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ILO/Japan
Multi-bilateral
Programme

Way Out of Informality (WOI) Project: Facilitating Formalization of Informal Economy in Nepal



**Knowledge Sharing Workshop (10 December 2012)
Project Planning Workshop (11 December 2012)**

Hotel Himalaya, Lalitpur

Jointly Organized by

**Ministry of Labour and Employment
and
International Labour Organization (ILO) Nepal**

DAY 1 : Knowledge Sharing Workshop (10 December 2012)

Opening

The Inaugural Session was chaired by Mr. Purushottam Paudel, Joint Secretary, Ministry of Labour and Employment (MOLE) and Mr. José Assalino, Director of ILO Nepal. Ms. Deepalisha Ramdam from ILO office was the master of ceremony of the first day of the workshop. Mr. Assalino welcomed all the participants from MOLE, the Government of Nepal, donor agencies, development partners, Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Trade Unions, Resource Persons, ILO officials and Media and he said that the objective of this first knowledge sharing workshop in Nepal is to share international good practices of integrated and sectoral approaches that promote and enable formalization of firms and workers and introduce the proposed project "Way Out of Informalization".

The Joint Secretary from MOLE drew attention on the increasing informality in Nepal as an alarming indicator for the economy of Nepal and emphasized the timeliness of this project, as Nepal faces challenges in promoting economic growth that is inclusive and ensures formalization the informal economy. He referred to MOLE's on-going efforts on labour law reform, which will be finalized soon, and emphasized the need that government, MOLE, ILO, the private sector, Trade Unions and other concerned stakeholders should join hands to formalize informal economy and workers. He expressed his appreciation for organizing this knowledge-sharing platform between the international experts of ILO & national experts to enhance knowledge on informal economy contributing to future implementation of the project employment policy.

Formalization concept of the project, objectives and outcomes

Mr. Shinichi Ozawa from ILO/Japan Programme, Regional Office for Asia Pacific (ROAP) Bangkok and Mr. Thomas Kring, the Chief Technical Adviser of Way Out of Informality Project made a presentation on the formalization concept, its objectives and outcomes.

ILO Informal Economy discussion

Sandra Yu, Local Strategic for Decent Work Specialist for Bangkok did presentation on ILO's current definitions and approaches on Formalisation of the Informal Economy. She elaborated the recent discussions during the last decade where, the ILC 2002 mandated the ILO to address formalization of enterprises and workers, through an integrated strategy. All social partners clearly support the 'moving out of informality' as an ultimate goal. ILO's recent work has therefore focused on clarifying concepts, collecting good practices. Resolution on Employment relationship (2006) has further looked at new forms and ambiguous forms of employment, where various disguised forms of employment are included.

3 steps:

1. Objective (Immediate): Reduce eliminate negative manifestations of informality
2. Objective (Short and Medium): Gradual integration
3. Objective (Longer Term): Prevention of informalization of workers, creation of enough employment opportunities those are formal and decent for all.

Ms. Sandra Rothboeck, ILO Consultant, presented an ongoing effort to collect twenty plus innovative cases addressing formalization from across the globe, while applying ILO's integrated framework and various forms of formalization as selection criteria. The cases discussed focused on experiences in improving the macro policy and regulatory environment for enterprises, ensuring regulation and protection of unregistered employment or work through new approaches for employment relationships, the role of equity, organising and social dialogue in formalising, and sector wise initiatives. Recognition is a critical aspect of formalisation, which needs to be taken into account. Formalization requires multi dimensional and integrated initiatives, recognising formalization as a gradual process cutting across several policy areas, addressing multilateral linkages and institutional capacity, skill development, growth of firms and productivity improvement and universal access to social protection. The role of organising and participation should not be neglected and is critical for effective institutionalisation and implementation.

Discussion:

- a. **Helpage Nepal:** how can current project activities are linked to aged persons/senior citizens of whom most are agricultural workers in rural areas. Scope for collaboration in which pilot area?

Hideki: The choice of beneficiaries depends on prioritization of the project by the social partners. Senior citizens are always critical for the ILO and will be part of the decent work country programme.

- b. There is a need for precise informal sector definition (most workers in rural area as agricultural work)

Sandra Yu: There will be different answers) 1) statistically: Enterprises with less than 5 to 10 workers commercially oriented, non-agricultural. 2) New: labour force survey asks about quality of work. 3) Status of employment: own-account and unpaid family work to reflect informal economy as proxy (includes agriculture/non-agriculture).

