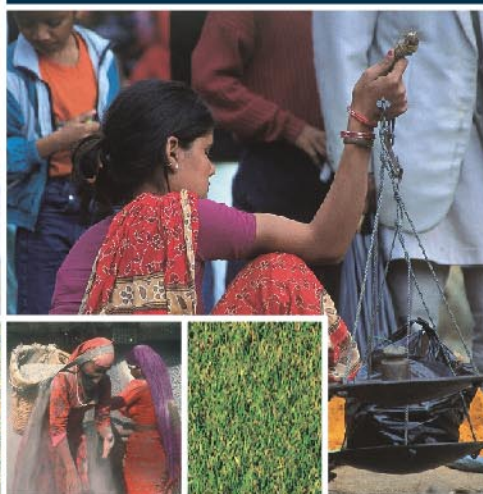


# The Informal Economy & Workers in Nepal





# The Informal Economy & Workers in Nepal

Series 1

Copyright © International Labour Organization 2004  
First published 2004

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP [Fax: (+44) (0)20 7631 5500; email: [cla@cla.co.uk](mailto:cla@cla.co.uk)], in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 [Fax: (+1) (978) 750 4470; email: [info@copyright.com](mailto:info@copyright.com)] or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

## **The Informal Economy and Workers in Nepal**

Kathmandu, Nepal, International Labour Office, 2004

**ISBN 92-2-115350-9**

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns)

Design and printed by Kiirtistudio for ILO Nepal.

**Printed in Nepal**

# contents

List of abbreviations and acronyms	vi
Acknowledgements	vii
Foreword	ix
<b>1 Introduction</b>	<b>1</b>
1.1 General	1
1.2 What is the Informal Economy?	1
1.3 Informal Activities within Sectors	3
1.4 Scope of the Study	4
<b>2 The Informal Sector's Magnitude and Characteristics in Nepal</b>	<b>5</b>
2.1 Sources	5
2.2 Demography and Employment	5
2.3 Informal Workers	8
2.4 Small Manufacturing Establishments	10
2.5 Agriculture	12
2.6 Earnings	12
2.7 Child Labourers	13
2.8 Work Hours	16
2.9 Working Conditions	18
2.10 Employer-Employee Relations	19
2.10.1 Farm Labour Relationship	19
2.10.2 Bonded Labour	20
2.10.3 Dalits in Labour Relation	21
2.11 Characteristics of the Informal Economy	22
<b>3 Policies, Legislation and Regulations</b>	<b>25</b>
3.1 Policies and Legislation	25
3.2 Regulation	27
<b>4 Trade Unions and Employers' Organisations</b>	<b>29</b>
4.1 Trade Unions (TU)	29
4.2 Employers' Organisations	31
4.3 Specific TU Roles in the Informal Economy	31
<b>5 Initiatives for Improving the Informal Economy</b>	<b>33</b>
5.1 Why is There A Need for Supporting the Informal Economy	33
5.2 Current Efforts	34
5.3 Plans for the Future	35

# contents

<b>6</b>	<b>Challenges and Issues to be Addressed</b>	<b>37</b>
6.1	Introduction	37
6.2	General	37
6.3	Specific	37
<b>7</b>	<b>Key Gender Issues in the Informal Economy</b>	<b>45</b>
7.1	Introduction	45
7.2	Key Gender Issues	45
<b>8</b>	<b>Conclusion and Recommendations</b>	<b>47</b>
8.1	Conclusions	47
8.2	Recommendations	49
	<b>References</b>	<b>51</b>
	<b>Boxes</b>	
1	Some Definitions	x
2	Workers in the informal Economy of Nepal	3
3	ILO/IPEC in Nepal	15
4	Core Labour Standards Set by ILC	16
5	Kamaiya Practice in the Nepal Terai : A past scenario	20
6	Paswan - the Victim of Haliya Practice	21
7	Nepal's Acts and Rules	26
8	A Focused Informal Survey of the Workers in Informal Sectors	27
9	Apportioning the Corrupt Money	40
10	What the Government can do for the Protection of Informal Economy Workers	42
	<b>Tables</b>	
2.1	Economically Active Persons by Profession and Gender (10-64 years)	6
2.2	Type of Employment by Sex	7
2.3	Number of Households Having or Not Having Economic Activities, 1999	8
2.4	NLFS Definition of Informal Workers and Activities	8
2.5	Details on Small Manufacturing Establishments by Region	10
2.6	Details on Small Manufacturing Establishments by Location (Urban/Rural)	11
2.7	Farm Wage Workers (with land) and Work Duration	12
2.8	Selected Indicators of Employment Status	12

## contents

2.9	Number of Children between 5-14 Year Age-Group with Employment, Work Hours and School Attendance	14
2.10	Hours of Work by Sex and Residence	17
2.11	Average Hours Per Week in Various Economic Activities	18
2.12	Average Hours Per Week in Care and Household Activities	18
4.1	Participation in Union Activities by Sex	29
7.1	Proportion of Females Owning Productive and Valuable Assets	46
8.1	Actor-Activity Matrix	49
<b>Annexes</b>		<b>55</b>
1	Number of Households, Population by Sex, Area and Population Density, 2001	55
2	Distribution of Population by Age-Group	56
3	List of Municipalities with Population, Area and Population Density	57
4	Economically Active Population by Age Group and Sex	59
5	Working Population by Employment Status, Sex and Age Group	60
6	Working Population by Employment Status, Occupation and Sex	61
7	Economic Participation Rates by Sex and Age Group	62
8	Non-ECA not working by Reason, Sex and Age Group	63
9	Persons Aged 15 Years and Over Currently Informally Employed in the Non- Agricultural Sector by Sex and Occupation of Main Job	65
10	Persons Aged 15 Years and Over Currently Informally Employed in the Non-Agricultural Sector by Sex, Locality and Occupation of Main Job	66
11	Informal Workers by Sex, Location and Employment Status	67
12	Type of Informal Work Performed by Sex and Location (Urban/Rural)	68
13	Nepal's Gross Domestic Product and its Composition, 1996/97-2000/01	69
14	Average Earnings per Month by Occupation and Sex	70
15	Child Population and Their Labour Participation Rate by Location	71
16	Children's Living Arrangements by Age Group and Sex	72
17	Child Population Aged 5-14, Employment Level and Hours Worked by Sex and School Attendance Status	76
18	Type of Work Performed by Children aged 5-14 by Sex and School Attendance Status	77
19	Average Duration of Work by Age Group and Sex	78
20	Borrowings from Formal & Informal Sources	80
21	External Migration by Sex and Destination	80
22	Purpose of Migration by Sex	81
23	Female Ownership of Productive Assets	82
24	Conclusions Concerning Decent Work and the Informal Economy	83

# list of abbreviations and acronyms

ANWA	- All Nepal Women's Association
APP	- Agriculture Perspective Plan
APROSC	- Agricultural Projects Services Centre
CBS	- Central Bureau of Statistics
CME	- Census of Manufacturing Establishment
CTEVT	- Centre for Technical Education and Vocational Training
CWIN	- Child Welfare in Nepal
DANIDA	- Danish International Development Agency
DDC	- District Development Committee
DECONT	- Democratic Confederation of Nepalese Trade Unions
EAP	- Economically Active Population
ECA	- Economically Active
FES	- Frederick Ebert Stiftung
FIFA	- Federation International de Football Association
FNCCI	- Federation of Nepalese Chamber of Commerce and Industries
GDP	- Gross Domestic Product
GEFONT	- General Federation of Nepalese Trade Unions
GTZ	- German Aid Agency
HH	- Household
HMGN	- His Majesty's Government of Nepal
ICEM	- International Fedration of Chemical Energy, Mine & General Workers Unions
ICFTU	- International Confederation of Free Trade Unions
IIDS	- Institute for Integrated Development Services
IFBWW	- International Federation of Buliding & Wood Workers
ILC	- International Labour Convention
ILO	- International Labour Organisation
INGO	- International Non-Governmental Organisation
IPEC	- International Programme for the Elimination of Child Labour
IRF	- Industrial Relations Forum
ISCO	- International Standard Classification of Occupations
ISDP	- Integrated Security and Development Programme
JILAF	- Japan International Labour Foundation
JMA	- John Mellor Associates
KAD	- Women's Trade Union of Denmark
LFPR	- Labour Force Participation Rate
LITA	- Lusaka Informal Traders' Association
LO-FTF	- Danish Council of Trade Union Confederations
LOTCO	- Swedish Council of Trade Union Confederations
LSGA	- Local Self-Governance Act
MNCP	- Municipality
MoLD	- Ministry of Local Development
NAHA	- Nairobi Hawkers Association
NGO	- Non-Governmental Organisation
NLA	- National Labour Academy-Nepal
NLFS	- Nepal Labour Force Survey
NPC	- National Planning Commission
NSIC	- Nepal Standard Industrial Classification
NTUC	- Nepal Trade Union Congress
Rs.	- Nepali Rupees (1 US\$=Rs.78)
SAHARA	- Social Awareness and Helping Activities in Rural Areas
SAPPROS	- Support Activities for Poor Producers of Nepal
SAARC	- South Asian Association for Regional Cooperation
SEWA	- Self-Employed Women's Association
SNA	- System of National Accounts
SOS	- Save Our Soul
TOR	- Terms of Reference
TU	- Trade Union
UNICEF	- United Nations Children's Fund
VDC	- Village Development Committee
WAP	- Working Age Population
WASME	- World Assembly of Small and Medium Enterprises
WISE	- Work Improvement in Small Enterprises
WTO	- World Trade Organisation
ZNMA	- Zambia National Marketeers Association

## a c k n o w l e d g e m e n t s

**W**e are thankful to ILO-AO, Kathmandu for entrusting us to study the informal economy and workers involved in it in Nepal. While preparing the report, we have enormously benefited from the consultation and comments from Ms Leyla Tegmo Reddy, Country Director, ILO-AO, Kathmandu, Dr. S Zahir Sadeque, Mr. Gopal Joshi, ILO, New Delhi, and Ms Andrea Singh, ILO, Delhi. Specially, Andrea offered her valuable time and skill to sharpen the focus of the report, and we owe intellectually to her. Mr. Umesh Upadhyay availed access to his knowledge and reference resources relating to labourers working in the informal economy, and we would like to put on record that we have benefited from his association and frequent discussions. We hope that the report proves to be helpful in evolving plans and policies to boost the informal economy and to create a “Decent Work” environment for the informal workers in Nepal.

Govinda Koirala  
Shiva Sharma  
National Labour Academy-Nepal  
Aanamnagar,Kathmandu



## foreword

The publication of this new report by the International Labour Organization Office in Nepal, marks an important point in debates about Nepal's informal economy. For the first time, the significance of the informal economy is recognised and the challenges facing workers discussed.

The report provides a wide-ranging overview of the characteristics of Nepal's informal economy, particularly in terms of demographics, labour relations, and decent work deficits. In this, the fastest growing and least protected part of the national economy, workers have no guarantees of economic or social security. The current period of political and economic uncertainty in Nepal is contributing to the growth of the informal economy and exacerbating the problems facing workers.

The authors provide a synopsis of the policy and legislative framework as well as trade union and employer initiatives. While the government is poorly equipped to enforce laws that apply in the informal economy, trade unions have limited experience and ability to organise workers. The authors, however, offer a comprehensive set of suggestions for intervention in the informal economy. As a priority, these urge the organisation of workers and a strengthening of enforcement mechanisms.

The content of this report has been finalised after extensive dialogue with the government, the business community and worker's themselves. The substance and recommendations of the report were presented at a workshop in March 2003. As a result, a tripartite working group on the informal economy in Nepal was established. The working group is wished every success in furthering a process of dialogue and a constructive engagement with issues relating to the informal economy and the promotion of Decent Work.

The ILO Office in Nepal would like to thank the authors for their work in producing an insightful document. Appreciation goes to ILO officials, especially, Ms. Andrea Singh from the ILO InFocus Programme on Boosting Employment through Small Enterprise Development, Mr. Gopal Joshi from the ILO Subregional Office, New Delhi, Ms. Ginette Forgues, Strategies and Tools against Social Exclusion & Poverty (STEP), ILO Subregional Office, New Delhi and Mr. Syed Z. Sadeque, Chief Technical Adviser. They all provided valuable technical inputs and guidance throughout the preparation of the report. Special thanks also goes to Mr. Jamie Cross, Mr. Stein T. Vikan and Ms. Selvi Velayutham, who did the final editing of this report.

Leyla Tegmo-Reddy  
Director  
ILO Office in Nepal

## BOX 1 SOME DEFINITIONS

**Household:** A household is defined as a group of people who normally live together and eat their meals together. Here, “normally” is taken to mean that the person concerned has lived in the household for at least 6 of the past 12 months called the “usual place of residence”. A person living alone and making his/her own meal arrangements counts as a separate household. The following categories of persons, however, are treated as exceptions and are counted as household members even though they have lived for less than six months in a year in the household:

- infants who are less than 6 months old;
- a newly married couple; and
- persons living together for less than 6 months in a year but who are expected to live in the household permanently.

Lodgers and other permanent residents who live and take their meals with the household are counted as household members even though they may have no blood relationship with the household head. Servants and other paid domestic employees are also counted as part of the household if they live with the household. People who have lived in the household for more than 6 out of 12 months but have permanently left the household are not considered members.

**Establishment/Enterprise:** An establishment is ideally defined as an economic unit that engages in a predominantly economic activity at a single physical location (Central Bureau of Statistics (CBS): Survey of Small Manufacturing Establishments 1999/2000).

**Work and Employment:** Nepal’s definition of work, as applied in the Nepal Labour Force Survey, 1998/99, is aligned with the ILO standards based on the United Nations 1993 System of National Accounts (SNA). According to this, the activities that count as work include home-based activities (wage, job and business), and outside activities (agriculture, milling and food processing, handicrafts, construction and major repairs, fetching water, collecting firewood and others). The activities not counted as work include cooking/serving food for the household, cleaning utensils/house, minor household repairs, shopping for the household, caring for the old and sick, child-minding and other volunteer/community works. The activities are described as “current” – meaning the activities are carried out in a short reference period (one week) or “usual” – meaning that the activities are carried out during the long reference period (one year). “Full employment” refers to the work done for at least 40 hours per week or even less than 40 hours if the work was available but not performed voluntarily due to studies, household work or sickness.

**Urban/Rural:** The distinction between the urban and rural area in Nepal is based on the official classifications made by the Ministry of Local Development (MoLD). The basic criterion required to apply for municipal status (urban area) is to have at least 10,000 inhabitants in the area. At the time of 1991 census, there were 33 municipalities including Kathmandu designated as a metropolitan city and Lalitpur, Pokhara and Biratnagar as sub-metropolitan cities. One municipality was added in 1992, and another 22 were added in 1997 thus making a total of 58 now covering a total of 3,276 sq km area (2.2 % of total Nepal’s area). The urban population, however, is only 14 percent in 2001.

### International Standard Classification of Occupations (ISCO) in specified categories:

Legislators, senior officials and managers  
Professionals  
Technicians and associate professionals  
Clerks  
Service workers and shop and market sales workers  
Skilled agricultural and fishery workers  
Crafts and related trade workers  
Plant and machine operators and assemblers  
Elementary occupations  
Armed forces (011)

**Economically Active Population:** Population between the age of 15 to 59 who are either working or are seeking work.

**Children:** Nepal defines children as those persons who have not attained the age of 15 years. For the “child labour” analysis purpose, the children between the age of 5 and 15 are considered.

**Work Done on Account:** The value of new fixed assets and additions and improvements to existing fixed assets made by the labour force.

## INTRODUCTION

### 1.1 General

The informal economy, which will be formally defined later, includes activities of the economy which are individually smaller, generally unorganized and which remain beyond the control of the state as opposed to the formal sector which generally has the opposite characteristics. Every economy has a formal and informal part. Informal activities are pervasive and persistent economic features of most developing economies contributing significantly to employment, production and income generation. Nepal's informal part in the economy is extremely large and is growing compared to the tiny formal sector. The informal economy is characterized by unregistered and unorganized production. Many of the informal activities are outside the government's tax frame. The largest sector of the Nepalese economy - agriculture, in large part, is informal.

The informal economy is important in Nepal because:

- It is a growing part of the local and national economy;
- Although incomes are low, they are collectively large and valuable; and
- It contributes significantly to employment.

In Asia, 50-80 percent of the non-agricultural employment is under the informal economy (Kundu and Sharma 2001).

### 1.2 What is Informal Economy?

The Informal economy has three dimensions - a) informal establishments or micro enterprises, b) informal activities concerning both production and services, and c) workers in informal employment. The term "informal" itself is defined by many people in many ways ranging from simple to complex definitions. The term is also often commutated with the term «illegal» as many accounts under the informal enterprises are hidden and not maintained transparently. But the informal economy should not be confused with the criminal economy, which deals in illegal goods and services. However, there are activities within the informal economy such as smuggling, drug dealing, trafficking and prostitution, which have clearly illegal ends. Similarly, the informal economy is defined as part of the market economy, producing goods and services for sale or some forms of remuneration. And hence, the informal economy should not be confused with the reproductive or care economy, which is unpaid in nature (ILO, 2002, Women & Men in the Informal Economy, P 12). On the other front, the informal economy is also said to be the asylum for unemployed persons because this provides work for people when formal employment opportunities are slugging. In economics, the informal economy is the system of exchange used outside state controlled economic activities.

The International Labour Organization (ILO) in the early 1970s (XVth Convention) defined the informal sector as follows:

The informal sector comprises units in the household sector, as defined by the System of National Accounts (SNA) and which are unincorporated enterprises or do not hold a complete set of accounts, including:

- Units - registered or not - without permanent employees.
- Units with permanent employees and which are alternatively simultaneously unregistered units, units which do not register their permanent employees, units which employ on a permanent basis less than a given number of persons, according to their legal status (fiscal or social) or to the practices of survey statisticians when they design the scope and coverage of enterprise surveys.
- As broadly defined, the international concept distinguishes between the two sub-categories of informal sector units - "Family Enterprise" comprising independent or own account owners, family workers, apprentices, casual workers and with no permanent employees, and "Micro-Enterprises" comprising units with less than 5 to 10 employees (or jobs), who are not registered, or which are not registered as enterprises.

