILO estimates that in Nepal the share of workers earning below 50 per cent of the median could increase by more than 50 percentage points.**

- **The plight of Nepalese migrant workers is another issue of serious concern.** With the livelihoods of the nearly 3.5 million Nepalis working and living abroad disrupted, the remittances that serve as a lifeline for many Nepali households are declining. Meanwhile, the migrant workers blocked from returning home face the devastating impact of income loss and health risks in their destination countries.

### Moving forward

- The ILO outlines four key pillars for a COVID-19 policy response based on international labour standards (figure 4). For details, tools and policy guidance, see [ilo.org/covid19](https://ilo.org/covid19).

**Figure 4. Four key pillars for a COVID-19 policy response**



## Annex I. Methodology notes

The number of jobs vulnerable to disruption as a result of the Covid-19 crisis is estimated by using a two-step process. First, we assess the level of expected impact to economic output in each sector in a manner similar to that used for the ILO global analysis in its ILO Monitor on COVID-19 and the world of work (latest available is third edition). As a second step, we estimate the share of jobs at risk within each impacted sector.

To complete the first step, we examine economic sectors based on the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4, at level 2 of disaggregation. As a measure to evaluate the indirect impact on each sector, we looked at the composition of exports in the country and associated macroeconomic indicators related to production

of goods and services in the trade-related sectors. Based on 2019 data from Department of Customs, the composition of exports by destination country are: India (69%), USA (10.3%), Turkey (3.0%), Germany (2.6%) and China (2.1%).

In other country assessments, data from the Oxford COVID-19 Government Response Tracker, which ranks the stringency of social distancing measures implemented by governments is also reviewed. Nepal is not included in the Response Tracker, so the assessment of lockdown conditions and their stringency is based on personal views and second-hand knowledge alone. Using the information on hand, we apply a rating of low, medium and medium-high risk of economic disruption.

The term “at risk sector” in this context is adapted from the term applied first in the ILO Monitor 2nd edition. In the Monitor, the assessment of the impact of the crisis on economic output by different sectors is based on real-time economic and financial data. A similar approach is applied here, but at the country level only and applying the risk assessment at the 2-digit level.

As a next step, we assign coefficients representing low and high level of economic output reduction to each sector. We applied a lower- and higher-risk scenario with differences in the coefficients multiplied by the number of persons employed in the detailed sector to generate a range of workers impacted. The employment data used are from the Nepal 2017/18 Labour Force Survey produced by the Central Bureau of Statistics.