In general, one knows about the workers' status. The future project will assess informality and formality according to priorities set by constituents during the next 3 months.

Shinichi Ozawa: Formalisation should address vulnerability of workers and enterprises. Need for good examples how formalization can successfully be addressed open to social partners.

Lal Bahadur Pakhrin (Trade Unions): Social security of workers is critical for formalization. Need to get quick action to ensure social security of workers.

José Assalino: It is in the process. MOLE is very committed to Social Security. ILO's has re-confirmed its support from a technical side as lined out in the DWCP. The challenge however is big and needs support from multiple actors. Intention from the ministry is to launch first scheme as soon it is possible. Starting small and learn through the process is important. Social protection is critical for formalization, relevant for labour regulations. Social Partners are key stakeholders to take the process forward. Government is critical for leadership and facilitation.

Mr. Pushpa lal Shakya, joint Secretary, NPC made a presentation on **Job rich growth, informal economy and formalization in context of Nepal**

Trend: job-less growth, growth targets are okay, capital output ratio however takes place on cost of employment. Overall, Nepal's economy faces capital intensive growth, which in the long run is not a sustainable model.

- Migration of youth and remittance - unsustainable
- Need for domestic employment
- Key constraints to growth: political instability, lack of investment climate, poor infrastructure and insecurity.
- Need to increase efficiency of economy.

Focus:

- Job rich growth needs to be employment centric growth. Need to reduce poverty to 21% by 2013.
- 5.5 % GDP growth against 3.5 % growth of employment per annum.
- Focus on employment intensive sectors and technology. Promotion on PP and private sector involvement.
- Focus on poor and vulnerable communities
- Key employment generating sectors: agriculture, manufacturing, socio-economic infrastructures and tourism.

Need:

- Political stability, enabling policy environment, positive investment climate and good governance are preconditions for sustainable growth
- Improved industrial relations
- Reduce skills mismatch
- Social protection floor to reduce vulnerability
- Finance access
- Promote inter-sector linkages
- Implementation and governance need to improve
- Education and health infrastructure

Definition:

- Data on informal sector limited to non-agricultural sector and defined on the basis of persons' main job and economic activity undertaken.
- Secondary jobs not incorporated.
- No regular data collection, national accounts statistics of Nepal available. Surveys do not cover all sectors, which distorts estimates of employment and structure of economy. Nepal labour force survey 1998 was repeated in 2008. More regular data collection is required.
- An enabling policy environment needs to include informal sector, as more than 11 million (above 15 years), or 96,2 % are engaged in informal activities.
- IE enterprises have no regulation under legal provision
- 38% of GDP in Nepal is generated from informal sector.
- Informal employment lacks social protection good working conditions and adequate wages.

The presenter then referred to the need of the hour in Nepal that the government and social partners start focusing on needs and constraints faced by the working poor in a more strategic way. Formalization has an important role to play and there is a need to:

- Increase revenue
- Impact on macro policies
- To have impact on SP implementation
- Improve working conditions of all workers
- Improve availability of proper information about economy
- Formalise IE strategy and policy
- Transit from agriculture-to non-agriculture sector.
- Provide appropriate skills and training
- Strengthen Labour market institutions to meet changing labour demand
- Improve labour market information, monitoring, MIS, employment services
- Provide required labour market flexibility, while protecting workers

Hideki Kagohashi, Senior Enterprise Specialist, DWT-New Delhi Value Chain Development

Presented a push and pull diagram to visualise Value Chain Approach, which can be a relevant approach for local economic development initiatives and the project in particular. Important is that stakeholders are able to sustain the experience after project is implemented.

Mr Baburam Ranabhat, Executive Director, Industrial Enterprise Development Institute (IEDI), Nepal presentation on Business Environment and growth of MSEs in Nepal

1. Introduced various definitions provided by IFC and EU on MSME, which are based on investment and employment data.
2. Manufacturing data indicate an overall decrease of establishment and employment in the cottage and small industry sector between 1991 and 2006/7.