The need for a broader definition encompassing the whole informal economy was increasingly felt and hence the subsequent supplement and elaboration on the previous narrow definition followed. The 90th International Labour Conference (ILC) held in June 2002 broadened the scope of the informal economy to include self-employed workers. Informal employment is understood to include all remunerative work – both self employment and wage employment that is not recognized, regulated or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income producing enterprise (ILO 2002, Women and Men in the Informal Economy, p 12).

The heterogeneous character of the informal economy indicates a variety of work and workers within its fold. Basically, by type of economic unit and by status, the informal economy consists of micro enterprises, family businesses and own account operations. Thus informal employment relations consist of informal enterprises as well as domestic workers without a regular contract, casual day laborers without a fixed employer, temporary workers who get work through an agency, part time workers for a fixed employer, industrial outworkers for formal or informal firms and unregistered or undeclared workers (ILO, 2002, Women and Men in the Informal Economy, P.12).

The major concern in this regard is how to minimize the deficits being faced by the workers in the informal economy. ILO has mentioned four deficits in the context of decent work in the informal economy – rights deficit, social protection deficit, representation deficit and employment deficit.

As is evident, the informal sector and informal economy are two terms, which are often used interchangeably, but there is an important difference between the two. The Informal sector is a narrower term, which comes under the broader concept of informal economy. The informal sector denotes family enterprises and micro enterprises as mentioned above and workers working there in, whereas informal economy covers all types of economic activities outside the formal sector where the informal sector is one of the significant components. It is also to be noted that the major segment of the informal sector constitutes wage employment (employer and employee), however the informal economy covers all self-employed workers including wage workers.

### 1.3 Informal Activities within Sectors

The activities under informal economy in Nepal are so vast and wide ranging. All of the sectors of the Nepalese economy have a sizeable informal part. Within agriculture, the only formal part is the provision of inputs through the Agricultural Inputs Corporation, Agricultural Tools Factory and registered cooperatives; provision of research and extension facilities through the government, the provision of institutional credit through the Agricultural Development Bank and registered cooperatives and NGOs as financial intermediaries; and some large scale registered agricultural enterprises. In addition to these, state owned government farms like Tarahara farm and Jhumka farm in Sunsari, Khumaltar farm in Kathmandu valley, Lumle farm in Kaski and so on are to be counted as formal agriculture. The rest of the agricultural activities fall into the informal part of the economy covering all cultivation, harvesting, animal husbandry etc. associated with individual farmers whether poor, small or big.

In the manufacturing sector, all small enterprises carried out with less than 10 workers are categorised as informal (Labour Act 1992). These include the production of ghee, *khuwa*, honey; woolen goods like *radi*, *bakhu*; forest based products like bamboo mats, ropes, and baskets. The home-based activities under piece rate contracts (which are usually verbal contracts) from formal industries like those related to carpet weaving and ready-made garment are also informal.

Household activities such as cooking, child care, care of the elderly not only fall within informal economy, but are basically treated as non-economic activities and remain unaccounted for in the national accounts. The Care economy is a new term highly popularized these days and is one of the much highlighted components of the informal economy. Household and care economy activities are now gradually being recognized as economic activities; and the Population Census 2001 in Nepal has taken these activities into account.

In mining, there are unregistered informal operations in the form of private gravel, private stone, private lime extraction and sand extraction. Similarly all non-motorised transport means fall within the ambit of the informal economy.

With respect to credit, the informal lending by moneylenders is still high in Nepal. Nepal Rastra Bank Credit Survey revealed that only 25 percent of the credit needs are met by formal sources, the rest being catered by informal sources such as money-lenders.

In education, private tutoring falls under the informal sector.

#### BOX 2 WORKERS IN THE INFORMAL ECONOMY OF NEPAL

- **Farm and farm related:** self employed, very small land holders, landless farm workers, tillers, cattle herders, former Kamaiyas, Haliyas, daily wage workers, exchange labour under parma tradition and non registered large segment of economic activities concerning livestock, poultry, kitchen-gardening, dairy, fisheries, sericulture, bee farming.
- **Trading:** Street vendors, Hawkers related to different products including very small traders.
- **Craft-workers:** related to clay, metal, bamboo, wood and others.
- **Construction:** normally daily wage workers related to building, wood work, road, stone quarrying, brick-kiln.
- **Transport:** Porters, cleaners, Khalasi, loaders, Rickshaw pullers, auto-mechanics and helpers.
- **Micro enterprise:** family based enterprise workers in various types of production and services.
- **Other services:** barbers, cobblers, tailors, blacksmith, traditional entertainers.

## 1.4 Scope of the Study

The informal economy in this report has been taken in a broader sense encompassing different types of activities and employment relations and not just the narrow enterprise based informal sector. The specific scope of the study is as follows:

- Description of the activities being carried out in the informal economy by women, men and children;
- Number and type of workers by sex and age (to capture in detail the information on the types of work by gender and the involvement of the child labour);
- Hours of work and the income of the workers (gender and age segregated);
- Assessment of working conditions;
- Existence of formal employment and worker-employer relations;
- Challenges and issues faced in the economy;
- Policies and legislation affecting the informal economy;
- The role of local and municipal governments in regulating the informal economy;
- Current and planned initiatives in improving the informal economy; and
- Key gender issues (cross-cutting theme).

## INFORMAL SECTOR'S MAGNITUDE AND CHARACTERISTICS IN NEPAL

### 2.1 Sources

As the informal economy is characterised in Nepal as having a serious lack of consistent definitions and information, it is difficult to precisely determine its economic magnitude. Among the national surveys, only the Nepal Labour Force Survey (NLFS 1998/99) has specifically defined and collected a limited set of information on informal activities and workers, which is extensively used in this study. Considering that the formal economy of Nepal is very small, the demographic and labour related information from the recent Population Census 2001 has also been used to provide indications on the composition of the informal economy. Presentation of a more complete scenario of informal activities in the small manufacturing sector is possible due to the availability of information from the Central Bureau of Statistics (CBS) survey of such establishments in 1999/2000.

### 2.2 Demography and Employment

According to the Population Census 2001, the population of Nepal has reached 23.2 million (Annex-1). Of this, only 22.7 million were enumerated due to insurgency problems in some areas. Due to this, the population figures in several tables do not tally. The age wise breakdown of the total population is presented in Annex-2. The total population represents 4.3 million households. The urban population in the 58 municipalities occupying less than 2 percent of the geographical area of the country is nearly 14 percent of the total population (Annex-3).

In Nepal *Working Age Population (WAP)* is defined as those people who are within the age range of 10 to 64 years<sup>1</sup>. Operationally, however, various definitions are used by various surveys. CBS, in its Population Census 2001, defines EAP as those persons aged 10 and above who are either employed or are seeking work. The Nepal Labour Force Survey 1998/99<sup>2</sup>, on the other hand, appears to take the minimum age for EAP to be 15 years. The term "appears" is used because no survey has been explicit in defining the EAP precisely. This multiplicity in definitions, often originating from the same source, complicates the analysis of employment related variables. This may be one of the reasons why the overall GDP of the informal economy for Nepal has not been estimated yet.

---

1 The Total population in this age range is 16.8 million of which 5.2 million (31%) are working in agriculture (own farm), 2.2 million (13%) are working in salary/wage employment, 1.0 million (5.8%) are working in their own economic enterprises, 0.6 million (3.8%) are involved in extended economic activities, 0.2 million (1%) are seeking jobs, 2.5 million (15.%) are involved in household chores, 3.9 million (23%) are studying and the remaining 1.2 million (7%) have no work.

2 A survey by CBS.

According to the population census definition, there are 10.6 million economically active persons with 5.97 million males (56%) and 4.67 million females (44%), which comes to be 71 % of the total males and 55 % of total females, altogether an aggregate of 63.4 percent in economic activity (refers to age group 15-64). Of these in an aggregate, only 9.9 million (93.4% of WAP) are engaged in various formal and informal activities including 4.3 million women (Table 2.1).

**TABLE 2.1** ECONOMICALLY ACTIVE PERSONS BY PROFESSION AND GENDER (10-64 YEARS)

Professions	Total	Percent	Male	Percent	Female	Percent
Legislators, senior officials and managers	56,536	0.57	48,713	0.87	7,823	0.18
Professionals	243,662	2.46	186,788	3.33	56,874	1.32
Technicians and associate professionals	170,184	1.72	145,675	2.60	24,509	0.57
Clerks and office assistants	201,053	2.03	175,226	3.13	25,827	0.60
Service workers, shop and market sales	781,005	7.89	588,191	10.49	192,814	4.49
Skilled and semi-skilled ag. workers	5901,382	59.61	2992,981	53.38	2908,401	67.74
Craft and related trade workers	916,845	9.26	507,727	9.06	409,118	9.53
Plant and machine operators and assemblers	141,355	1.43	122,993	2.19	18,362	0.43
Elementary occupations	1479,818	14.95	834,376	14.88	645,442	15.03
Not stated	8,357	0.08	4,103	0.07	4,254	0.10
<b>Total</b>	<b>9900,197</b>	<b>100.00</b>	<b>5606,773</b>	<b>100.00</b>	<b>4293,424</b>	<b>100.00</b>

Source: Compiled from Population Census 2001, CBS.

The age-wise distribution of economically active population is presented in Annex 5. Table 2.1 shows that more than two-thirds female and about half of the males are engaged in agriculture. The second highest occupational category for both sexes is in elementary occupations. Elementary occupations includes large number of semi skilled workers and covers a variety of work basically ranging from construction & small manufacturing to domestic help and street vending. Occupationally, men's work is more diversified. Women involvement in professional, technical and works related to machine operating type of activities shows a big gap having lower proportion in comparison to that of male involvement, whereas in agriculture related works and elementary occupations, the proportion of women seems higher compared to that of males. As revealed by Table 2.2, women have lagged behind in all employment categories except the "unpaid family workers". More girls between the ages of 10-19 years are working than boys of the same age (Annex 5). It is basically because of the heavy gender discrimination in educational opportunities as sons are enrolled



inschool where daughters are used in farm & household chores. Most of the working girls are naturally pushed to informal employment overwhelmingly in the status of unpaid family work.

Economic participation rate of women has increased from 45.2 percent in 1991 to 50.9 percent in 2001 while it has decreased for men although men's total participation rate is still higher than women (Annex 7).

Over 8 million of the population above 10 years are inactive (Annex 8). Of them 40 percent are male and 60 percent are female. The major reasons for being inactive are study (47.3%) and household work (33.1%). The interesting observation here is that while more than two-thirds of male are inactive due to study, only one third of females are inactive due to study as a reason. Again, nearly half the inactive women are so because of household work, the men inactive for the same reason is less than 10 percent (computed from Annex 8).

Among the employed workers, 3.8 percent are employers, nearly one-fourth are employees, 62.7 percent are self-employed and the remaining 8.8 percent are unpaid family workers (Table 2.2). The share of women workers is high in total unpaid categories of work (63.2%).

<b>TABLE 2.2 TYPE OF EMPLOYMENT BY SEX</b>					
<b>Status</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Status %</b>	<b>Female %</b>
Employer	216,312	160,038	376,350	3.8	42.5
Employee	1,890,586	547,743	2,438,329	24.6	22.5
Self-employed	3,178,384	3,032,456	6,210,840	62.7	48.8
Unpaid	321,493	553,186	874,679	8.8	63.2
<b>Total</b>	<b>5,606,775</b>	<b>4,293,423</b>	<b>9,900,198</b>	<b>100.0</b>	<b>43.4</b>
Percent	56.6	43.4	100		

Source: Compiled from Population Census 2001, CBS.

What is notable in this table is the high proportion of women who are self employed, but it does not mean that the women in this category are entrepreneurs, they are actually unpaid family workers.

The number of households having or not having any economic activity other than agriculture is shown in Table 2.3. There are 840,128 households engaged in non-agriculture economic activities which is only 20 percent of the total households (Table 2.3). Among these activities, the dominant sub-sector is services. It is to be noted that the proportion of the labour force engaged in non-agricultural activities is far greater than the proportion of households being engaged in non-agricultural activities. This reveals the fact that the persons engaged in non-agricultural activities are concentrated amongst fewer households. It is also a reality that agricultural work to a larger extent has been the subsistence work for most of the families concerned.

**TABLE 2.3** NUMBER OF HOUSEHOLDS HAVING OR NOT HAVING ECONOMIC ACTIVITIES

Particulars		Number	Percent
Households having non-agricultural economic activities		840,128	20.1
	Manufacturing	65,471	1.6
	Trade/business	255,767	6.1
	Transport	22,432	0.5
	Services	293,831	7.0
	Others	202,627	4.9
Households not having non-agricultural economic activity		3,334,246	79.9
<b>Total</b>		<b>4,174,374</b>	<b>100.0</b>

Source: Compiled from Population Census 2001, CBS.

## 2.3 Informal Workers

In terms of current economic status, those currently active have been classified into one of three codes - "agriculture", "non-agriculture informal" and "non-agriculture other sectors". For an operational purpose, a person whose main job is not in agriculture has been counted as working in the informal sector if his/her present job satisfies each of the condition shown in a single row in Table 2.4.

**TABLE 2.4** NLFS DEFINITION OF INFORMAL WORKERS AND ACTIVITIES

Employment Status	Institutional Sector	Number of Employees
Paid employee	Private unregistered company or other	Less than 10
Operating own business with no employees	-	-
Operating own business with regular paid employees or Contributing family member without pay or other	-	Less than 10

Source: NLFS.

Where a person is not employed, the informal sector status is arrived at on the basis of the main job in the last year or the most recent job.

NLFS does not provide a full account of workers in the informal economy. It specifically accounts for the informal workers in the non-agricultural sector only. According to NLFS (Annex 9), of the 2.26 million workers in the non-agricultural sector, 1.66 million (73.3%) have informal jobs. This includes 1.05 million male (67.4%) and 0.61 million female (86.5%) in the informal non-agricultural sector. Occupationally, informal employment is highest in various services (93.7%) followed by crafts and related trade (89.3%), agriculture (86.3%), and elementary occupations (78.2%) (Annex 9). This shows that the majority of the informal workers have low paid and blue-collar jobs. The proportion of female workers having such jobs is even higher.

Those working in the agricultural sector total 7.2 million workers (3.2 million male and 4.0 million female). Since the agricultural sector workers are almost three times more and much more agricultural work is informal, the implied overall contribution of the informal economy in employment is over 80 percent.

The survey also shows that the informal employment outside agriculture is more concentrated in urban areas. The employment of females in each of the employment categories of the informal work outside agriculture is less than that of males. Only 28.2 percent female informal workers have their own business with no employees. They come closer to men only in informal enterprises with no regular paid employees. The female's proportionate presence in larger establishments is very low (sex-wise breakdown of the employment in informal work outside agriculture is presented in Annex-10).

Most male and female unpaid family workers are below 20 years of age. The proportion of men and women working as unpaid family workers decreases with increase in age. In the higher age groups the percentage of the male unpaid family worker is negligible. Furthermore, with an increase in age the percentage of male employers expands. That is also true for female employers although the increase is less significant. It should, however, be noted that most women portrayed as self-employed are actually working as unpaid family workers because their unpaid work in households, farms and other household enterprises are also counted in self-employed category. It is because of this fact that a clear demarcation between the two categories is very difficult in rural economy of Nepal and the judgment of enumerators is always questionable.

Nearly 46 percent informal workers had their own business with no employees (Annex 10). In the case of men, this percentage was even higher (52%). Workers in businesses with no employees or no regular paid employees were over 90 percent. This implies a very high incidence of self-employed workers among informal works in the non-agricultural sector. A total of 23 percent workers were urban based with a marginally higher incidence of men. But in businesses with paid employees, women were more urban-based (Annex 11). This may be due to more women working in urban-based carpet industries. The data reveals that the relatively larger informal enterprises (with 5-9 workers) are either very few in number or they are mechanised enough and hire fewer workers.

According to the type of informal work based on minor ISCO grouping, 21 percent workers were urban-based (Annex 12). The major jobs in urban areas were helpers (41%), housekeeping/restaurant (35%) and salespersons (35%). The Smallest number of jobs in urban areas were in collecting firewood. Highest share of females in such jobs was in fetching water (90%) followed by textile works (84%), collecting firewood (73%) and handicrafts (56%). No women were involved in woodwork. The share of females in street vending jobs was 41.4 percent. Larger share of males were in woodworks (100%), small trading (98%), blacksmithing (94%) and messenger/porter (92%).

## 2.4 Small Manufacturing Establishments

The manufacturing sector contributed almost nine percent to the country's total GDP in 1999/2000. Under manufacturing, the establishments employing less than 10 persons are categorised as informal.

Based on the information from the CBS survey of small manufacturing establishments, the Total number of small establishments in the country is close to 44,000 with over 120,000 persons engaged (Table 2.5). Of the total number engaged, about 46,000 (38%) are employees. Obviously, the establishments and the employment are concentrated in the central region. These establishments spent over Rs. 1.0 billion in salaries and wages and another Rs.19.3 billion in operational costs. The output value from these establishments was estimated at nearly Rs.26 billion thus generating the value added worth Rs.6.7 billion. The figures above reflect part of the contribution of the informal sector outside agriculture. Based on this information, the value added per person per year works out to about Rs.55,000. Each establishment employed on average 1.05 employees besides the involvement of the proprietor and the unpaid family workers.

**TABLE 2.5** DETAILS ON SMALL MANUFACTURING ESTABLISHMENTS BY REGION (Rs. '000)

Region	Establishments (No.)	Persons engaged (No.)		Wages/salaries	Census input	Census output	Value added
		Total	Employees				
Eastern	11,639	31,257	12,457	302,476	4,770,867	6,312,892	1,542,025
Central	21,170	61,021	20,588	535,818	6,326,936	8,981,765	2,654,829
Western	5,448	14,546	6,259	119,296	5,362,050	7,050,304	1,688,254
Mid Western	2,852	9,328	4,597	114,437	1,547,063	2,040,717	493,654
Far Western	2,562	5,118	2,151	32,140	1,263,616	1,559,968	296,352
<b>Nepal</b>	<b>43,671</b>	<b>121,270</b>	<b>46,052</b>	<b>1,104,167</b>	<b>19,270,532</b>	<b>25,945,646</b>	<b>6,675,114</b>

Source: CBS, Survey of Small Manufacturing Establishments, Nepal, 1999/2000.