3. Business Environment 2010: New industrial policy was drafted to address these challenges and create an enabling environment for industry and enterprise development.
4. There is higher priority on FDI, establishing of EPZs for Export industries than on development of the cottage industry and micro and small enterprise sector.
5. One stop service centre under Department of Industry is in place and an Industry security force
6. Principle of No Work no pay is being applied

An enabling macro-economic and industrial environment is critical for industrial Policy to be effective. Commitment from government and political stability need to be ensured.

Challenges:

1. Current political instability
2. Load shedding and limited availability of electricity
3. Labour regulations/issues
4. Limited access to finance
5. Peace and security
6. Shortage of skilled workers
7. Limited BDS
8. Investment into education and training, entrepreneurship are critical to be trained: universal access
9. Simplification in registration and licensing.
10. Focus on R&D
11. Limited participative planning (Employers, training providers, and government for trained manpower).
12. Targeted youth projects need to be further encouraged to address youth unemployment.

Markus Ruck, Senior Social Security Specialist, DWT, India

Presented interesting cases e.g. BOCW Welfare CESS Act 1996, a compulsory sector specific tax (CESS) contribution of 1% made by enterprises for any construction activity in India at state level. Construction workers (over 40 million) comprise a significant part of India's unorganised, migratory workforce, where workers have limited access to the insurance, social protection and welfare. The Welfare Board is governed by a tripartite state level committee (workers, employers, government and selected stakeholders). Despite progress made on the collection side, the CESS Act implementation still faces challenges of collection and development in the area of outreach and disbursement. A working group got established in 2011 to draft a set of recommendations to ensure better delivery and outreach.

1. Registration (proof of address and age, proof of employment, proof of having worked for at least 90 days)
 - a. Self-certification as proof of age difficult
 - b. Proof of employment: difficult to obtain
 - c. 5 years validity
 - d. Introduction of biometric card instead of registration card which is nationally portable.
 - e. Principle employer needs to be included.

2. Standardisation of process:
 - a. Public sector construction projects should only use registered construction workers
 - b. Govt. authorizes additional agencies/depts. Etc. to register.
3. Road map for Skills Development:
 - a. Tripartite adv. Group: board needs to identify skills development and training centres for training of registered workers.
 - b. Stipends for trainees
4. Harmonization of benefits across states is required to be able to effectively reach out to migrant construction workers
5. Administrative expenses: the scheme should in the long run be financially sustainable. It is however still open how operative expenditures will be covered in the long run.
 - a. Income tax exemption
 - b. Electronic transfers of CESS payment
 - c. Provision of Housing/shelter through PPP models for construction workers.

Implementation challenges are still quite high.

Hideki Kagohashi, Senior Enterprise Specialist, DWT-New Delhi: ESAF presentation

Mr Kagohashi started the presentation with the question on “which financial products help the poor?” He raised the question, to what extent a social protection floor covers people’s essential requirements and to what extent private initiatives such as Micro Finance institutions (MFIs) related savings/credits/insurance products should complement social protection.

Mr. Kagohashi briefly introduced the various pillars of the project and presented in brief the rationale and the usefulness of the Value chain approach for effective policy formulation and well informed local economic initiatives.

ESAF

With a case presentation, Mr Kagohashi also elaborated how MFIs can effectively diversify their services to clients through initiatives which contribute to formalization. The India-based ESAF have been ILO partners in an action research initiative that promotes formalisation of micro enterprises and a progressive implementation of the Decent Work principles, to ensure a double bottom line (economic and social impact).

1. ESAF chose formalization as DW topic. The target group were women micro entrepreneurs.
2. ESAF facilitated a registration package with access to government schemes. 25’000 registered by end of project
3. Welfare fund was accessible (25’000), very important that government programmes are really accessible and allotted at local level.
4. ESAF and Government also negotiated how to reach out for social protection for the poor (expected outreach for scaling phase is 110,000 beneficiaries).

5. Critical: single window servicing through a well trained and supportive branch officer who handles linking.

Implication and learnings: Officer at branches of MFIs cost effective and required for need based servicing which leads to formalization.

Mr. Kagohashi ended with the note that MFIs should explore health insurance and other forms of social protection as a business case to provide outreach and extension services to the workers: this can be a business opportunity for product diversification besides branding (socially responsible MFIs).