The total value of fixed assets (land, building, machinery, transport equipment and furniture) used in small manufacturing establishments was estimated at Rs.8.2 billion. On this basis, total value added per rupee of fixed assets used works out to Rs.0.81 per year, which is very lucrative. It shows that the fixed investments in small manufacturing businesses can be fully recovered within less than one and a half years. Most fixed investment intensive establishment was wood furniture manufacturing.

The major outputs in terms of value of production, as estimated by the Census of manufacturing establishments, were milled rice (Rs.12.9 billion), which accounted for more than 50 percent of the total value of production. This was followed by wheat flour (Rs.1.54 billion) and wood furniture (Rs.1.53 billion).

A comparison of the results of small manufacturing in terms of contribution to GDP in the same Fiscal Year (FY 1999/2000) reveals the following. Total manufacturing contributed 8.9 percent to the total GDP at producer's prices in 1999/2000 of Rs.378 billion. Small

manufacturing accounted for almost 20 percent of the total manufacturing in that year and contributed 1.8 percent to the total GDP at producer's prices. The imputed contribution to GDP of small manufacturing would have been the same had this been 100 percent. This means that the contribution to GDP of the small manufacturing sector is comparable to the overall manufacturing sector. The decentralised employment effect of the small manufacturing sector is therefore an added bonus to the economy. It required a fixed investment of only Rs.67,618 to create a job in small manufacturing.

<b>TABLE 2.6</b> DETAILS ON SMALL MANUFACTURING ESTABLISHMENTS BY LOCATION (URBAN/RURAL)									
Location	Estab-lish-ments (No.)	Persons engaged (No.)		Wages/ salaries (Rs.000)	Census input (Rs.000)	Census output (Rs.000)	Value added (Rs.000)	Gross fixed asset (Rs.000)	Fixed invest-ment per worker (Rs.)
		Total	Employee						
Urban	13,926	46,911	23,360	643,300	6,305,133	9,333,963	3,028,830	3,948,829	84177
Rural	29,745	74,359	22,691	460,867	12,965,398	16,611,682	3,646,284	4,216,509	56705
<b>Nepal</b>	<b>43,671</b>	<b>121,270</b>	<b>46,051</b>	<b>1,104,167</b>	<b>19,270,531</b>	<b>25,945,645</b>	<b>6,675,114</b>	<b>8,165,338</b>	<b>67332</b>
Rural %	68.1	61.3	49.3	41.7	67.3	64.0	54.6	51.6	84.2

Source: CBS, Survey of Small Manufacturing Establishments, Nepal, 1999/2000.

Table 2.6 above presents the distribution of informal establishments in urban and rural areas. There is a higher concentration of informal establishments in rural than in urban areas. It also reveals lesser employment per establishment and lower fixed investment per employee in rural areas.

It appears that the small rural establishments are paying lower wages than the urban establishments (Table 2.6). On an average, an employee received Rs.20,311 per year as salary/wage in the rural areas as opposed to Rs.27,539 in the urban areas. The rural wage was therefore only about 74 percent of the urban wage. However, the distribution of value added between the employers and the employees shows that while only 21.4 percent of the value added from urban establishments went to the employees, it was 28.8 percent in rural establishments. Therefore, the sharing of benefits between the employer and the employees is more equitable in the rural areas. The Table also indicates the disproportionately higher share of value added in favor of the employers. The employers, therefore, are in a position to contribute to the much-needed social protection needs of the informal employees. In actual practice, the employers in informal sector including agriculture and construction do not even ensure a minimum wage under the existing work relationship.

## 2.5 Agriculture

Agriculture is the largest sector of the economy contributing 37 percent to the total GDP at factor cost of Rs.380 billion in FY 2000/2001 (Annex 13) and employing almost two-thirds of the economically active population. But the growth in this sector has only been 2.5 percent per year in the last 7 years compared to the 10 percent growth rate in the non-agricultural sector.

Agriculture (including forestry) in Nepal provides direct employment to six and a half million of the labour force which is four-fifths of total economically active population. Four and a half million labourers are self employed, and over two million work as wage labourers. Almost half of the wage workers are part-time workers, coming from marginal and small holdings. Another one million labourers are full time farm wage workers. These workers are landless and subsist on wage income. Out of every 10 full time wage workers, 7 work as casual workers, and 3 work under a permanent labour relationship generally interlinked with credit and land relationships (Sharma 1998).

Information on the employment pattern of landless households is least known. Among the farming households (2.7 million), less than one-third are reported to have been engaged in gainful work for more than six months. The rest are reported to work for less than six months. Ironically, the largest proportion (36%) of the work force gets employed for the shortest period of time. On the contrary, the smallest proportion (13%) of the work force is employed for the longest period of time. The situation of landless workers can be expected to be worse as they do not have their own land to work with.

Regions/ months	Wage Workers ('000)	0-3 months	3-5 months	6-7 months	8 or more months
Mountain	90	53.2	37.0	7.2	2.6
Hills	444	47.6	35.6	12.5	4.3
Terai	466	20.5	30.7	24.9	23.9
<b>Nepal</b>	<b>1000</b>	<b>35.5</b>	<b>33.4</b>	<b>17.8</b>	<b>13.3</b>

Source: Calculated in Sharma (1996) using CBS (1992).

## 2.6 Earnings

It is not necessary that the earnings from any work in the informal economy is necessarily less than the formal sector. A survey in 1992 in Benin, Africa showed that the street vendor's income was 1.1 to 4.5 times the legal minimum wage (Ginneken 1997).

Sex	Unemployed (%)	Wage Employment (%)		Average Wage (Rs.)		Self Employment (%)	
		Agriculture	Outside Agriculture	Agriculture	Outside Agriculture	Agriculture	Outside Agriculture
Male	4.2	13.3	16.3	44	76	59.8	10.7
Female	2.8	11.1	2.7	35	56	81.6	4.6
Both Sexes	3.4	12.2	9.5	40	74	70.7	7.7

Source: Nepal Living Standard Survey (NLSS), CBS, 1996.

In Nepal, the NLF survey shows that females earn less than men on average. Their average monthly earnings from all occupations is only Rs.1,368 which is only about 57 percent of men's average earning (Annex 14). Their earnings are lower than men's in all standard occupational categories except services and armed forces. Information in Table 2.8 also corroborates lower wages of women in wage jobs both within and outside agriculture.

## 2.7 Child Labourers

Children in Nepal are identified as those persons who are below the age of 15 years as opposed to the international definition of up to 18 years. Taking this definition, the Population Census 2001 reports the number of children to be 8.95 million (nearly two-fifths of the total population) with 4.6 million boys and 4.4 million girls. From the child labour perspective, children aged 5 and over are considered whose number is 3.17 million boys and 3.03 million girls (Annex 15 and 18). Child labour in Nepal must be considered in the context of the existing status of these children.

Of the total 9.48 million children up to the age of 15, altogether 87.6 percent are living with both parents, 6.8 percent are living with either father or mother while 5.6 percent are living either without parents or with one of the parents having a step-mother or step-father (Annex 16). The latter group is the most vulnerable in terms of child labour exploitation. More girl children are in this category (6%) compared to boys (5%). Of the total number of children living with both parents, 49% are girls and 51% are boys. Living away from parents increased with age for both sexes. Moreover almost one percent children are reported to be living with employers or relatives. It is indicated that the majority of these children are of 10 to 15 years age group and it is suspected that most are child workers.

There are some provisions relating to children in the Labour Act 1992. The Act, defines child as a person who has not attained the age of 14 years. The Act also establishes that "No child shall be engaged in work of any enterprise" (Ch. 2, Para 5). Nepal has also ratified the Minimum Age Convention vowing to pursue a national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age for admission to employment or work at a minimum level consistent with the fullest physical and mental development of young persons. The minimum age for employment specified in the convention is 15 years, though there are provisions for reducing this minimum age to 14 years in certain circumstances. Section 3 (1) 5 (2) of the Act has also provisioned - no minor of the age group of 14-16 shall be employed in any establishment for more than 6 hours a day and 36 hours a week. These Rules prohibit formal establishments to hire child labour and hence they invariably land up in the informal activities where the government and its regulations have least control. Legislatively, Nepal prohibits traffic in human beings, slavery, serfdom or forced labour in any form (Constitution of Nepal 1990).

According to NLFS, overall child labour force participation rate (LFPR) is 40.8 percent with 0.2 percent unemployment and 1.1 percent underemployment. Child LFPR was higher in rural areas (44%) compared to only 19 percent in urban areas. In Kathmandu valley, it was only 7.2 percent. Region wise, highest child LFPR was in the mid west region (Annex 15). Economically active children are defined as those who worked for at least one hour a week. About 500,000 children (21%) aged 5-9 and 1.5 million children (61%) aged 10-14 are classified as economically active. Participation rates are higher for girls than boys and much higher in rural areas than in urban areas as revealed by the NLFS.

**TABLE 2.9** NUMBER OF CHILDREN BETWEEN 5-14 YEAR AGE-GROUP WITH EMPLOYMENT, WORK HOURS AND SCHOOL ATTENDANCE

					Attending School			Percent		
	Boys	Girls	Total	Girls %	Boys	Girls	Total	Boys	Girls	Total
Total Number (000)	2480	2380	4860	49.0	1975	1479	3454	79.6	62.1	71.1
Number employed (000)	911	1072	1983	54.1	694	569	1263	76.2	53.1	63.7
Total hours worked per week (million)	20	24	44	54.5	13	10	23	65.0	41.7	52.3
Average hours/week	22.0	22.4	22.2	100.9	18.7	17.6	18.2			

Source: Computed from NLFS, 1998/99.

The NLFS accounts for 4.86 million children in the age group of 5-14<sup>3</sup> (2.48 million boys and 2.38 million girls) of which 3.45 million (80% boys and 62.1% girls) were attending school (Table 2.9). A total of 1.98 million were employed of which 1.07 million (54%) were girls. Girls also worked marginally more than boys at the rate of 22.4 hours per week compared to 22 hours per week worked by boys. While 76 percent of the employed boys were attending school, only 53 percent of the working girls attended school. The employed boys and girls attending the schools worked 4 hours less per week than those who did not attend schools. Among the school attending boys and girls, however, boys worked more hours per week (18.7) compared to girls (17.6).

Children's work is separated by NLFS between that in the industrial establishments and outside. A total of 1.98 million boys and girls were working in industries and 1.93 million outside (Annex 18). Among those employed in industries, the bulk (almost 90%) were in agriculture/forestry related industries. The girls in these industries were 53 percent. Looking through the percentages, the largest proportion of girls compared to boys was in private household based industries (65%) while it was construction industries for boys (70%). Outside industries also, girls involvement was more (54%). Subsistence agriculture dominated the children's work with higher involvement of girls. In percentages, the involvement of girls was largest in elementary occupations like agricultural labourers (58%), fetching water (64%) and collecting firewood (68%). Opportunities for attending schools were almost the same for boys and girls in both work categories.

As the year of reporting varies, ILO determines that the total number of children between the age of 0-14 as 7.9 million of which 2.6 million between the age of 5-14 are child labourers working in agriculture (ILO-IPEC Seminar paper on TBP, 2001), manual trades and industry including a number of services. Some children are also reported to be exploited as domestic workers, porters and ragpickers. ILO reports that about 42,000 children are used in transporting goods and construction materials in rural areas while another nearly 8,000 carry goods in many urban market centres and bus parks. Nepalese law prohibits minors from

3 Note that this figure is different from population census figure reported earlier because of the difference in reference period.



carrying more than a load of 25 kg at a time, but it is found that average child porter loads are 56 kg in urban areas and 35 kg in hill and mountain trails. Such heavy loads and poor living conditions are expected to reduce life-expectancy of the involved children by 20-30 years. IPEC's rapid assessment showed that 55,000 children under 18 working as domestic servants in urban Nepal with about 22,000 in Kathmandu alone (Sharma et. al., 2000). Of these domestic servants, 57 percent are boys. The number of rag picking children is estimated at 4,000 who are generally exposed to cuts, infections and animal bites. Children are also included in the bonded labour category to pay parental debts and others are trafficked into prostitution. The number of children working under a *kamaiya* arrangement is estimated at 17,000 employed in the farms and domestic front. Bondage, mostly debt bondage, in the form of loans and salary advances taken by parents and subcontractors has victimized a considerable number of children pushing them to work under hazardous conditions in hotels, restaurants, brick kilns and carpet industries. It is reported that almost half of the work involves slave-like conditions. Each year, it is estimated that 12,000 girls under 18 are removed from their families, houses and work places by force, coercion or deception and involuntarily transferred into urban centres and across the Indian border. As many as 200,000 Nepalese girls are believed to be spending miserable lives in Indian brothels.

### BOX 3 ILO/IPEC IN NEPAL

Nepal is one of three pilot countries in the globe selected for IPEC's programme of eliminating the worst forms of child labour as per Article 1 of the Convention No. 182. This is conceived to be achieved through influencing economic, educational and labour market policies. In achieving this feat, IPEC is working in partnership with government ministries and departments, employers' & workers' organisation (FNCCI, TU Confederations), NGOs and others. The programme has been implemented since 1997. More than 100 action and mini programmes have been implemented since then. These programmes include:

- Direct intervention with child workers;
- Awareness raising and community mobilisation;
- Strengthening the capacity of IPEC's social partners and government counterparts; and
- Influencing legislation and its effective enforcement.

ILO's Social Finance Unit has been continuing to implement a project for the elimination of bonded labour in Nepal since 2000 through micro-finance services. Now, it is promoting the declaration on fundamental principles and rights at work for the «sustainable elimination of bonded labour» by providing support for the successful rehabilitation of bonded labourers in the five *kamaiya* districts of Nepal.

Maoists are also using children aged 14-18 as insurgent soldiers. Their number has been estimated at about 30 percent of an estimated 16,000 maoist soldiers (Kantipur-Nepali Daily, 22 November 2002).

With the resource crunch in households, girls are forced to work earlier than boys. Relatively, a much higher proportion of the girl children are economically active (26.3%) compared to male children (18.8%). Girls in the poorer households have much heavier workload than boys of the similar age group.

Children work mainly in agricultural farms. But proportionately with the working population, child labor tends to be higher in industries like carpets, brick-kiln, stone quarries and the service sectors, particularly hotels, tea shops and restaurants, domestic work and porters. Young girls are recruited into forced prostitution on a wide scale. The working conditions in such establishments are often appalling. Poverty, family disruption, parental illiteracy, agrarian relations forcing families into bonded labor and recent displacement of families from villages

due to insecurity are some of the major causes of child labor. Legislation against child labour, though adequate, is rarely enforced. Child labourers face long hours of work in unhealthy environments, low wages and hazardous conditions of work. This leads to various diseases among child labourers and denies them educational opportunities. Employers do not devote any resources to improve the situation of child laborers (CWIN, 1995).

The female child labour participation rates surpass the male child labor rates in all 75 districts. For each 100 working boys there are 219 girls in the Hills and 177 girls in the Terai (Acharya and Acharya, 1997). The gender imbalance is also higher in the Western Hill and Mountain regions, than in other parts of the country.

The main issue is how to improve the situation of children and increase their access to education and better future opportunities. Many families are too poor to support their own children. Others have abandoned them. A third group of child workers are orphaned with no relatives to care for them. Children working under the worst forms of child labour need immediate withdrawal. This obviously warrants the state's attention.

## 2.8 Work Hours

ILO in its 47th Convention (1930), established 40 hours per week as full employment.

### BOX 4 CORE LABOUR STANDARDS SET BY ILC

The International Labour Organisation, created in 1919 and later attaining the status as a Specialised UN agency to work against injustice, hardships and privation (deprivation) has remained the international custodian of labour. To date, ILO has passed a total of 184 Conventions relating to the labour standards. The core ILO Conventions are:

- **Convention No. 182 concerning Worst forms of Child Labour**
- **Convention No. 100 concerning Equal Remuneration**
- **Convention No. 138 concerning Minimum Age**
- **Convention No. 111 concerning Discrimination (employment and occupation)**
- **Convention No. 29 concerning Forced Labour**
- **Convention No. 105 concerning Forced Labour,**
- **Convention No. 98 concerning the Right to Organise & collective bargaining**
- **Convention No. 87 concerning Freedom of Association**

Of the above, Nepal has ratified all conventions except No.87, 105.

ILO has been actively emphasizing:

- Elimination of all forms of forced or compulsory labour
- Effective abolition of child labour
- Elimination of discrimination in employment
- Freedom of association
- Right to collective bargaining

ILO Conventions become legally binding only when adopted by national parliaments or voluntarily accepted by respective governments. Recommendations are persuasive and do not have the force of law. The real pressure to comply, however, comes from the international support that the compliance generates. There is supervisory machinery within the ILO to supervise the compliance by nations. This machinery, besides assuming a persuasive role, also condemns non-complying governments.

Women's workload in agriculture and livestock rearing is heavier than that of men. They work about 77 hours a week as against 56 hours for men (SAPPROS 2000). A survey conducted by Nepal Rastra Bank in 1988, shows the pattern of daily work hours between adults and children by gender and residence. Table 2.10 shows that the adult female and girl child worked more hours per day than males in every age group. The situation has not changed much since then. This highlights a higher work burden for women.

<b>TABLE 2.10 HOURS OF WORK BY SEX AND RESIDENCE</b>						
<b>Residence</b>	<b>15+ Adults</b>		<b>10-14 Children</b>		<b>6-9 Children</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Rural						
Mountains	8.69	11.23	4.41	7.67	2.88	4.47
Hills	7.89	10.67	4.06	6.06	1.85	3.40
Terai	7.84	9.40	3.27	5.89	1.66	2.60
<b>Urban</b>						
Hills	7.01	8.78	1.63	3.95	0.76	1.44
Terai	7.83	8.90	2.37	4.33	0.99	2.22

Source: Nepal Rastra Bank, 1988, P-356-360.

There is also another facet of women's work burden. It is also a fact that women do many activities of relatively shorter spells compared to men. The transition from one activity to another, sometimes, demands a complete change of mental and physical frame. For example, a woman cleans the animal litter and has to immediately breast-feed the baby. The transition requires her to clean herself before breast-feeding. A man ploughs the field continuously for 5-6 hours without having to shift to other work. The costs and pains involved in such transition in the real sense are never accounted for although they constitute a significant part of the cost in the informal economy. If this is accounted for, women will bear more such pains and costs because they do many more things in a day than men.

In terms of the overall availability of work (underemployment), the average work duration is computed by using mean months worked for all age groups. The computation (Annex 19) shows that men are employed on an average 9.3 months in a year compared to only 8.7 months for women. Age wise, work duration has inverted U-shaped curve (less duration at early age, peaking in-between and dropping again).

From another angle of analysis, if we peep into the reality of average working hours, heavy underemployment is clearly visible. Average hours per week of the paid employees is 45.6 for both sex whereas it 47.1 and 41.1 for males and females respectively. While comparing with average work hours per week in various economic activities and care and household economic activities, the picture is quite different (Tables 2.11 and 2.12).

TABLE 2.11 AVERAGE HOURS PER WEEK IN VARIOUS ECONOMIC ACTIVITIES			
Area	Both Sexes	Male	Female
Urban	22.7	28.1	17.2
Rural	29.5	30.5	28.5

Source : Based on NLFS 1998/99. Note : (Economic activities include wage job, own business, agriculture, milling, handicraft, construction, water fetching, collecting firewood and others)

TABLE 2.12 AVERAGE HOURS PER WEEK IN CARE AND HOUSEHOLD ACTIVITIES			
Area	Both Sexes	Male	Female
Urban	10.9	3.4	18.4
Rural	10.6	3.5	17.3

Source : Based on NLFS 1998/99. Note : (Household and care activities include cooking cleaning, minor repairs, shopping, caring, child minding, volunteer and others)

## 2.9 Working Conditions

The organised national level surveys in Nepal have not documented the working conditions of workers in the workplaces of various enterprises and establishments. Hence, objective evaluations of working conditions are difficult and have to be based on sporadic and scattered evidence. Some observations on working conditions in informal jobs are also cited in other sections of the report.

**Agriculture:** The Agriculture sector, accommodating the largest number of informal workers including a large number of underemployed ones, accounts for a particularly high proportion of unprotected workers. In the hill and mountain belts of Nepal, the terrain in which agriculture is practiced exacerbates the difficulty. Work in agricultural in Nepal is characterized by:

- heavy manual work;
- long and odd working hours;
- work under difficult climatic conditions (rain, exposure to sun and extreme temperature );
- possibility of exposure to chemical hazards and other hazards like snakes;
- higher vulnerability of women;
- existence of bondage in various forms including debt bondage;
- use of attached labour.

When such arduous agricultural works have to be performed under conditions of limited access to clean water, lack of fuel and power, inadequate shelter and low levels of nutrition, it becomes all the more awful.

**Manufacturing:** Only scattered information is available on working conditions in industrial establishments. According to Basnet (1991), only about 55 percent of women workers had permanent jobs, about 17 percent were temporary employees and 29 percent were casual laborers. Only 20 percent had been promoted to higher levels and about 29 percent believed that they were getting as much pay as male employees. They worked under difficult physical conditions and more than one-third of those interviewed said they had experienced some work related health problems. Only about 33 percent of them received some facilities in addition to wages. Less than one-fifth of the women workers (14 percent) were trade union members while 17 percent were aware of trade unions. Other studies on working conditions do not depict a better situation (for example, Thacker, 1992). Even in the carpet industry, which requires high skill, women are still treated as unskilled and intensely exploited by factory owners (Thacker, 1992). Additionally, due to high international competition in such industries, wages are kept low.

According to Thacker (1992), the carpet industry in the Kathmandu Valley had 66 percent women workers. Nearly 98 percent of these women were piece rate workers while only 14 percent of men were so. These women were overwhelmingly young (below 22 years of age) illiterate and worked for reasons of poverty. Cheating by the employers on payments of salary and wages was rampant. With men joining mechanized work, the number of women has become comparatively higher but with more deducted benefits. Thus at present, the number of workers have declined to a large extent, but women are in a majority and working conditions have become worse. Child bondage based on advance salary to their parents in the villages by subcontractors has put them under inhumane treatment like prisoners. Stories of release through the use of police force come in the newspapers frequently from carpet factories.

**Services:** In addition to the agriculture and manufacturing sector, there are a number of services in informal employment ranging from transportation to small hotels and teashops. These include handicrafts, street vending, home-based work, construction etc. Most of the services lack the basics of a workplace both with the viewpoint of health & safety and wages. remaining highly exploitative in the use of wage labour. Children and women are the most vulnerable in these types of work from the viewpoint of exploitation facing the condition of long hours of work with very low paid wages.

## 2.10 Employer-Employee Relations

Employer-employee relationships or labour relations are very difficult to analyse in informal segments of the economy. Generally, a worker himself/herself hires assisting labour in addition to his/her family members treating them like family member sometimes and abusing them inhumanely sometimes. The normal scenario in such cases of mixed informal labour relations can be highly exploitative both from the viewpoint of working hours and wages. Security of employment is generally non-existent. Employment is basically casual and even in permanent or long periods of labour relations, employment security is rare as it is not in the ambit of local laws. But in micro enterprises some differences can be seen which creates some sort of semi-formal relationship between the employers and workers. The Majority of employment and work is under a self employment status and hence labour relations become secondary in many cases and areas. Some of the notable relationships are discussed below.

### 2.10.1 Farm Labour Relationship

The farm wage labour relationship in Nepal is varied. A Majority of farm holdings (64%) use their own household labour or exchange labour for farming. About 30 percent of total farm

households supplement family labour with casual labourers hired when necessary. About 5 percent of total holdings hire permanent labourer<sup>4</sup> for farming purposes and for animal herding. Use of permanent labour is relatively high in the Terai districts. Of total permanent farm labourers, about 3 percent are in mountain districts, 30 in hills districts and 66 in the Terai districts (Sharma 1996). About 4 percent of farms in Nepal use permanent labour. In the Terai, about one-tenth of farms employ permanent workers. In the hill districts, less than three percent of farms employ permanent labour. It is the interlinked (with credit and land) permanent labour relations that embody the elements of a bonded relation in general.

Casual and seasonal labour relations are the dominant form. The labour relations have become unfair and adverse also because of the easy inflow of Indian casual workers in peak seasons of cropping and harvesting. Thus Indian in-migrants of seasonal character have adversely affected the prospects for implementation of minimum wages in agriculture.

## 2.10.2 Bonded Labour

Although slavery, one of the worst forms of employer-employee relations, was abolished in Nepal as early as 1924 during the Rana regime, it is still perpetuated in various forms in the country. The ILO Convention concerning forced labour defines slavery of any person “*as that state or circumstance in which all the forces associated with ownership and mastery are used*”.

The *ex-Kamaiya* system in five western Terai districts was one vivid form of bonded labour in a situation almost like slavery. The *haliya*, *haruwa*, *gothala*, *charuwa*, *gaibar bhiansbar*, *chhegbar* practices prevailing in many hill and Terai districts also include several elements of bondage; and an estimated 200,000 labourers are under these systems (Sharma and Sharma 2002). Such practices are believed to originate from 3-L relationships (Loan, Labour and Land). Poor people borrow a small sum from the landlords at an exorbitant interest rate<sup>5</sup> that is compounded annually. The compounded sum thus becomes beyond the paying capacity of the poor borrowers, which compels them to work as bonded labour on the land of the landlords. It is estimated that, before the government announcement of freeing the *kamaiyas* in July 2000, there were about 40,000 workers (men, women and child workers) working as *kamaiyas* in the Nepal Terai<sup>6</sup>. Since not all of the freed *kamaiyas* have been rehabilitated, some of them may have returned to work under the same practice. (See Boxes 5 and 6).

### BOX 5 KAMAIYA PRACTICE IN NEPAL TERAI : A PAST SCENARIO

It was estimated that there were up to 40,000 Tharu people working as *kamaiyas* in the Nepal Terai. What separates this system from all other forms of bonded labour in Nepal is that landlords retain the right to virtually sell their *kamaiya* to another landlord in the form of transferring the debt from one employer to another. Although it is claimed that it is merely the debt which is sold to another landlord, in effect it is a mechanism for buying and selling *kamaiya* workers.

Asharam Chaudhary, aged 12, is a *kamaiya* in Shreepur Majhgaon. His father died, his elder brother ran away and the responsibility for his mother (aged 55) and two younger brothers (aged 10 and 8) rests with him and his adult sister (aged 20). He does not even know about the Rs.14,000 debt he has inherited on. He is obliged to work for food alone, without receiving any sort of payment. His mother and sister work in the landlord's home while Asharam grazes cows with his brothers. He is subjected to beatings by his landlord and says that his sister is being sexually exploited.

Source: Sharma, 1998

4 Indeed, the use of such labour (and relationship) need not be a matter of concern, except that in rural Nepal the basis of such relation emanates from the indebtedness of the labour to the employer (Sharma and Sharma 2002).

5 The rural interest rates vary, but the most common rate is Rs 5 for Rs 100 per month. Or Rs. 100 (Indian) pay back for Rs 100 (Nepali) borrowed. Both amount to a 60 percent interest rate.

6 For details on *Kamaiya* system see Sharma (1999).

**BOX 6 PASWAN - THE VICTIM OF HALIYA PRACTICE**

Ram Dev Paswan doesn't know his exact age, but he is in his early twenties. He comes from a small village of low caste and landless people called Chanli Gaun, in Kailali VDC, Saptari District.

I have been a haliya nokar (servant) for 19 years. My father is one too. We work for the same landlord, Raja Babu, who owns this village. My father is at the house now feeding the cattle.

I do agricultural work and I do domestic work too. I come back to the village to eat my food but the rest of the time I stay at the big house. I get up at 4 am every morning and work until about mid day. Then I come back here to the village to eat; it only takes 15 minutes to reach the work place. I have an hour or so for lunch depending on what needs to be done. Then I go back to the house or carry out other duties in the fields. I can be working up to 8 pm looking after the irrigation pumps in the evening. Then I get another meal.

I get 50 kg of rice (un-husked) a month (worth Rs 200) and I get two sets of old clothes each year. I don't get any other food. We sell some of the rice to buy dal (lentils) and glean some other vegetables from the fields. It's not enough to survive on.

My father took on a loan originally. That is why we are working like this. I had to take a loan as well. I have borrowed two maunds (80 kg) rice (worth NRs.320) and Rs.4,000 in cash. I have to pay 20 kg of rice in interest each year and Rs.400 interest on the loan. The interest is taken out of my wages but usually I can't pay it and I have to borrow more and the interest is added to the debt. I have to keep working because of the debt. This is no life living under someone else. If I get sick I have to pay for the days I miss but people with proper jobs don't have to do that, do they? They get sick leave. How will I ever pay this debt off? I'll always have it. My children will have it too.

Source: Sharma, 1998

The working conditions in informal segments of the economy are basically dominated by the non-impletment of minimum wages and negligible collective bargaining basically based on individual bargaining. The domination of feudal norms exists even in cities and urban employment. The relationship is still in the form of master- servant relationship, rather than employer-employee relationship, where elements of serfdom and slavery can also be found frequently. Harassment and humiliation with a high degree of abuse are common. Sexual harassment and sexual exploitation of women workers is also a dark corner of the working condition in the informal part of employment. The low level of awareness and poor organizational know-what in addition to few and insufficient organizational initiatives have put workers rights in the corner. The Social protection system is very limited. Therefore, the majority consists of unprotected and neglected segments of the working poor.

### 2.10.3 Dalits in Labour Relation

Dalits, as 'untouchable' workers, are in the worse condition from the viewpoint of both employment and social-cultural values. An Overwhelming majority of Dalits are in informal employment. Humiliation, harassment and discrimination in employment and wages are highly intensified among dalit workers. Thus, labour relations are worse for dalit workers even in the normal workplaces. Availability of job and recruitment is also very difficult for them because of the caste discrimination. However, the Dalit Movement is gaining momentum and hence slow improvement is being visualized. The magnitude of the problem among Dalits can be visualised from the fact that almost 14 percent of Nepal's population is Dalit, and generally Dalit households are landless. Some Dalit groups have their own traditional occupations but they are disappearing because of an inroad of manufactured products. Black smiths and tailors are examples in this regard.

## 2.11 Characteristics of the Informal Economy

The informal economy embraces a wide variety of operational units and activities with high rates of turnover and considerable mobility, thus differing from those in the formal sector in technology, economies of scale, use of labour intensive processes for producing goods and services, and a virtual absence of well maintained accounts.

The informal economy is informal in the sense that it is not regulated by government under any statute. Since there is very little state control over informal economic activities, the probability of exploitation is very high. For example, an unskilled construction worker receives only one-sixth of the contract value of earthwork performed (SAPPROS 2000). Similarly, after years of state provision of minimum wage arrangements in agriculture, due to a lack of enforcement mechanisms, farm workers receive as little as one-third of legal minimum wage in many parts of the country (Sharma and Sharma 2002).

Some of the overriding characteristics of the informal economy in Nepal are:

- Low and limited structure and coverage of organisation;
- Low levels of fixed investment and labour-capital mix, where the investor him/herself works as self employed worker and hires additional wage-labour in accordance with the requirements;
- Difficulties in separating business and personal or household expenses leading to insecure working capital;
- Range of production from petty commodity to small factories;
- Hierarchy of intermediaries;
- Easy decapitalisation due to the lack of entrepreneurial skills and also because of vulnerability to risks;
- Lack of access to training leading to low productivity (thin profit margins) as informal workers generally lack skills;
- Labour relations based on verbal contracts dominated by casual employment and social relationships as opposed to formal contracts;
- Home based – family based pattern of production;
- The owner assumes all financial and non-financial obligations;
- Lack of capacity to identify, understand, reach, or use specific markets;
- No social protection to workers against contingencies;
- Diverse character of wages and high wage differentials with domination of piece rate wages;
- Lack of innovation because of isolation and lack of research and development;
- Output not fully accounted for in the national accounts;
- Low coverage by trade union movement.



- Increasing number of immigrants in informal economic activities
- Workers under various kinds of harassment in comparison to the formal sector

### **Why do people involve themselves in the Informal Economy?**

The Informal economy has both virtues and vices. People involve themselves in informal work due to one or combinations of the following:

- Lack of job access in the formal sector;
- lack of academic qualifications, training and skills required for formal jobs;
- easier and more relaxed (flexible) working conditions for the self employed in informal jobs;
- easy entry for wage workers under difficult survival conditions
- higher income opportunities in informal jobs for the self employed.

The national surveys in Nepal have not explored why people involve themselves in informal work. The general observations, however, indicate that more and more people prefer formal jobs because of higher income opportunities and other social and economic protections.

However, the fact is that the informal economy is growing in Nepal with fast urbanization and changing patterns of consumption as in most other countries. Is it a good trend? It would be, if the involvement in informal work was demand led (more demand for workers) rather than supply led (more supply of workers). In the former, workers prevail while in the latter, employers prevail. When employers prevail, the wages and working conditions ought to be improved. One of the inherent characteristics of labour is that, it is lost if not used. Therefore, even if the wage and working conditions are not favourable, workers accept the jobs particularly when labour supply exceeds demand.

People, both knowingly & unknowingly, work in the informal economy - some by their family tradition, due to the failure in getting a formal sector job, due to their critical skill in the same field and because of lack of mobility, so on and so forth. For an independent employer status, some even start their own micro enterprise leaving their formal sector job after gaining experience and critical skills. Since the size and contribution of the informal economy is large in the national economy, the issue is not of the formalization of informal sectors, but how to ensure minimum wages, extension of social protection, promote more efficient working environments, develop work culture, minimize exploitative and unfair labour practices and ensure quality life to all.

## POLICIES, LEGISLATION AND REGULATIONS

### 3.1 Policies and Legislation

The policies and legislation regarding the functioning and regulation of the informal economy and the welfare of informal workers are viewed in the backdrop of their rights and privileges towards decent work as defined by several international conventions including ILO's core conventions. Decent work is the converging focus in all of the four strategic objectives of ILO - the promotion of rights at work, employment, social protection and social dialogue. The considerations in decent work are forms of work, conditions of work and feelings of value and satisfaction to workers.

Policies, legislation and regulations affect the informal economy both directly and indirectly. These are only instruments and their full effect is realized only through their strict application & enforcement. In policies, two areas of identity are important - gaps and inconsistencies. In informal work, for example, the lack of policy to compensate a person killed or injured or lack of a policy of mandatory insurance are some of the policy gaps. The effect of such policies are to discourage the establishment owners to create safer working conditions and work environments. The example of policy or legislative inconsistency is quoted in the by-laws of Local Self-Governance Act 1999. It is said that 52 clauses of policies and legal provisions in the by-law contradict with the provisions of other existing Acts. For example, this by-law gives power and authority to manage the disaster in the district to the District Chairperson whereas the Disaster Relief Act 1982 gives the same authority to the Chief District Officer. Both provisions are operating simultaneously. Another example of inconsistency can also be pointed out in the case of child labour legislation. While one legislation forbids the employment of children in work, another legislation defines limit to up to 25 kg of load that a child labour can carry at a time.

Nepal is a party to several international conventions relating to the rights of labour, women and children (see Box 7, overleaf) but these have not been enforced. Nepal has ratified international conventions relating to child labour, involvement of the children in worst forms of employment, sexual exploitation of children, girl trafficking, etc. but these have not been complied with effectively. As a result, such incidences are growing despite efforts to control them.

The government has also passed the Labour Act, Trade Union Act, Foreign Employment Act, Black Marketing Act, etc. With respect to policies, the most important government policy that has the capability of influencing the informal economy is the subsidy policy as it affects informal economic activities of self employed workers. But when the subsidies are not targeted or they are aligned with the quota, there is elite capture and the poor do not receive anything. For example, rice transportation is fully subsidised for the districts defined as remote, but the quantity supplied is fixed or limited. The distribution method is stated to be on a "*first come first serve basis*" but influential persons always receive extra favours. This quantity of rice is grabbed by the civil servants, police, military, influential political leaders and other social personalities. The rice intended for the poor remote people is captured by the elite.

## BOX 7 NEPAL'S ACTS AND RULES

The Government of Nepal has so far passed 264 Acts and 282 Rules. The principal Acts and Rules affecting informal economy and informal labour are the:

- Labour Act, 1992
- Trade Union Act, 1992
- Foreign Employment Act, 1986
- Children's Act, 1992
- Local Self-Governance Act (LSGA), 1999
- Defection Act, 1997
- Labour Court Rules, 1996
- Labour Rules, 1993
- Bonus Act, 1974
- Bonus Rules 1982
- Essential services Act 1957

As Nepal is a party to several international conventions relating to the rights and standards of labour including that of women and children, the above Acts and Rules are influenced by the following international instruments:

- ILO Core conventions
- Universal Human Rights Declaration

Another seemingly better approach of the subsidy policy appeared to be auto-targeting. It was thought that the par-boiled rice (an inferior quality rice) is consumed only by the poor people. If this is subsidised, it will reach the poor. But during implementation, it was found that the rich people are buying such rice in bulk quantities to be used as animal feed. The only subsidy policy that has worked effectively is the food-for-work programme where those benefiting are invariably the poor.