Video Conference with Mr Pranav Prashad from ILO EMP/SFP Geneva:

Mr. Prashad elaborated on the topic how Micro insurance products can contribute to formalization in remote and rural. He started his presentation with a public private partnership between the Government of India run health insurance flagship scheme (RSBY) and ICICI Lombard: The case provides a unique example of PPP where private and public hospitals ensure that low income households (families) access to cashless quality health services, in -and outpatient services, which are normally out of reach.

The project addresses still existing out-patient problems. Pilots in two districts (Gujarat and Orissa) focusing on 7.7 million households.

- 200 service centres were set up to provide in-house-outpatient health services etc.-
- Utilization of health care increased
- Higher awareness on in-and out-patient services: higher quality too

Cattle insurance: Insurance of cattle and risk of distress caused to non-registered/insured cattle is critical. Till date 28'000 cattle has been insured and better delivery mechanisms for claims also led to a reduction in claims and reduction in prices for identification. The model is useful to be replicated by farmers' organizations (cooperatives, trade unions etc.) on large scale.

Mainstreaming access to insurance for rural communities (Tamil Nadu, 3 districts): Palmaria workers: establishing a link between communities and formal insurance companies. So far, the insurance was extended to 20'000 families. Government scheme linkages can be more effectively implemented. Pranav Prasad ends with the note that many more such innovations can contribute effectively to more effective and need based implementation and reduce the overall vulnerability of poor households. They can be tested and provide the platform of better implementation and replication on larger scale.

Gota Dasanayaka, Senior Employer's Specialist, DWT New Delhi

Gota Dasanayaka raised the question, why employer's organizations should engage in informal economy (IE). Employers believe that IE are disconnected from a conducive National Business Environment. Absence of property rights further aggravates difficult enterprise environment. One should not divorce formal from informal, as it needs to be addressed through integrated initiatives and as a continuum. The existing growth challenges faced by informal enterprises needs to be addressed through policy and regulatory reforms and interventions, which increase overall competitiveness and productivity. He also poses the questions, whether IE enterprises are in advantage and more competitive as compared to formal enterprises?

Value chains need to address IE; and productivity, quality of products and services are critical for overall competitiveness. Employer's organizations should represent IE, as they are potential source of memberships either through associations or direct membership. Employer's organizations should explore ways how they can support small players in forming associations, as this contributes to strong socio-economic development.

He suggested that membership base should be more inclusive. FNCCI as Apex body of business is well placed to be enabling to effectively reach out to informal enterprises. Gota also refers to the ILC Resolution document of 2002 which re-emphasizes advantage of formalization, the need to remove barriers for formalization and reaffirms the role of employers and workers' organization to be responsible for effective outreach and services to IE enterprises. Suggested areas of interventions to act as EOs are as follows:

1. Lobbying/advocacy (policy formulation)
2. Representation and services
3. Training and Development

He suggested to expand existing programmes through one stop shop and services for IE enterprises, which build capacities on registering and setting up and grow businesses. Employer's organizations in India are adopting SIYB and other ILO tools to effectively reach out but also develop mentoring support and partnerships to ensure service delivery. He put the question to the audience to assess, which of the 7 ILO policy areas, are particularly relevant for employers and workers to be concretely involved. It should also be explored, how existing youth unemployment can be addressed through an integrated approach similar to various 7 policy areas addressing the informal economy. How can the various chapters in Nepal get more involved and reach out to local business groups or enterprises?

After showing the Bulgarian case on payroll administration reform and Kenyan enterprise formalization case, Mr Dasnayaka ends with the note that Employer Organisations can play a significant role in reaching out to chapters as facilitative agency to form local business associations and servicing informal enterprises to promote formalization.

Kul Bahadur Basnet, Director National Skill Testing Board, CTEVT: Certifying skills Level of Workers through the NVQ System as a way to formalize workers.

The speaker opened the discussion that the formal-informal dichotomy is blurred and rather a continuum, which needs to be better understood and specified. There is need for more specific research on how informal employment and the informal economy at large have an impact on national policy environment as well as its economic performance and competitiveness. Mr Bahadur Basnet presented the Nepal training and skills development system, its NQF and the process of certification and assessment. Till date, 257 Standards have been developed in Nepal of which the majority are in services and at L1. 122,000 workers have been tested till date. A skills testing process has been in place since 1983, and a standards and skills testing board is in place under CTEVT. He mentioned that till date trade unions are not very active in National Skills testing Board but should resume a stronger role.

He assures that

- Skills and Competencies under NVQF can certainly contribute to formalisation.
- Challenges for standardization and quality assurance amongst training providers are still to be more effectively addressed.
- There is scope within the system to assess and test and therefore formalise informal learning and Prior learning.

Mr Basnet emphasised that social partners have a role to play in the certification process. Skills certification needs to further encourage workers and employers at all levels to get certified and therefore, that their skills and competencies are formalized. Culture specific solutions need to be taken into consideration. It is critical that access to certification is ensured and that the system is flexible in ensuring accessibility to assessment and certification.

Umesh Upadhyay, General Secretary, GEFONT presented good practice of GEFONT in Informal sector

Mr. Upadhyay emphasised the diversity of the Informal Economy with its own rules and complexities. Complexity of IE needs to be addressed and it is critical to acknowledge that there is a worsening and informalization trend in the labour market.

He referred to GEFONT's efforts of formalizing. Originally GEFONT started with Garment workers and increasingly enrolled other informal sector workers (transport, agriculture) since 1997. GEFONT lobbies for minimum wages in backward districts. GEFONT also joins hand with other national movements. However, the current political situation makes collaboration and progress more difficult.

He ended his presentation with the pledge that a stronger role of TU's is required in Policy making.

The way forward: Moderated by José Assalino and Shailendra Kumar Jha, NPC WOI: Discussion and feedback on planned project was provided by Government, Workers and Employers and other stakeholders and first priorities and possible intervention areas were discussed. The results are summarized in the table below.

Open discussion indicated the following areas

1. Which direction to go?
2. Which sector to shortlist?
3. What is feasible within the time frame?
4. Which is sector where impact is high?

From	Sector	District	Remarks
Trade Union	<ul style="list-style-type: none"> • Home based • Transport • Construction • Agriculture • Internal Migration 	<ul style="list-style-type: none"> • Kathmandu as major hub for IE • Pokhara • Rural districts- Siraha, Saptari, Dhanusha 	<ul style="list-style-type: none"> • Focus on Social Security focus as priority. Work on already existed fund implementation. • Self-employed business and MFI collaborations. • Trade Union Agriculture, Construction workers. /Tourism, undertakes rapid assessment survey. • Specific Sector or sectors: impact is critical • Include size of working population in specific sector.
Employers	<ul style="list-style-type: none"> • Cooperatives • Small and self-employed: Metalwork, Furniture, Construction 	<ul style="list-style-type: none"> • Western Terai (Rupendehi, Kapilbastu, Nawalparashi and Kaski) 	
Government	<ul style="list-style-type: none"> • Construction • Agriculture 		The intervention should link with on-going government efforts: focus on members already linked to MFIs and part of existing poverty alleviation fund under World bank

Closing of Day 1

During the closing of the workshop the representatives from Government, Employers, Employee and ILO put forward their viewpoints as concluding remarks.

Mr Laxman Basnet, President NTUC: Minimum basic standards for all should apply. There is a need for government policy changes and pro-active policies need to be drafted which ensure inclusion of IE. 100'000 to 150'000 workers working in Hotels, where minimum wages are not applied. Application of labour standards, minimum wages need to be addressed to ensure formality. Opportunities should be provided to job seekers. He also emphasized that economic and social changes are slow and it takes three (3) generations to ensure job mobility and formalization. Such a long duration needs to be shortened. Current policy framework is too much focussed on capital, but to be sustainable there is a need for a people centred approach. Currently, the challenge also lies in the fact that many workers in the public sector have informal employment. Training and skills formation are areas besides the provision of basic entitlements that need to be ensured. He closed and requested the audience to be focussed in choosing a sector, which is feasible and gets maximal impact.

Mr. Hemant Dawadi, FNCCI, DG (Employers Representative): Current labour regulations are too rigid, which invites capital-intensive growth with less job creation and more casualization of work. Current National Labour Force Data do not clearly indicate whether informal employment is decreasing or not. Policies need to be balanced with competitiveness. Current challenges are the growth parameters, which are not fulfilling the targets. Need for higher growth rates. Against this background, formalization will not be easy and challenging.