In the areas of improving the work environment and ensuring decent work, there are neither legislative nor financial and/or other support to informal workers. Instead, the municipal legislation and practices cause harassment to workers in certain informal work such as street vending.

In the elimination of child labour, legislative support is existent as discussed earlier but the flow of child labour has not declined due to weak enforcement of legislation, particularly in the informal sector, acute poverty, as well as an increasing level of unemployment. These legislations are, however, more effective in the formal sectors.

Legislation against the discrimination in jobs and wages is confined within the Constitution of Nepal 1990. However, women labourers continue to receive lower wages than men in similar work. Also, several policies, legislation and practices in Nepal favour the rich compared to the poor because of the discrimination implicit therein.

A more visible indirect support to the informal economy has been the policy promotion of skills development through CTEVT centers and other private sector institutes, which provide training and educational support to enhance work skills. This provision is, however, not targeted exclusively to the informal economy.

## 3.2 Regulations

The regulations and policing by the municipal authorities in Nepal have restricted the informal activities of the very poor street vendors. There are examples of positive actions taken by the governments in other countries in favour of such informal enterprises. For example, in India, the Department of Urban Development and Poverty Alleviation issued a directive to Mumbai Municipality to stop demolition of stalls and tents which was allowed under 1985 Supreme Court judgment to reduce traffic congestion (Times of India, 24th December 2001). The government of Nepal should imitate such examples by arranging more organised business venues for informal workers and enterprises.

### **BOX 8** A FOCUSED INFORMAL SURVEY OF THE WORKERS IN INFORMAL SECTORS <sup>7</sup>

A focused informal survey was conducted to reflect/understand the economic situation and working conditions of the people working in the informal sectors in random locations of Kathmandu valley. These workers included workers from small restaurants, street vendors; construction workers; porters, etc. In each category, 4 to 5 case stories were taken.

#### **Street Vendors**

The street vendors ranged from locals to those coming from neighbouring districts. All of them were from extremely poor and ethnic families. Among females, they were mostly widows or those abandoned by their husband. They said that they were compelled to do such vending as other options pertinent to their skills were either not available or not affordable. From this occupation, they were making Rs.50-100 per day. The capital at one time was close to Rs.500. From this income, they had to support a family of 5-6 members. They borrowed the selling items from the wholesalers for a short term (one week) and the popular selling items were tobacco products. The business operates from as early as 5 AM to as late as 8 PM. Some of them had rented cheap apartments while others slept in the footpaths, the latter mostly those who are alone without family.

One major problem in the business was reported to be the harassment from the municipal police and need to pay fines and bribes. Sometimes, they also looted the very capital. The other problem is illness when they could not attend to the vending. Since the income was not sufficient, some reported worries about their children's education.

#### **Porters**

The small porters in Kathmandu valley invariably came from 7 adjoining districts of the valley - Kavre, Dhading, Sindhupalchok, Ramechhap, Sindhuli, Dolakha and Nuwakot. Their age ranged from 30 to 55 years and they were seldom women. The work hours were from 6 AM to 8 PM. They said that they get jobs for 6 months in a year earning Rs.100-200 in the day worked. In the working season, they send Rs.1000-2000 per month to support the family at home. They were often alone (without family) coming for temporary earnings as there was a high level of underemployment in their respective villages. Most of them came in groups and resided together in cheap apartments. Since they are mostly in groups, there is some economic security during illness as they borrowed from each other at such times.

The business problems reported by them were:

- High bargaining and not enough pay for the job;
- Risk of accidents in the job and no compensation for such events;
- Police harassment when transporting goods from the street;
- No work during frequent "Nepal Bandh".

#### **Construction workers**

These included both men and women between the age of 20 to 55. There was a gender division in the construction work - women carrying sand and grits and men doing heavier work. Wage differentiation between man and women was revealing even for the same amount and quality of work. Women received a

<sup>7</sup> Few cases of informal sector workers and informal establishments were surveyed to understand the economic situation and working and living conditions. These have been presented as Box cases. Box 2 and 3 about kamaiya and haliya worker were drawn from the work of INSEC and other two case groups were developed by the authors. These case materials also answer some of the questions often raised about the informal economy.

wage at least 25 percent less than men. The average earning ranged from Rs.100-200 but part of it (almost 30%) had to be given to the mediating person who made the job available. The work hours were from 9 AM to 6 PM. These workers were mostly non-local except for the skilled masons. The unskilled workers mainly came from Kavre, Sindhupalchok, Sindhuli, Nuwakot and Dhading districts. They had a separate residential feature. None of them rented an apartment. They made a temporary cottage near the construction site and lived there in groups. They had no formal association to fight against exploitation.

The business problems reported by them were:

- Risk of accidents in the job and no compensation for such events;
- Need to pay part of the wage to mediating persons;
- Sometimes, the contractor ran away without paying wages;
- There was less work during "Nepal Bandh".

#### **Restaurant Workers - Few Cases**

Ram Bahadur, a 15 year old boy from Bhojpur has been working in a restaurant as a utensil cleaner for the past one year. He gets Rs.2,500 per month for his work but does not get the residence facility and hence pays Rs.1,200 rent per month sharing it with another boy from the same district. He gets free food from the restaurant but as he said, it is never in time. The morning meal is after 12 noon while the evening meal is often after 11 PM. Since local drinks are served in the restaurant, some drunkards are abusive and even manhandle him while some other generous customers give small tips. He says that he has to endure the manhandling because he cannot find work elsewhere. The tips are shared between himself and the restaurant owner. He remembers having up to Rs.300 tip income in a month. During illness, the owner provided small support but when the expenses were high, it was deducted from his salary. He studied up to sixth grade in his village but ran away from home as he did not like studying.

Bandana Sah, a teenage lady from Dang, is working in a small cabin restaurant for the past 2 years. Asked how and why she came to Kathmandu, she replied - My father died because of the negligence of my mother. In frustration, I beat my mother and ran away from home. So, my family does not like me and hence I have not gone back to my house since last year and do not intend to go there again.

Bandana earns Rs.2,000 per month as salary with food but the tip income is more - on an average Rs.4,000 per month. She pays Rs.1,300 as house rent. She did not send any money to her family. Most of the income is spent on cosmetics as she said, she has to look attractive in the eyes of the customers. Such attraction, she confesses, has often times also invited trouble in the form of harassment and mistreatment from the boys. Some boys also proposed various kinds of relationships and kinness but she is avoiding it for the fear of being trafficked. She admires the help from the owner at times of sickness and inability to work. Police has never troubled her except that they eat and drink for free in the restaurant. Her only complaint is the harassment from the boys.

Another less fortunate cabin waitress is 19 year old Bishnumati who is not as beautiful as Bandana. No customer wants to get service from her and hence her tip income is virtually nil. Because of the small income of her husband, she is working there with his permission. She complained that there is no off-day and if she takes leave, her salary is deducted.

## TRADE UNIONS AND EMPLOYERS' ORGANISATIONS

### 4.1 Trade Unions

The traditional concept of the trade union (TU) is associated with formal industries and workers. Modern industries started in Nepal after the Company Act 1936, when the first industry (Morang Jute Mill) was established. Trade unions were established in the formal sector during the movement against Rana Regime. Thus, the early unionism was actually political unionism. But the movement took a professional shape in the course of time. Though not purely a trade union Act, "The Factory and Factory Workers Act" worked as the most significant labour law from 1959 to 1992.

The Trade Union Act was first enacted in 1992. As of now, 71 national TUs have so far registered under this Act of which 50 are functional. Major TU federations at the national level are GEFONT, NTUC and DECONT. The three major confederations still have close links with the major political parties but have developed their own professional character and are working more efficiently with the technicalities of the trade union movement rather than only going through a guided political track. In addition, 1,840 affiliated unions have been registered of which 877 are affiliated with GEFONT, 651 with NTUC and 322 with other federations. Of the 3.5 million wage workers, around 621,000 (17.8%) are unionized, mostly belong to the formal sector. Of the unionised workers, 50 percent are affiliated with GEFONT, 31.2 percent with NTUC and 2.8 percent with DECONT. Looking at more recent statistics of June 2002, GEFONT covers 60%, NTUC 24 %, DECONT 3 % and other non-affiliated 13 % out of a total 760 active unions in the enterprises. The number of members have declined recently due to the deteriorating business sector mainly because of depression in the tourism industry and Maiost activities. Women's presence in the leadership level of all confederations is only 11.95 percent while their presence is 12.6 percent in national affiliates (Table 4.1). NTUC has, however, allocated a 30 percent quota in all committees for women's representation.

**TABLE 4.1 PARTICIPATION IN UNION ACTIVITIES BY SEX**

Particulars	National Com. Members		Union and Central Leadership			
	Male	Female	National Fed.	Central Com.	Female	Male
GEFONT	32	3	15	206	13	192
NTUC	16	5	18	239	35	204
DECONT	19	2	11	141	22	119
<b>Total</b>	<b>66</b>	<b>11</b>	<b>44</b>	<b>586</b>	<b>70</b>	<b>516</b>
Percent	87.4	12.6	-	100.0	11.95	88.05

Note: Fed. = Federation; Com. = Committee. Source: Concerned Federations.

Since one of the major features of the informal economy is the lack of organisation, workers find it difficult to lobby the government towards influencing the policies and legislations in their favour. For this either they have to organise themselves or come into the umbrella of the trade unions.

In the past, the banned union movement of Nepal during the Panchayat System could not take national shape and was highly scattered in underground existence. So in the beginning, after the restoration of multiparty democracy in 1990, the unions focused their attention first in the formal sector of the economy. However, as the formal sector is very much limited and the overwhelming majority of workers are engaged in the informal part of the economy, trade unions started to unionize the informal sector workers. The Trade union Act 1992 and its amendments have four categories of trade union federations:

- At least 50 enterprise level trade unions can form a trade union association or federation by mutual agreement ( formal sector Union)
- 5000 individual workers from a similar nature of enterprises can also form a trade union federation (Workers from both the formal sector and informal sector enterprises)
- In the case of agriculture, 5,000 workers can form a federation by mutual agreement from at least 20 districts covering a minimum of 100 workers from each district (union of Informal economy workers)
- Those working in the informal sector and self employed workers can form a union with 500 members working in the same nature of occupation or profession. (union of informal economy workers)

Thus, it is quite visible in the legal framework that unions can be easily formed and can go into operation in the informal segment of employment. Legislation has given organizational freedom to the maximum extent.

At present, 85 trade union federations have been registered in the Department of Labour, where only 56 are in actual existence as others could not renew the registration. Out of these 56, active federations in the informal sector? cover 32 trade unions in agriculture, industry and services. In addition, a large number of informal sector workers are unionized through the 14 federations having membership of 5000 or more (GEFONT Trade Union Right 2059). Federations of GEFONT in the agriculture sector alone covers nearly 75,000 workers in Nepal. Clearly the number is quite small if we consider the overwhelming mass of agricultural workers of almost 2 million.

The federations cover agricultural workers, press workers, painters, plumbers, electricians, garbage cleaners, transport workers, auto-mechanics, rickshaw pullers, brick kiln workers, wood workers, shop assistants, medical sales & representatives, barbers, small hotel and tea shop workers, general construction workers, commercial artists, handicraft workers, tailors, leathers workers etc. who come from different areas of work. Still rural informal workers remain largely uncovered, agricultural workers being the exception. It is only recently that the unions have begun to enter into the informal sector of the economy, particularly in the rural & agriculture sector beginning from the establishment of *Mamaiya Mukti Manch* (Bonded Labour Liberation Forum) in 1995.

Similarly, TU confederations have initiated a few support and social security activities which could be considered as additional extensions in the traditional task of unionising in informal activities. For example, the Transport Workers' Welfare Fund is a very old institutional effort which has been highly effective over the past two and half decades. It is supported fully by

the Independent Transport Workers' Association of Nepal under the GEFONT affiliation. "Accident Protection of Transport Workers", "Health Insurance" from GEFONT Health Cooperative Clinic and the minimum wage and rehabilitation movement of recently freed bonded labourers (*kamaiya*) are other major examples in this regard. International agencies and organizations such as ILO, FES, DANIDA, UNICEF, GTZ, IFBWW, ICEM, LO-FTF, LO-TCO, JILAF, ICFTU and many others have also extended their cooperation to strengthen trade union organizations of Nepal in favour of the working masses. For example, NTUC is cooperating to promote primary education in some of the hill and mountain districts of Nepal. Inception being in 1996, 12 schools operating with 50 students per school (primary level) involving 8-10 year old boys and girls. GEFONT has developed 20 cooperative groups in piggery and goat farming among former *kamaiya* agricultural workers and has launched health camps, Non Formal Education and Formal Education support activities in 5 districts. Similarly, in cooperation with KAD/DANIDA, a women workers strengthening programme in 20 districts has been launched by GEFONT with a special focus on informal sector women workers. These initiatives, although positive, are less than required when the overwhelming number of people in the informal economy are considered.

While unions are trying to influence policies, I/NGOs are working at the grassroots level to directly support the informal workers, particularly the poor, dalits, children and women. Their work could be complementary. Some philanthropic NGOs are focusing their concerns in protecting the interests of a certain category of people. Maiti Nepal, CWIN, SAHARA Group, are some examples of the local NGOs working in the area of women and children's interests. Among the INGOs, SOSs supported from various countries figure prominently in rehabilitating destitute children. These NGOs are also supported by multilateral organisations like UNICEF.

## 4.2 Employers' Organisations

Employers' organizations at the national level in Nepal are the Federation of Nepalese Chamber of Commerce and Industries (FNCCI) and the Federation of Nepalese Cottage and Small industries (FNCSI), which lobby for the interests of private formal establishments. However, some enterprises of informal character are also covered and represented by FNCSI. In addition, small producers basically related to craft production are also in existence like the association of Craft Producers and the Fair Trade Group. On an international level, mentionable are the initiatives of Homenet International covering home-based workers, Streetnet Association covers hawkers and street workers and WIEGO (Women In informal Employment Globalising and Organizing). These three organizations have close links with informal sector workers through TU Confederations of Nepal, particularly with GEFONT.

## 4.3 Specific TU Roles in the Informal Economy

Given the size and characteristics of the informal economy in Nepal, the potential role of TUs is enumerated below.

- Organising: TUs need to further extend their domain among the informal workers, particularly the highly unorganised informal agricultural workers; Female waged labourers dominate in the total waged farm labour force. Special effort needs to be devised to increase the proportion of female labourers in Union activities;
- Ensuring minimum wages;



- Developing and extending the social protection system;
- Building awareness and education in a rights-based track;
- Developing micro cooperatives and self-help groups;
- Political lobbying and policy intervention to revise the national policy framework in favour of informal economy workers.

## INITIATIVES FOR IMPROVING THE INFORMAL ECONOMY

### 5.1 Why is There A Need for Supporting the Informal Economy

As indicated earlier, the informal economy provides shelter for the poor to eke out their living. Hence, poverty alleviation is unambiguously linked with the improvement of the informal sector. First of all, is there any stake or cost to the government of persisting with chronic poverty? It has to be understood that besides the general welfare of all citizens being the goal of a democratic government, poverty is also a political problem. Historically, there have been big political upheavals and usurpation of power by non-democratic forces in many countries due to the chronic deprivation of the people. In Nepal also, the Maoist insurgency movement has, among others, strong roots in mass poverty. The other consideration is the nexus between poverty and the environment. It is widely believed that poverty is a threat to the environment in terms of encroachment on the forest and use of non-renewable sources of energy. Therefore, poverty must be treated by both the national as well as local governments as a liability and serious efforts must be made to contain it also on the grounds of equity and social justice. Even for the non-poor, although they may temporarily benefit from the supply of cheap labour, the existence of a high level of poverty may be a threat to the security of their lives and property as is being observed in the case of recent political instability. Moreover, lack of social protection has led to a deepening of the vulnerability and dependency of workers in relationship to their employers and hence the workers in the informal economy need immediate support from institutional frameworks. Some of the compelling reasons for immediate attention are:

- The Number of workers in the formal sector is small and is flowing towards an informal structure of employment. The informalization of workplace and workforce has become a common phenomenon.
- Increasing landlessness on the part of the rural working poor combined with high population growth and fast urbanization is converting them into a semi-urbanized workforce. Land has become increasingly insufficient for supporting their livelihood though it is still the major asset and source of employment in Nepal. Poor people cannot rely on land for subsistence and basic security.
- The Family structure is undergoing changes. The traditional forms of a joint family system and community life have been eroded. In order to adjust to the changed situation, an increase in the income of the rural poor is essential.
- Both internal and international migration has made the working poor more vulnerable to exploitation and loss of security has become common. With the increasing migration of the voiceless poor, new forms of bondage have emerged particularly in the case of working children and women. Gainful informal economic activities have become urgent in order to support their needs.

- Displacement because of the Maoist conflict and mobilization of security forces have pushed people into more vulnerability especially with respect to losing their livelihood.
- The market has become less and less accessible to the working poor. Hence to make it people friendly, new initiatives and support for the informal economy are essential.
- Issues of human rights and labour rights have been gaining momentum with the increasing vulnerability of the majority of working people.
- Health hazards have been pushed towards the informal sector by the formal sector of employment by informalising the formal sectors of employment through subcontracting and promotion to home-based work. The Formal sector has started to reduce costs related to labour and ignore risks to occupational safety and health. Creation of informal workplaces by larger enterprises by pushing work and labour outside the factory premises has created health risks and hazards to the whole society and environment.
- The high diversity within the informal economy begs for better working conditions by ensuring minimum standards to all.
- Formalization of labour cannot be achieved effectively and quickly, whereas the reverse process from formal to informal has been fast. So attention should be directed to support informal economy work and workers.
- The creation of decent jobs and upgrading of conditions and opportunities for those already in the informal economy must be the key objective.

## 5.2 Current Efforts

The government of Nepal has never separately and exclusively planned for the informal part of the economy. The informal economy's concerns are addressed in general terms on sectoral and thematic lines. For example, the government is developing and extending infrastructure such as roads, power and communication. This certainly helps the informal economy as much as they do the formal sectors.

In the area of vocational training, the Centre for Technical Education and Vocational Training (CTEVT) by having training facilities in several locations of the country, has been providing required services. However due to the lack of market friendly and fast income generating character of the training is under question.

The government's major plan for poverty reduction is the Agriculture Perspective Plan (APP). APP recommends broad-based growth for poverty alleviation. APP claims that if the number of poor is reduced by such broad-based growth, then it will be easier and less expensive to have targeted programs and safety nets. Although the package of APP, which is mostly land based, does not directly benefit the poor and the ultra-poor, they benefit indirectly from more job opportunities (wage jobs) in agriculture and lower food prices. However, the implementation of the APP has been very poor so far.

Current efforts by the Government are basically focused on skill and vocational training and promotion of micro-finance and micro credit activities. Indeed, very few welfare programmes are in operation. These initiatives have been launched through the Ministry of Labour and Transport Management; Ministry of Industry, Commerce and Supplies; Ministry of Women, Children and Social Welfare and the Ministry of Agriculture and Cooperatives. Coordination is always the major obstacle even among the Ministries in their activities.

### 5.3 Plans for the Future

Several activities are in the process of development to support the informal economy:

- Many of the informal activities are land-based. Hence land reforms and reforms in tenurial arrangements would be the primary concern of the government in improving this part of the economy. The government has announced land reform measures aiming to give access to land to landless farm households, but those have not yet been implemented and must be considered in the pipeline.
- Efforts are underway to document the hitherto considered non-economic activities like women's work in unpaid form through changes in the designs of population censuses, agricultural censuses and the income-consumption surveys.
- More legal provisions affecting the informal economy is forthcoming like parental property right to women.
- Increasing decentralisation of power to the local governments will have positive effects on the informal economy as local units will be able to enjoy more resources and more rights to mobilize resources.
- In the Tenth Plan, a special targeted programme for the poor and disadvantaged groups, mostly relying on informal activities is provisioned. The Integrated Security and Development Programme (ISDP) for the insurgency-affected remote areas as well as gender empowerment programmes are outlined in the Plan.

## CHALLENGES AND ISSUES TO BE ADDRESSED

### 6.1 Introduction

Nepal will not develop without developing the informal part of the economy because the formal sector has been growing very sluggishly in comparison to the growing labour force participation in the overall economy. Poverty in Nepal will not be reduced if issues within the informal economy are not addressed. The issues in the informal economy are discussed in terms of increasing employment, bringing about decency in work and raising standards of both the enterprises and the workers.

It should also be noted that the informal economy does not exist in isolation from the formal sector. In fact, workers continually go in and out of formal and informal employment depending on such factors as the time of the year, economic situation and the demands of the workers survival situation. Many workers in Nepal have been performing formal and informal activities simultaneously with one or the other as the main job.

### 6.2 General Issues

Some of the observed problems in the informal economy are poor infrastructure, lack of resources and financing, lack of skills, small scale businesses cannot buy inputs in bulk and hence have to buy in retail) and demand factors leading to irregular cash flow. The issues of the informal economy therefore emanate from these problems. These problems raise local government infrastructure issues, government rental policies and markets, infrastructure provisions for traders and area-based management in order to harness the hidden potentials of the informal economy and raise their standards. To be precise, four broad issues have to be taken into consideration:

- The issue of capital and financing,
- The issue of managerial-entrepreneurial efficiency,
- The issue of minimum wages and minimum level of protection, and
- The issue of harmony and sound labour relations on humanitarian ground.

### 6.3 Specific Issues

In addition to the abovementioned broad issues, there are also several specific ones which are presented as given below:

**Lack of Organisation:** The informal economy, by definition, is unorganized. This is true not only in terms of production but also in terms of the organisation of workers. It is not that informal workers cannot organise themselves or are prevented from being organised, but there are some difficulties in their being organised. Perhaps the most vexing issue is that of identifying informal workers who are, especially if they are women, still invisible, geographically dispersed and moving in and out of different economic activities. Identity cards may be issued, but such cards are generally enterprise/occupation based and many informal workers are multiple job holders with no fixed workplace or occupation. Identity cards can be issued through local VDCs and Municipalities. This would help to give them visibility and legitimacy. By virtue of their invisibility and lack of organisation, they fail to be counted and are overlooked in important consultation processes. An area-based organisation of informal workers (e.g. the District Informal Workers' Association) may be one acceptable solution which has not yet been considered in Nepal as most organisations are enterprise/occupation/ethnic based. Since informal workers do not have the same legal rights as their counterparts in the formal economy, there is all the more need to organise themselves into cooperatives or area-based organisations.

Again, organising workers at the local level only is not enough. For a policy influence, there is a need to federate to higher levels. Organisations should operate in a fully democratic and participatory way. The informal workers in some countries have been able to organise themselves with or without the support of NGOs and achieve some gains. Zambia National Marketeers Association (ZNMA), the Self-Employed Women's Association (SEWA) in India, Nairobi Hawkers Alliance (NAHA) in Kenya, Lusaka Informal Traders Association (LITA) in Zambia are some examples. In Korea, street vendors got united and successfully rallied against eviction during the FIFA games in 1988.

Organisations can consist of small producers and/or workers. But in terms of workers' welfare, workers and small producers may have contradicting objectives. Nevertheless, the organisation gives way for negotiating solutions. If only one part is organised, benefits will go in favour of the organised party. Since employers have the choice of technology (labour or capital/machine intensive), the loss from lack of organisation is likely to accrue more to workers. The issue was raised by the Director General of the ILO in the 78th International Labour Conference held in 1991 in his report labeled "Dilemma of the Informal Sector", the concern reads as follows:

*"...whether to promote the informal sector as a provider of employment and income or, to seek to extend regulations and social protection to it and thereby possibly reduce its capacity to provide jobs and incomes for an expanding labour force."*

Therefore, various possibilities in terms of organizational structures have to be explored in accordance with the needs of the sector and the area of work. Trade unions are the most desirable organizations, but cooperatives, self help groups, mothers groups, women's organizations and other types of specific interest groups for special purposes can be formed and mobilized.

**The Government's General Outlook:** The governments in most countries do not hold a positive view regarding the informal activities with Nepal being no exception. They consider that informal economy producers evade tax, produce and sell contraband goods and generate health threats to the general public due to lack of standards (particularly in food and beverages). On the other hand, the government does not have any specific programme for the welfare of wage workers in the informal economy. Street vending as an informal activity in urban areas is also considered incompatible to the modern image of the city.

**Infrastructure:** Although there is no readily available data to state that the incidence of informal activities increase as one moves from easily accessible areas to extreme remote

areas, this conclusion can be drawn from the fact that the presence of state authorities (which are either present to provide basic formal services or regulate the activities) diminishes in the remote areas. Our analysis shows that the possibility of informal activities is greater, in terms of numbers, in the rural than in urban areas. Subsistence activities are more in remote areas, but the informal economy is more dense near market-accessible areas. Hence, the remoteness of an area has to be eased with infrastructure development (roads, communication, extension of market) for supporting the informal enterprises.

**Financing:** Establishments in the informal economy need capital investment and, by virtue of their scale, the investment needs are small. Hence the formal financing institutions find it costly to lend. This is observed in practice as the government's mandatory provision since the mid-1980s to the formal banks in the country to allocate at least 7.5 percent of the time deposits in the priority sector, almost fully dominated by informal activities, is largely being circumvented by the banks. This has led the investors in the informal economy to rely on informal borrowing, despite the exploitative interest it may carry. As a result, informal borrowers borrowing from non-institutional sources are over 70 percent of total borrowers. More women (nearly 85%) borrowed informally (IIDS 1992). The access to institutional or formal loans to women was only about half that of men (Annex 20).

In the past decade micro-finance has been recognised as an effective development intervention. Many Micro-Finance institutions and programs targeting the poor have emerged with the intervention by HMG-N, Multi/Bi lateral agencies, INGOs and NGOs. Within Nepal there are a wide range of institutions active in the micro-finance sector, each with its own way of going about the task of making financial services accessible to the poor.

There are more than 700 registered Savings and Credit Cooperative Societies, which provide financial services to their members. In addition, there are a large number of Savings and Credit groups promoted by NGOs and INGOs in villages, which are helping the poor to pool their savings and offer credit for the various needs of the members. But these are not enough to cater to the growing credit needs of informal enterprises.

In this predominantly agricultural based economy, micro-credit is largely applied to agricultural and allied activities and livestock development. The small and marginal farmers benefit greatly from the micro-finance programs. Although such financial institutions are emerging, the credit needs of the informal sector have not yet been fulfilled. The most significant gain from the growing micro-finance institutions in the rural areas has been the reduction of informal lenders' interest rates by almost half (SAPPROS 2000).

**Insurance:** Insurance can provide a form of protection, if it is fully or partially supported by the state or other entities. Informal enterprises and workers need easy and affordable access to a range of other financial services including insurance and other support services. The poor are vulnerable to different types of risks and adopt various strategies to reduce such risks. Insurance services are essential for low-income households to cope with uncertainties and emergencies like illness or injury, death, natural disasters, theft and life cycle needs. Formal insurance services are not accessible to the poor because of high premiums and complicated procedures.

Insurance in itself is a lucrative business. The experience with member-managed livestock insurance schemes among small farmers in various parts of Nepal suggest that, with small support and encouragement (subsidy and training), the risks of informal actors could be greatly reduced with simultaneous accumulation of profits from premiums. The Self-Employed Women's Association (SEWA) in India has been able to motivate 93,000 members, both women and men, to get secured from such insurance arrangements.

In order to reduce the risks involved to the both borrowers and the lenders in financing, the

credit and enterprise insurance have to be greatly expanded.

**Displacement:** It was indicated earlier that most governments do not hold a positive view towards informal activities for various reasons. One major reason besides some illegal activities is the evasion of state's tax base. But even formal sector big enterprises and big business groups evade taxes due to the weaknesses and corrupt nature of tax administration. However, the government sometimes intervenes towards formalising the informal works, thus bringing these into the tax/revenue net. One clear example in Nepal is the nationalisation of forests in 1957, which displaced several informal forest management activities at the community level. On the other hand, certain development interventions have displaced informal workers. For example, the constructions of new roads displace porters from their traditional jobs without offering them any compensation. How can employment security arrangements be made in case of such displacement? Adequate compensation, training and opportunities to shift to new jobs may have to be pursued.

**Training:** Considering the low levels of skills and technologies in informal activities, the training needs in the informal economy are substantial. The lacks of skills are associated with low productivity and efficiency resulting in lack of competitiveness. Since these small enterprises cannot always afford to pay part or full costs of such training, some concessions/subsidies from the state may be warranted. The formal sector needs to support the informal sector by way of providing concessionary training in areas of technical skills, management and accounting. Quality and adequacy are important elements in training. Informal businesses are characterised by the mixing of enterprise and household accounts, which blurs the economics of informal enterprises. So accounting training is important.

**Corruption and Black Markets:** There is a high level of corruption and exploitation in the Nepalese economy. Informal enterprises need to draw on services from the formal sector and such corruption has negative effects on informal economy functioning. There has been no assessment of the amount of corruption and black marketing, which by themselves are informal, but a World Bank Report, 1998 has claimed that there is 50 percent revenue loss in Nepal from such actions. The study has, however, estimated how the black money is apportioned at different levels (Box 9 below).

<b>BOX 9 APPORTIONING THE CORRUPT MONEY</b>	
A report prepared with the assistance of donors labeled the amount received in corruption, under a public works program, as "Black Money" and reported its distribution as follows:	
Local audit office	10%
Local politicians or local engineers and overseers	10%
Direct overseer	25%
District engineer	15%
Overseeing Accountant and above	35%
Entertainment cost	5%
<b>Total</b>	<b>100%</b>

Source: World Bank, Combating Rural Public Works Corruption: Food-for-Works Programs in Nepal, May 1998.

**Social Security:** Although social and economic insecurity in the informal economy is a global phenomenon, this is the weakest link in Nepal's informal economy. Security needs to be dealt with under different relevant heads.



Social and employment security in Nepal is confined within public sector employment and, to a relatively smaller extent, in the corporate sector and formal private establishments. The first social security scheme started in 1934 as the Army Provident Fund. This was extended to the Civil Provident Fund in 1944. The Civil Service Act, defining the social and economic security provisions was enacted in 1956. There is no direct social and economic security scheme targeted exclusively for informal workers. Some of the existing security arrangements are common to all, the benefits from which are often cornered by the well-to-do even within the informal arena. Even NGOs supporting poor informal workers do not have social and economic security as a direct objective. Some common security measures include senior citizen allowance, health care, economic and social assistance, support to micro-credit schemes and poverty reduction activities.

Some of the communities in Nepal relied on traditional arrangements for security. For example, a community welfare trust was established by the *Newar* community in Kathmandu. Some of the other caste groups had similar arrangements. These traditional trusts were also extended as part of the support system such as financing. The traditional informal financing involved such systems and institutions like *Paincho* (loan in kind for a short duration between households), *Dhikur* (rotational financing or financing to the highest bidder), *Dharam Bhakari* (grain bank), *Parma* (labour exchange), *Guthi* or trust (within family/community), *Saghau* (community help among *Magars*), *Lhoba* (community help among *Gurungs*), village welfare trusts (maintained by villagers working outside for the help of the needy villagers) (Koirala 1998). These traditional systems are on the verge of being extinct.

Employment security and social security or social protection are two sides of the same coin. Each cannot be attained without the other. If informal workers are to be strengthened and supported in their struggle against poverty, then work security is essential. Without regular work and income, they cannot feed themselves and their families nor have any measure of health security, insurance coverage or housing. At the same time, work security can never be achieved without meeting the social protection needs of informal workers.

Employees' social security levels are also contingent upon their level of organisation and federation. It should also be noted that the security needs vary depending upon the location (urban/rural); residential status (resident/transient); status of employment (employer/worker) and regularity of work (regular/casual). In urban areas, housing security is more important.

Even the formal establishments and employers circumvent the social security provisions through sub-contracting and increase their labour flexibility by increasing the number of labour contracts, product contracts and piece-rate contracts. The employers in private establishments are unhappy with the state's legal provisions on protection without their commensurate contribution. Of the estimated 385,000 workers in private enterprises, only one-sixth are protected.

Social security services, if provided, offer a way for informal workers to link up with formal systems and government and employers. Like insurance, the workers themselves may also collectively arrange social protection by raising a small amount from members regularly.

An issue in protection is how much the liability of the state (government - central or local) is. Even if security provisions are in place, other issues remain - for example, the criteria for effective targeting, corruption free delivery, implicit administration cost of delivery etc.

A broad based package of social protection should be developed which would consist of diverse modalities and sources of financing. State programmes and initiatives and programmes by trade unions, cooperatives, NGOs, insurance companies, charity organizations and international agencies should go on separately as well as in combination.

In addition to the issue of social protection, the issue of occupational safety and health is also one of the emerging issues, which is gaining high momentum and should be addressed more in relation to informal economy workers. The health hazards from the formal sector are being pushed rapidly to the informal sector of production & services by informalsing labour and by promoting a home-based character of production.

**Effect of the WTO, Privatisation and Globalisation:** Nepal attained the status of permanent observer to the WTO in 1989 and became a member in 2003. WTO provisions favour competitive producers and hence it is likely to be counter-productive for people involved in the informal activities of Nepal because they find it difficult to compete due to several odds basically related to technology & information.

Privatisation of state owned enterprises has caused retrenchment of state (formal) jobs in many countries. Hence, this has the effect of increasing the size of the informal economy.

Globalisation has tended to lead to many new and atypical types of formal and informal jobs. Globalisation could be particularly beneficial to the small economies and small enterprises by way of opening developed country markets even without the knowledge of the state, e.g. through e-Commerce. If part of the increased transactions of small informal businesses is also translated into more jobs for workers, higher wages and other protection contributions, then workers can also benefit from globalisation. Globalisation, however, may curtail employment in the marketing chain. The effect of globalisation may be different in different country contexts and hence there is need to constantly monitor its effect on the economy and labour markets.

**BOX 10 WHAT THE GOVERNMENT CAN DO FOR THE PROTECTION OF INFORMAL ECONOMY WORKERS**

- Identify target groups with priority to the landless and dalits.
- Drawing up a broad outline for social protection measures viable in the socio-economic condition of the country.
- Establish a tax based and contributory fund.
- Mobilize health practitioners through Zonal hospitals, district hospitals and health posts for health protection programmes tilted towards working people of the targeted groups.
- Facilitate membership distribution and collection of contribution from the VDC/Municipality level.
- Reproductive health care programmes through VDC/Municipality in cooperation with the DDC and Ministry of Health.
- Create and develop a network of Labour offices and extend the inspection system.
- Mobilization of compulsory contributions from private nursing homes and clinics for the operation of health insurance schemes.
- Free medicine contributions equal to a small percentage of total annual production or total turnover for health insurance schemes from the Companies producing medicines within the country or trading in the country
- Mobilization of the existing National Welfare Fund of the formal sector to cover informal sector works through the issue of a new Regulation.
- Promotion and creation of incentives to organizations working for the informal economy workers through rules-regulations, decentralization policies and social funds.
- Shaping the existing "senior citizen and helpless widow" allowance from a universal age based character to a poverty based character.
- Establishing a housing scheme for rural and urban homeless families through the mobilization of cooperation also from international agencies.

- Promotion and strengthening of cooperative types of collective initiatives at the local level.
- Operation of food security schemes through the cooperation of community based organizations, charity organizations, national big business houses and International Organizations like FAO and WFP.
- Allocation of poverty reduction funds to the working poor unemployed & underemployed groups mainly in remote areas.
- Income generation programmes through marketable skill trainings, market development and infrastructure development.
- Promotion of micro enterprises through credit, tax and technology incentives.
- Free and compulsory education including stipends to children and students from Dalit, former *kamaiya*, aboriginal/ethnic communities and other identified poor groups.
- Creation of a database, research and publications.

Source: GEFONT, Shramik Khabar, December 2002.

**Minimum Wage:** It is the state's responsibility to legislate and enforce minimum wages in the informal sector. The government, in the most part, has complied with the former but not the latter thus rendering the legislation void. The minimum wage should be fixed in such a way as to enable workers to make a decent living.

Protection and social justice for Dalit workers are especially important in the face of widespread discrimination prevalent in the country. Social justice, equality and elimination of discrimination together with special protection measures are necessary for Dalit groups among the working poor.