Mr. José Assalino, Director ILO, Nepal: He spoke about the rich discussion and presentations, which gave space for reflection. The different presentations only provided an overview of the complexity of what makes the IE. It is critical to identify priorities for Nepal with clear need-based and well-tailored strategies. The list of priorities, area and sectors mentioned today will go into tomorrow's discussion.

A figure on IE being 96% workforce being employed against 38% contribution to GDP provided by IE indicates low productivity of IE enterprises. Enterprises must unlock their growth potential and grow faster and more productively. He concluded that this is the first step and ILO is looking forward to move quickly on next steps.

Mr. Purushottam Paudel, Joint Secretary, MOLE)

Referred to the high incidence of informal employment (96%) and the need for Policy related work. The presentations were useful and informative and relevant for next day. He hopes that at the end, the project can show some tangible results. He also appreciated the project itself. The challenge lies in the fact that government is very weak and Ministry is lacking human and financial resources. The Govt. can support

in facilitating project formulation and implementation and the putting in place an enabling policy environment to run projects and programmes smoothly. Govt. could support the revision of current Acts, rules and regulations/legislations. Migrating youth is also very big problem. Selection of a small sector to show the impact at scale could be very relevant to the project. The project should act as a MODEL project in the country and Gov. within its scope can provide support wherever needed. The workshop concluded with thanking Government of Japan for funding the project.

DAY 2 : Project Planning Workshop (11 December 2012)

Session 1: ILO's experiences activities addressing the informal economy and formalization

Formalizing informal economy: Good practices from Employers' Organizations (FNCSI Association) **presentation**

There are currently only limited data on tax collection of SMEs from Municipalities on collection. There are suggestions that while tax exemption for SMEs is welcome, it might be more feasible to have reduced taxation for cottage industry.

The decent work deficits are quite significant in Nepal's cottage industry. Issues related to decent work deficits in cottage industries need to be addressed. Questions of taxation and other barriers for registration need to be addressed. Need for support from Government and social partners to help setting a process in place that ensures compliances. Trade Unions need to streamline their presence and support these industries. Government and social partners should emphasize registration and post registration support.

Mr. Kagohashi mentioned the upcoming ILO study in Nepal on barriers and constraints for SMEs to grow, register and formalise. The studies have been undertaken for India and Bangladesh too and will be shared during the next workshop.

Formalizing informal economy: Good practices from Trade Unions

Presentation by Nepal Trade Union Congress NTUC

Mr. Ganesh Prasad Niraula, Vice president of NTUC confirmed the large size of IE, with more than 11 Million informal workers of which a significant share faces high vulnerability and exploitation

- Agriculture and constructor largest
- Challenges related to enforcement of minimum wages and social protection are massive

- No registration of workers in Municipalities
- Lack of organisation and collective voice: absence of organizational strength
- Horizontal mobility between sectors is prevalent and needs to be addressed adequately
- Lack of social security

Some involvement of NTUC with workers in informal economy is focussed on livelihood improvement in 9 districts with support from JILAF, INTUC and FES. These initiatives include skills development and other income generating activities. OSH training and HIV/AIDS awareness training are being held.

Affiliated sister organizations of NTUC include the Agricultural Labour Association, the Nepal Air port Association, the Nepal Transport Association, the Nepal Construction Association, the Nepal Porter's Association, the Nepal Beautician Association, the Nepal Trade Association, the Rickshaw Puller Association and the Nepal Home-based Workers Organisation. NTUC has 27 affiliated organizations of which a significant share has organised workers in the IE. Public-private-I Sector coverage within Nepal Trade Union Congress (NTUC).

Besides strengthening on-going efforts of organizing, NTUC proposes a strategy to address worker needs

- Work on Convention. 87 and 98.
- Mobilising informal sector workers more inclusively
- Build sectoral associations for collective bargaining, which address needs of workers and policies (incl. Labour law reform, dialogue)
- Strengthen collaboration between TU and Government in labour administration.
- Explore formation of cooperatives
- Lobby for universal Social Protection and free medical treatment, health and accidental insurance
- Enable ID card and registration of workers
- Look at establishing a social security fund
- JTUCC: common platform for TU: lobby for 10% representation in government.
- Planning to organise health workers in rural areas.

Discussion:

- Trade Unions currently negotiate individually with the employers. Move towards collective bargaining and support TUs in that Process.
- One voice negotiation should be the long-term goal.