**Migration:** Migration of households, both internal and external has both positive and negative implications on the informal economy. Migration reflects the mobility of people to harness work opportunities. In Nepal, migration is gender-biased, as there are far more male migrants than female. In internal migration, forced migration from villages to District Headquarters and to the capital city is more visible in recent years. Among external migrants (leaving the country), 89 percent are male (Annex 21). This proportion in male migration is even higher outside the SAARC region (92 %). While income from migration supports family expenses, it leaves many de-facto female-headed households with difficult management responsibilities. Almost two-thirds of the external migrants were involved in personal services reflected by low blue-collar jobs (Annex 22). Remittance income from the external migration, which is estimated at over Rs.70 billion (Seddon et al 2000) is supporting the ailing economy of Nepal. This high contribution of remittance in the economy has remained invisible mainly due to high levels of informal channels used in remittance delivery (mainly *hundi*).

**Data and Information:** Although the number and coverage of surveys relating to the various sectors and activities of the economy have increased, the availability and consistency in data and information about the informal sector is an issue. The data remains grossly fragmented and there is no consistency in data between various surveys. Over time, the changes in definitions also complicate the temporal comparisons. Because of these problems, there are very few research and analytical reports to understand the pattern or nature of interdependencies or the dynamics of this sector. Much remains to be done to develop an accurate and useful database.

The Government should adopt a broader strategy such as encouraging the organizations of the poor, provision of credit, capacity building, establishing linkages with private and public agencies, facilitating access to information and markets and helping to resolve various other issues addressed above.

Finally to put it in a very consolidated and precise form, the challenges ahead in this connection to be faced and addressed may be summed up as follows:

- Rights based awareness creation for getting a better self-reliant position for informal economy workers
- Releasing them from various kinds of social exclusion in order to boost their morale, dignity & productivity
- Employment creation through all possible measures including public works schemes
- Providing education and health services to all so that equalization of opportunities can be achieved
- Emergency support to every locality during contingencies
- Launching programmes in order to ensure and guarantee minimum wages
- Programmes on health micro insurance and health promotion services
- Mobilization of government and non-government organizations in favour of informal economy workers at local, national and international levels.

## KEY GENDER ISSUES IN INFORMAL ECONOMY

### 7.1 Introduction

Gender refers to socially and culturally established roles of women and men. Women's roles as mothers and housekeepers are more readily identified and recognised than their roles as producers, managers and workers. This report has tried to mainstream gender issues by dealing with it in every pertinent section where the situation and data has allowed. The overall scenario of women in the total economy and that in informal work looks precarious owing to several factors. To note a few - women are more invisible in their work and hence their concerns do not figure prominently in policy dialogues; their work is under-valued; and their wages for similar work are lower than that of men.

Gender issues, in the context of the informal economy, have to be viewed in the backdrop of the socioeconomic standing of each gender. Women in Nepal bear a heavier brunt of social and economic disadvantages than men. The female literacy rate is only 25 percent as against 36 percent in the case of men. Women's workload in agriculture and livestock rearing is higher than that of men. They work about 77 hours a week as against 56 hours for men (SAPPROS 2000).

### 7.2 Key Gender Issues

Some of the gender issues relating to the informal economy are discussed below:

- Females hold fewer formal jobs in Nepal than males because of various reasons (related to e.g. education, household work, family restrictions), and hence they are compelled to join more insecure informal work for their living.
- Females are less likely to be entrepreneurs/owners in informal enterprises because they are deprived of the ownership of productive assets. Nearly 83 percent of the female population does not own any productive and valuable assets such as land, houses, and livestock (Table 7.1, and Annex 23). Less than one percent of females has ownership of all these assets. Among the major female ownership is livestock, which is owned by only 5.6 percent of the female population. Only about 4 percent of the female owned both house and land, which are the principal assets accepted as collateral by formal financing institutions. This lack of asset ownership explains the relative inaccessibility of female to institutional borrowing. This is also manifested in the higher proportion of women among those employed in informal activities outside agriculture. An increase in the female work participation rate is poverty-induced (Kundu 1996) as may be reflected by the fact that the lower income groups tend to join the labour force at higher levels than higher income groups.

**TABLE 7.1** PROPORTION OF FEMALES OWNING PRODUCTIVE AND VALUABLE ASSETS

Particulars	Number	Percent
House only	68187	1.6
Land only	217489	5.2
Livestock only	232188	5.6
House and land	161051	3.9
Land and livestock	5826	0.1
House, land and livestock (all)	39187	0.9
None	3450446	82.7
<b>Total</b>	<b>4174374</b>	<b>100.0</b>

Source: Computed from the Population Census 2001. CBS.

- Most activities defined as non-economic (and thus informal and not accounted) are performed by females in Nepal. NLFS shows that 77 percent of females aged 5 and over carried out at least one non-economic activity in a survey week compared to only 37 percent in the case of males.
- It has already been shown earlier that females are heavily discriminated in terms of wages compared to males for similar work.
- It is clear that a higher proportion of females work as employees in the informal economy. One of the needs for working females is childcare which is not available in Nepal. SEWA in India has been instrumental in arranging creches for children for child-care arrangement during women's working time. Moreover, some women need to be engaged in more than one job, and hence they need mobile creches.
- More females are working in establishments, in which they are considered vulnerable from the standpoint of sexual exploitation and trafficking.
- Discrimination not only in terms of wages, but also in terms of opportunities concerning employment, training, promotion and credit availability exists.
- Sexual harassment in the workplace and society as well as non cooperation of family members in household and care activities have made women less active in their roles in organization, social movement and carrier development.

Other issues related to women in the economic field include their limited access to modern avenues of knowledge and information; concentration of women in low productivity agriculture and a high and increasing work burden without concomitant increase in access to resources. Further, access to training, technology and education; concentration at lower level jobs, poor working conditions; risk to personal security, limited market access, low income and progressive loss of proprietorship in the informal sector provide further challenges to women. But in spite of these adversities, women's participation in the labour market, society, organization and decision making is increasing and hence all actors should play a promotional and creative role in favour of women workers in the informal economy. Needless to say that a majority of women are involved in this segment of the economy and national life.

## CONCLUSION AND RECOMMENDATIONS

### 8.1 Conclusions

The informal economy in Nepal is very big and growing. It is transforming itself gradually from subsistence economy to a market based commercialized economy. But still it remains grossly neglected by the state. Hence, the people engaged in this sector have to face uneven competition, low remuneration, poor working conditions and all possible sorts of economic and social exploitation. In fact, the high level of poverty in the country (officially reported to be 38%) is the result of employment, or the lack of it, in the almost supportless informal activities with high risks and low returns.

Government policies and legislation are also becoming void due to enforcement problems. Informal workers do not receive legislative and other support compared to their counterparts in the formal sectors, neither the self employed producers nor the wage dependent workers.

Trade unions have only recently begun to enter the informal world, which is vast and definitely takes a long way to go. NGOs have also come into the scene, particularly after 1990 and have started to work on some issues of the self-employed population and on some labour issues where unfair and exploitative practices are visible.

The overriding challenges/issues in the informal economy are somewhat different for the employers and the workers. While employers (producers) need transportation, storage, marketing, credit and enterprise security (insurance) support; workers need a guarantee of minimum wages, fair wages based on skill and productivity above the minimum wages, employment security and social protection, regulating the long working hours to eight hours/day and a decent work environment. Other challenges to workers include displacement from occupation due to formalisation or other development interventions. Generally no compensation arrangements are in practice for such displacement.

There are virtually no social and employment security arrangements for informal workers. For employers also there is no market and enterprise security. Security measures for workers in the informal sector rest solely with employers. The compensation laws are absent and compensation practices are sporadic. There are more enforcement gaps than legislation gaps. One reason behind the enforcement gaps is the practice, on the part of the government, of legislating on protection issues without any commensurate support.

Women are double sufferers as they, on one hand, are disadvantaged in all conceivable socioeconomic situations, and receive biased treatment in informal jobs in the form of wages and working conditions. The informal economy is also growing with the help of child labour at the cost of the child.

The major factor behind the low productivity and earnings in the informal sector is the poor support system in terms of technology, training and credit availability, etc. Demand side interventions are neglected in the support system. Each support unit is taken independently instead of a package of support. Lack of up-gradation of technology pushes informal activities into a low-equilibrium trap (poor selling to the poor).

Thus a few concluding points can be mentioned as follows:

- A detailed survey of informal work and employment should be carried out, covering working- and living conditions, so that a broad and nationwide picture will be available on the basis of which strategies, programmes and work-plans could be designed both by the government and non governmental actors.
- Enterprise development and promotion of entrepreneurship is needed with basic emphasis on micro enterprises.
- Minimizing exploitative practices and worst forms of labour with particular focus on bondage, debt bonded, child bondage, trafficking and sexual exploitation of women should be a basic objective.
- Guarantee of minimum wages to workers and ensuring a system of fair wages based on skill and productivity followed by wage indexation initiatives is called for.
- Vitalising the labour administration and intensification of the labour inspection system would make existing regulation more relevant.
- Mobilization of VDCs/MNCs/DDCs in favour of informal economy is needed.
- Special campaigns for the protection of Dalits in the workplace and society are required.
- Special rehabilitation programmes and employment promotion is an urgent need for families under displacement caused by social, political, and insecurity reasons.
- Ensuring an adequate mechanism for the voice of the people and proper representation in governance mechanisms and policy frameworks is needed.
- Efforts to upgrade skills through government, private sector and cooperative mechanisms have become essential.
- Social protection extension and promotion to the traditional protective activities for workers are to be emphasized in order to protect them from difficulties and contingencies.
- An Actor-Activity Matrix is presented below to clarify the responsibilities in this regard.



**TABLE 8.1** ACTOR-ACTIVITY MATRIX

Activity	Actors						
	Government	Trade unions	NGOs/INGOs	Financial Institutions	Training Institutes	Cooperatives	Others
Research & database	•						Research Institutes
Organizing		•				•	
Lobbying & advocacy		•	•			•	
Legal framework	•						
Skill & technology	•	•	•		•	•	
Minimum wages	•	•					Employers
Rehabilitation	•	•	•				Employers
Easy credit				•		•	
Market access	•			•		•	
Right based education	•	•	•		•		Research Institutes
Anti discrimination legislation	•	•	•				
Health protection	•	•	•			•	Insurance Companies /Health providers

## 8.2 Recommendations

As indicated by the above-mentioned conclusions and indications in the exemplary Actor-Activity matrix, the following recommendations for immediate attention are put forth.

- Enhance rights in the informal economy by recognizing the rights at work and by enforcing standards through national law and practice in resemblance with the ILO Declaration.
- Improve labour legislation and labour administration by a dense network for effective implementation.
- Promote organization with basic emphasis on trade union organizations and micro cooperatives.
- Ensure proper representation and hearing of voices of informal economy workers through state measures through coordination among line ministries.
- Shape macro policies with gender and poverty as the focal points with high priority on productivity, market enhancement and vulnerability.

## references

- Acharya, Meena and Lynn Bennett. 1981. An Aggregate Analysis and Summary of 8 Village Studies. The Status of Women in Nepal. Vol. II, Part CEDA, Kathmandu.
- Acharya, Meena and Pushpa Acharya. 1997. Gender Equality and Empowerment of Women: A Status Report, UNFPA, Kathmandu.
- Aliber, M., 2002. Informal Finance in the Informal Sector: Promoting Decent Work among the Working Poor, Employment Sector, ILO Informal Economy Series, Geneva.
- Amin, Nural. 2002. The Informal Sector in Asia, Employment Sector, ILO Working Paper on the Informal Economy No. 4, Geneva.
- APROSC/IDRC. 1996. Child Issues and Poverty in Nepal. Kathmandu.
- APROSC/John Mellor Associates, Inc. 1995. Nepal Agriculture Perspective Plan. Prepared for the National Planning Commission, HMG/N and Asian Development Bank, Kathmandu.
- CBS, 2000. Survey of Small Manufacturing Establishments, Nepal 1998-99, Central Bureau of Statistics, Kathmandu.
- CBS. 1987. National Accounting Statistics. Central Bureau of Statistics, Kathmandu.
- CBS. 1996. Nepal Living Standards Survey, 1995/96. Main Findings Vol.I & II. Central Bureau of Statistics, Kathmandu.
- CBS. 1999. Report on the Nepal Labour Force Survey, 1998/99. Central Bureau of Statistics, Kathmandu.
- CBS. 2001. National Accounts of Nepal 2001. Central Bureau of Statistics, Kathmandu.
- CBS. 2001. Population Census, National Report. Central Bureau of Statistics, Kathmandu.
- CBS. 2001. Statistical Year Book of Nepal 2001. Central Bureau of Statistics, Kathmandu.
- CBS. 2002. Household Consumption Survey of Rural Nepal 2000/2001. Central Bureau of Statistics, Kathmandu.
- Cross et. al. 1999. Employment Issues and Opportunities in the Informal Economy, Durban Metropolitan Council, Unpublished.
- CWIN. 1995. *Voice of Child Workers*. Issue No 25, December 1995, Kathmandu.
- GEFONT. 2002. Trade Unions in Critical Situations, Kathmandu.
- GEFONT. 2002. Shramik Khabar, December issue, Kathmandu
- Ginneken, Van. 1997. Social Security for the Informal Sector: Investigating the feasibility of a Pilot Project in Salvador and Tanzania, Issues in Social Protection, Discussion Paper No. 5.

- HMG/ Ministry of Women and Social Welfare, 1997. *Laingic Samanta and Mahila Sasktikaran*, Kathmandu.
- IIDS. 1992 Rural Services Delivery Review Phase II.- Report. A Strategy for Rural Services Delivery Volume I. Volume II with Annexes. Institute of Integrated Development Service, Kathmandu.
- IIDS. 1992. Improving Access of Women to Formal Credit Facilities in Nepal, Institute of Integrated Development Service, Kathmandu, 1992.
- IIDS. 1994. The Statistical Profile of Nepalese Women: An Update in the Policy Context. Institute of Integrated Development Service, Kathmandu.
- ILO, 1999. Trade Unions in the Informal Sector: Finding their Bearings, *Labour Education* 1999/3, No. 116, Geneva.
- ILO, 2002. Decent Work and the Informal Economy, Geneva.
- ILO, 2002. The Promotion of Sustainable Productive Employment and Social Protection in the Informal Economy: Unorganised Sector, ILO Area Office, New Delhi.
- ILO, 2002. Women and Men in the Informal Economy: A Statistical Picture, Employment Sector, Geneva.
- ILO. 1999. Trade Unions and the Informal Sector: Towards a Comprehensive Strategy. Geneva.
- Joshi, A., 1985. Women's Participation in the Carpet Industry: With Special Reference to the Kathmandu District, Tribhuvan University, Kathmandu.
- Joshi, G., 2002. The Informal Economy in South Asia, Unpublished Paper.
- Kantipur Daily, Nov 22, 2003, Kathmandu.
- Koirala, G., 1999. Rural Finance Paper. Presented during a Rural Finance Seminar, Kathmandu.
- Kundu, A. and A. N. Sharma, 2001. The Informal Sector in India: Perspectives and Policies. Institute for Human Development and Institute of Applied Manpower research. New Delhi.
- Kundu, A., 1996. New Economic Policy and Urban Poverty in India. In Hanumantha Rao, C.H. and H. Linnemann (eds), *Economic Reforms and Poverty Alleviation in India*, Sage, New Delhi, Thousand Lakes, London.
- Ministry of Agriculture/HMG. 1993. Women Farmers in Nepalese Agriculture: A Case Study of selected Districts. Ministry of Agriculture/HMG, Kathmandu.
- Mitra, Amit. 2002. Training and Skill Formation for Decent Work in the Informal Sector, Informal Economy Series No. 8, Geneva.
- MOA. 1994. Women in Resettlement Areas: A Case Study of the Nawalparasi District. Ministry of Agriculture/HMG, Kathmandu.
- Musiolek, B., 2002. Decent Work in the Informal Sector, ILO Working Paper on the Informal Economy No. 7, Geneva.

- National Planning Commission, 1992. The Ninth Plan (1997-2001), His Majesty's Government of Nepal, Kathmandu.
- Nepal Rastra Bank, 1988. Multiple Household Budget Survey: A Study in Income Distribution, Employment and Consumption Patterns in Nepal. Kathmandu..
- Nepal Rastra Bank, 1989. Income and Employment Generation from Tourism in Nepal. Kathmandu.
- New ERA. 1997. A situation Analysis of Sex Work and Trafficking in Nepal with Reference to Children, Report Submitted to UNICEF, Kathmandu.
- Niraula, Badri, 1994. Notes on the use of Labor Force Data in the Changed Perspective (Mimeo)
- NPC. 1995. Country Report: Nepal (presented in the UN Fourth World Conference on Women, Beijing (1995), Kathmandu.
- Ojha, H. K. 1984. Women's participation in the Handloom Industry At Kirtipur Village Dissertation. Tribhuvan University, Kathmandu.
- Pradhan, Gauri (Ed.). 1993. Misery Behind the Looms: Child Labourers in the Carpet Factories, Opportunities and Prospects; Vol. I & II (Prepared for HMG/Nepal, UNIDO/ Vienna).
- Rimal. B. and U. Upadhyaya, 1999. The Informal Sector and Trade Union Rights, in *Rastriya Shrama Niti*, 1999, GEFONT, Kathmandu.
- Sahavagi, Chitwan. 1997. Sustainable Human Development Action Research on Women's Development submitted to NPC/MLD/UNDP/NEP/95/008, Lalitpur.
- SAPPROS. 2000. An Institutional Study on Rural Service Delivery. Kathmandu.
- Sattaur, Omar. 1993. Child Labour in Nepal. ASI's Child Labour Series (No. 13). Kathmandu.
- Seddon, D., J. Adhikari and G. Gurung. 2000. Foreign Labour Migration and the Remittance Economy of Nepal, Overseas Development Group, University of East Anglia, Norwich.
- Sharma, S., 1996. Situation Analysis of Agricultural Labourers in Nepal (in Nepali), National Labour Academy-Nepal, Kathmandu.
- Sharma, S., 1998. The Kamaiya System in Nepal, ILO-SAAT, New Delhi.
- Sharma, S., M. Thahurathi, K. Sapkota, B. Devkota and B. Rimal. 2000. Situation of Domestic Child Labourers in Kathmandu: Rapid Assessment. ILO/IPEC, Geneva.
- Sharma, S., and Ram K. Sharma. 2002. Findings on Debt Bondage: Long-term Farm Labour Systems in Kavre Palanchok and Sarlahi Districts, Nepal. ILO, Social Finance Programme, Geneva.
- Sharma, S. and U. Upadhyaya. 2003. Social Protection for People in the Informal Economy of Nepal. Research Report Prepared for ILO-AO, Kathmandu, National Labour Academy-Nepal, Kathmandu.
- Shtri Shakti. 1995. *Women, Development & Democracy: A study of the Socio- Economic Change in the Status of Women in Nepal (1981-1993)*, prepared for USAID, DANIDA, CCO.