SESSION 2: Working groups were split into 3 groups (constituents), which discuss, based on their priority sectors they selected during the first day, the questions:

BASICS:

1. Which are the key actors in the sectors?
2. Key obstacles faced within the sectors?
3. Available Building Blocks?

INTERVENTIONS:

1. What can the entry point into the sector be?
2. What can Gov/TU/Employers do? Identify role of social partners.
3. What can be achieved within 1 year
4. What can be achieved within five years?

CRITERIA:

1. Keep limited time and funding available in mind
2. Existing Building blocks
3. Keep gender balance in mind
4. Scalability

Session 3 : Presentation and discussion of group work

Employers:

Focus on Furniture and Welding and Construction sector

Trade Unions:

Trade Unions focussed on Agriculture and construction sector

Government:

Focused on a. Construction, b. Transport, c. Hotel, restaurants, dance bars and massage parlours

(see for more detailed presentations are in the annexes)

Discussion:

Trade Unions were supportive of the Government's presentation but think that targets and timeframes set are a bit unrealistic. Trade Unions also felt that identification of workers will be a great and important step for formalization of workers. Further, they hoped to get intervention support from government. Trade Unions were very pleased about the Government's commitment. Key is to keep commitment of what is being discussed here. Trade Unions brought into the project and believe that if all the stakeholders are committed goals can be achieved.

Government agreed with TUs on these points but clearly emphasized that support from multiple ministries is required to progress effectively on formalization. The government is clearly committed to the process and is currently finalising social security act only indicates such a commitment. Ministry of Labour and Employment has already initiated work on a) labour law and regulation and b) social security. Awaiting inputs from

various other departments or the parliament for clearance are reasons why there has been a delay in implementation.

According to the Employers, sub sectors need to be narrowed down and contextualised responses need to be drafted to make an effective impact. Some suggestions are made that funds need to be utilized effectively.

Closing Remarks:

Mr. Hideki Kagohashi was very positive about the progress made during the workshop and suggested that the regulation of enterprise might also be central for next steps to consider, which can complement the worker protection aspect within certain sectors. It is critical, as can be seen by Brazil and other international experiences, that both enterprise regulations are addressed, so that growth constraints can be overcome, while at the same time, worker's social protection and labour standards are increasingly enforced.

Thomas Kring closed the session with a commitment to do sub sector studies, which will be shared soon in another workshop. The key areas of skills, labour standards, minimum wages will also very prominently assessed.

Trade Union representative Mr. Baburam Gautam, Vice President, ANTUF, acknowledged the positive environment during the workshop and hopes that the formalisation project can keep the momentum so that progress can be made during the project.

Employers' representative Mr. Hansaram Pandey, Director, FNCCI, also appreciated the progress of the workshop and confirmed the commitment of employers. He referred to the need that overall social dialogue must to be addressed and labour market institutions should be strengthened too in the formal sector, so that they can effectively reach out and meet IE challenges. Capacity building at centre and local level of tripartite bodies is required. Labour relation committee at central level are to be established and, where in place, strengthened. Tripartite labour relation committee should also be set up and strengthened at local level.

José Assalino, Country Director for ILO Nepal, thanked all the participants for their commitment and indicates that a common ground has been established for good working relationships during this project. While economic growth is also based on investments, competitive work practices, a successful project is equally dependent on social peace between social partners. He also mentioned that progress is based on daily teamwork and collaboration. Social Dialogue required trust and commitment and a joint vision. He finally thanked everyone for the good collaboration.

Mr. Purushottam Paudel (Joint Secretary, MOLE) conveyed his support and appreciates the knowledge-sharing workshop. He also appreciated that the workshop focussed on pro-active discussions. He would appreciate if social partners have more constructive and positive collaboration of this kind, as only joint actions really can bring change. Government is committed to lead the process, along with other partners. Before finalizing the sectors, it is important to bring in more stakeholders. Current political conditions of the government need to be taken into account, which might delay any progress on labour law etc. Enterprise formalization is critical for formalisation of workers to be achieved. Explore incentives to formalise. He closed the workshop on a very encouraging and supportive note, to continue pro-active collaboration and wishing everyone a nice evening.

Annexes:

Annex 1: Priority Sector by stakeholders

Annex 2: List of Participants