Thacker, Prabha., 1992. *Technology, Women's Work and Status: The Case of the Carpet Industry in Nepal: Mountain Regeneration and Employment*. Discussion paper series 21. ICIMOD, Kathmandu.

Thomas, J., 2002. *Decent Work in the Informal Sector*, Employment Sector, ILO Working Paper on the Informal Economy No. 12, Geneva.

Tuladhar, Jyoti. 1996. *Factors affecting Women Entrepreneurship in Small and Cottage Industries in Nepal: Opportunities and Constraints*, ILO and SIDA.

UNDP. 2001. *Nepal Human Development Report, 2001*. Kathmandu.

UNIDO 1988. *The Current and Prospective Contribution of Women in Nepal's Industrial Development*, Regional and Country Studies Branch, Industrial Policy and Perspective Division.

United Nations 2000. *The World's Women 2000: Trends and Statistics*.

Upadhyaya, U. 2002. *What Government can do for Informal Sector*, Shramik Khabar, Issue 74, GEFONT, Kathmandu.

<b>ANNEX 1</b>		<b>NUMBER OF HOUSEHOLDS, POPULATION BY SEX, AREA AND POPULATION DENSITY, 2001</b>						
<b>Area</b>	<b>Population 2001</b>				<b>HH</b>	<b>HH Size</b>	<b>Area sq km</b>	<b>Density Person /sq km</b>
	<b>Number</b>			<b>%</b>				
	<b>Total</b>	<b>Male</b>	<b>Female</b>					
<b>NEPAL</b>	<b>23,151,423</b>	<b>11,563,921</b>	<b>11,587,502</b>	<b>100.0</b>	<b>4,253,220</b>	<b>5.44</b>	<b>147,181</b>	<b>157.3</b>
Eastern Dev. Region	5,344,476	2,670,622	2,673,854	23.1	1,012,968	5.28	28,456	187.8
Central Dev. Region	8,031,629	4,109,059	3,922,570	34.7	1,475,477	5.44	27,410	293
Western Dev. Region	4,571,013	2,198,170	2,372,843	19.7	863,045	5.30	29,398	155.5
Mid-Western Dev. Region	3,012,975	1,500,526	1,512,449	13.0	534,310	5.64	42,378	71.1
Far-Western Dev. Region	2,191,330	1,085,544	1,105,786	9.5	367,420	5.96	19,539	112.2
Mountain	1,687,859	837,060	850,799	7.3	319,887	5.28	51,817	32.6
Hill	10,251,111	5,016,802	5,234,309	44.3	1,982,753	5.17	61,345	167.1
Terai	11,212,453	5,710,059	5,502,394	48.4	1,950,580	5.75	34,019	329.6
Eastern Mountain	401,587	197,231	204,356	1.7	77,197	5.20	10,438	38.5
Central Mountain	554,817	275,330	279,487	2.4	112,313	4.94	6,277	88.4
Western Mountain	24,568	13,214	11,354	0.1	5,019	4.89	5,819	4.2
Mid-Western Mountain	309,084	156,984	152,100	1.3	55,363	5.58	21,351	14.5
Far-Western Mountain	397,803	194,301	203,502	1.7	69,995	5.68	7,932	50.2
Eastern Hill	1,643,246	807,949	835,297	7.1	309,149	5.32	10,749	152.9
Central Hill	3,542,732	1,800,082	1,742,650	15.3	692,255	5.12	11,805	300.1
Western Hill	2,793,180	1,298,051	1,495,129	12.1	568,898	4.91	18,319	152.5
Mid-Western Hill	1,473,022	723,698	749,324	6.4	269,614	5.46	13,710	107.4
Far-Western Hill	798,931	387,022	411,909	3.5	142,837	5.59	6,762	118.2
Eastern Terai	3,299,643	1,665,442	1,634,201	14.3	626,622	5.27	7,269	453.9
Central Terai	3,934,080	2,033,647	1,900,433	17.0	670,909	5.86	9,328	421.7
Western Terai	1,753,265	886,905	866,360	7.6	289,128	6.06	5,260	333.3
Mid-Western Terai	1,230,869	619,844	611,025	5.3	209,333	5.88	7,317	168.2
Far-Western Terai	994,596	504,221	490,375	4.3	154,588	6.43	4,845	205.3

Source: Population Census 2001, CBS.

**ANNEX 2**    **DISTRIBUTION OF POPULATION BY AGE GROUP**

<b>Age group (Years)</b>	<b>Total</b>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>
0-4	1395715	1359498	2755213
5-9	1633087	1578355	3211442
10-14	1533806	1448126	2981932
15-19	1185826	1203176	2389002
20-24	946742	1070026	2016768
25-29	821014	904464	1725478
30-34	726040	763463	1489503
35-39	661351	659302	1320653
39-44	539993	548051	1088044
45-49	469695	453678	923373
50-54	392659	373395	766054
55-59	318610	283483	602093
60-64	262255	258653	520908
65-69	196053	191170	387223
70-74	141678	132111	273789
75+	144854	150605	295459
<b>Total</b>	<b>11369378</b>	<b>11377556</b>	<b>22746934</b>

Source: Computed from Population Census 2001, CBS

**ANNEX 3 LIST OF MUNICIPALITIES WITH POPULATION, AREA AND POPULATION DENSITY**

S.No.	Municipality	M/SM/MC	HH	Male	Female	Total	Area (sq km)	Pop density
1	Itahari	M	8,624	20,597	20,613	41,210	42.73	964
2	Mechinagar	M	9,926	24,823	24,237	49,060	55.72	880
3	Siraha	M	4,314	12,193	11,795	23,988	23.78	1,009
4	Inaruwa	M	4,497	11,844	11,356	23,200	22.36	1,038
5	Dhankuta	M	4,789	10,326	10,342	20,668	48.21	429
6	Bhadrapur	M	3,896	9,133	9,012	18,145	10.56	1,718
7	Ilam	M	4,007	8,331	7,906	16,237	26.63	610
8	Rajbiraj	M	5,445	16,199	14,154	30,353	11.96	2,538
9	Triyuga	M	10,506	27,673	27,618	55,291	319.88	173
10	Biratnagar	SM	33,678	87,664	79,010	166,674	58.48	2,850
11	Lahan	M	5,262	14,532	13,122	27,654	20.23	1,367
12	Damak	M	7,178	17,546	17,463	35,009	70.63	496
13	Dharan	M	20,428	47,121	48,211	95,332	103.38	922
14	Khandbari	M	4,624	10,640	11,149	21,789	91.03	239
15	Jaleswar	M	3,680	11,583	10,463	22,046	15.49	1,423
16	Hetauda	M	14,271	35,320	33,162	68,482	47.77	1,434
17	Bhaktapur	M	12,133	36,681	35,862	72,543	6.56	11,058
18	Kamalimai	M	6,447	16,388	16,450	32,838	207.95	158
19	Banepa	M	3,015	7,882	7,940	15,822	5.56	2,846
20	Bharatpur	M	19,922	45,858	43,465	89,323	162.16	551
21	Lalitpur	SM	34,996	84,502	78,489	162,991	15.15	10,758
22	Gaur	M	3,956	13,368	12,015	25,383	21.53	1,179
23	Kathmandu	MC	152,155	360,103	311,743	671,846	49.45	13,586
24	Bhimeshwar	M	4,909	10,721	11,195	21,916	65.04	337
25	Malangawa	M	3,141	9,636	8,848	18,484	9.39	1,968
26	Kalैया	M	5,113	17,025	15,235	32,260	18.98	1,700
27	Madhyapur	M	9,551	24,747	23,004	47,751	11.11	4,298
28	Birgunj	SM	19,910	60,956	51,528	112,484	21.17	5,313
29	Bidur	M	4,234	10,339	10,854	21,193	33.48	633
30	Panauti	M	5,134	12,293	13,270	25,563	31.73	806
31	Kirtipur	M	9,487	21,686	19,149	40,835	14.76	1,297
32	Ratnanagar	M	7,456	18,931	18,860	37,791	35.62	1,061
33	Janakpur	M	13,734	40,108	34,084	74,192	24.61	3,015



S.No.	Municipality	M/SM/ MC	HH	Male	Female	Total	Area (sq km)	Pop density
34	Dhulikhel	M	2,255	5,818	5,705	11,523	12.08	954
35	Butwal	M	16,281	38,712	36,672	75,384	69.28	1,088
36	Putalibajar	M	6,675	13,558	16,109	29,667	70.14	423
37	Vyas	M	6,511	13,449	14,796	28,245	60.02	471
38	Waling	M	4,292	9,442	10,972	20,414	34.76	587
39	Pokhara	SM	37,305	79,563	76,749	156,312	55.22	2,831
40	Siddharthanagar	M	9,419	26,934	25,635	52,569	36.03	1,459
41	Prithvinarayan	M	5,588	12,301	13,482	25,783	60.28	428
42	Kapilvastu	M	4,338	14,113	13,057	27,170	37.20	730
43	Baglung	M	4,847	10,039	10,813	20,852	18.35	1,136
44	Ramgram	M	3,893	11,570	11,060	22,630	34.72	652
45	Lekhnath	M	9,362	19,475	21,894	41,369	77.45	534
46	Tansen	M	4,813	10,205	10,226	20,431	21.72	941
47	Birendranagar	M	7,139	15,890	15,491	31,381	34.95	443
48	Tulsipur	M	7,056	16,857	17,019	33,876	92.22	367
49	Nepalgunj	M	10,592	30,241	27,294	57,535	12.51	4,599
50	Narayan	M	3,854	9,373	10,073	19,446	67.01	290
51	Tribhuvannagar	M	8,945	21,576	21,550	43,126	74.45	579
52	Gulariya	M	7,939	23,762	22,249	46,011	95.14	484
53	Amargadhi	M	3,538	8,943	9,447	18,390	138.95	132
54	Mahendranagar	M	13,738	41,232	39,607	80,839	171.24	472
55	Dhangadhi	M	11,738	35,228	32,219	67,447	103.73	650
56	Dasharathchandra	M	3,481	8,697	9,648	18,345	55.01	333
57	Tikapur	M	6,287	19,447	19,275	38,722	67.11	577
58	Dipayal silgadhi	M	4,203	11,190	10,871	22,061	73.98	298
	Total		664,507	1,664,364	1,563,517	3,227,881	3,276.64	985
	Total MC		152,155	360,103	311,743	671,846	49.45	13,586
	Total SM		125,889	312,685	285,776	598,461	150.02	3,989
	Total M		386,463	991,576	965,998	1,957,574	3,077.17	636

MC = Metropolitan City; SM = Sub-Metropolitan; M = Municipality.  
Source: Computed from Population Census 2001, CBS

**ANNEX 4 ECONOMICALLY ACTIVE POPULATION BY AGE GROUP AND SEX**

Age	EAP			Non-EAP			Percent ECA		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
10-14	419307	440505	859812	1114499	1007621	2122120	27.3	30.4	28.8
15-19	589410	579285	1168695	596416	623891	1220307	49.7	48.1	48.9
20-24	728007	658438	1386445	218735	411588	630323	76.9	61.5	68.7
25-29	754817	594009	1348826	66197	310455	376652	91.9	65.7	78.2
30-34	701347	517632	1218979	24693	245831	270524	96.6	67.8	81.8
35-39	634141	457197	1091338	17210	202105	219315	97.4	69.3	83.3
39-44	524450	382876	907326	15543	165175	180718	97.1	69.9	83.4
45-49	454452	314635	769087	15243	139043	154286	96.8	69.4	83.3
50-54	371024	248011	619035	21635	125384	147019	94.5	66.4	80.8
55-59	291115	175709	466824	27495	107774	135269	91.4	62.0	77.5
60-64	214827	135388	350215	47428	123265	170693	81.9	52.3	67.2
65+	288126	162534	450660	194459	311352	505811	59.7	34.3	47.1
Total	5971023	4666219	10637242	2359553	3773484	6133037	71.7	55.3	63.4

Source: Computed from Population Census 2001, CBS

## ANNEX 5 WORKING POPULATION BY EMPLOYMENT STATUS, SEX AND AGE GROUP

Age	Employer			Employee			Self-employed			Unpaid worker			Total		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
10-14	19873	9007	10866	45374	29855	75229	95612	135291	230903	138482	144926	283408	288475	320938	609413
15-19	36355	16929	19426	160877	62145	223022	237142	324626	561768	92096	108586	200682	507044	514783	1021827
20-24	43431	21931	21500	259636	86818	346454	358382	442854	801236	32723	63359	96082	672672	614531	1287203
25-29	42620	23308	19312	301724	89760	391484	384990	408262	793252	13896	47490	61386	723918	564824	1288742
30-34	40703	23323	17380	287164	79249	366413	367125	362309	729434	7834	37085	44919	685446	496023	1181469
35-39	37775	22415	15360	251187	64187	315374	344935	328631	673566	5401	32317	37718	623938	440495	1064433
39-44	32550	19096	13454	193908	47163	241071	300280	283458	583738	4313	25778	30091	517597	369853	887450
45-49	28522	17792	10730	150040	34875	184915	278120	234867	512987	3417	22611	26028	449369	303083	752452
50-54	25602	15966	9636	104159	22539	126698	243054	187130	430184	3452	19035	22487	366631	238340	604971
55-59	21255	14271	6984	65288	13575	78863	204543	130689	335232	3611	16051	19662	287713	167299	455012
60-64	18743	12388	6355	34975	9212	44187	158181	95154	253335	4700	14373	19073	210244	125094	335338
65+	28921	19886	9035	36254	8364	44618	206019	99185	305204	11567	21575	33142	273726	138159	411885
<b>Total</b>	<b>376350</b>	<b>216312</b>	<b>160038</b>	<b>1890586</b>	<b>547742</b>	<b>2438328</b>	<b>3178383</b>	<b>3032456</b>	<b>6210839</b>	<b>321492</b>	<b>553186</b>	<b>874678</b>	<b>5606773</b>	<b>4293422</b>	<b>9900195</b>

Source: Computed from Population Census 2001, CBS.

**ANNEX 6 WORKING POPULATION BY EMPLOYMENT STATUS, OCCUPATION AND SEX**

Particulars	Employer			Employee			Self-Employed			Unpaid Family Workers			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
	Legislators	3917	429	4346	27450	2953	30403	16755	4151	20906	592	290	882	48714	7823
Professionals	3302	700	4002	164250	52392	216642	17427	2955	20382	1809	828	2637	186788	56875	243663
Technicians	5437	380	5817	121552	21678	143230	17154	1828	18982	1532	622	2154	145675	24508	170183
Clerks	1465	140	1605	164435	24094	188529	7855	1271	9126	1471	322	1793	175226	25827	201053
Service workers	10815	2132	12947	179146	28861	208007	386976	150433	537409	11254	11389	22643	588191	192815	781006
Ag.	171879	150733	322612	201074	99237	300311	2440409	2408599	4849008	179620	249831	429451	2992982	2908400	5901382
Crafts and trade	8944	2048	10992	320915	63931	384846	161977	291149	453126	15891	51990	67881	507727	409118	916845
Plant operators	2780	318	3098	97155	9939	107094	22145	7101	29246	913	1004	1917	122993	18362	141355
Ele. occupation	7642	3073	10715	612416	243514	855930	106483	162873	269356	107835	235982	343817	834376	645442	1479818
Not stated	131	85	216	2193	1144	3337	1203	2096	3299	576	928	1504	4103	4253	8356
Total	216312	160038	376350	1890586	547743	2438329	3178384	3032456	6210840	321493	553186	874679	5606775	4293423	9900198

Note: Ag. = Agriculture, Ele. = Elementary

Source: Computed from Population Census 2001, CBS

Note: unpaid family workers shown in Legislators, Professionals and even in clerical jobs basically concerning formal sector is an uncommon phenomena which can be considered as those persons who assist the legislators, professionals and clerical workers of their family in in-house works.

**ANNEX 7 ECONOMIC PARTICIPATION RATES BY SEX AND AGE GROUP**

Age Group	1991		2001	
	Male	Female	Male	Female
10-14	18.1	28	20.4	22.2
15-19	49.2	49	42.8	42.8
20-24	80	54.1	63.8	57.4
25-29	92.3	53.9	74.7	62.4
30-34	95.2	53.8	79.3	65.0
35-39	95.9	54.5	81.2	66.8
40-44	95.5	54.1	81.6	67.5
45-49	94.7	52.1	81.5	66.8
50-54	91.7	48	79.0	63.8
55-59	88.2	41.5	75.6	59.0
60-64	66.2	25.4	64.4	48.4
65+	40	12.8	43.1	29.2
<b>All Ages</b>	<b>68.2</b>	<b>45.2</b>	<b>59.0</b>	<b>50.9</b>

Source: CBS, 2001

## ANNEX 8

## NON-EAP NOT WORKING BY REASON, SEX AND AGE GROUP

## Male

Age	Study	HH chore	Aged	Pension	Handi-capped	Sick	Others	Not stated	Total
10-14	1199694	80387		20548	23950	23162	28258	20207	1396206
15-19	653863	52722		13247	16671	15261	18754	20283	790801
20-24	220472	38174		10349	12725	11234	15265	18827	327046
25-29	55363	26941		7083	9478	8334	10524	12896	130619
30-34	12742	19518		5439	7510	6491	6928	7778	66406
35-39	5433	15979		6067	6048	5040	5124	5248	48939
39-44	3498	12818		6176	4808	4797	4013	3916	40026
45-49		10475	3434	6499	4060	4543	3089	3096	35196
50-54		8779	7224	8107	3787	5324	2812	2706	38739
55-59		8169	11832	9643	3296	5712	2018	2150	42820
60-64		7970	33261	10161	3111	5962	1779	1439	63683
65+		15063	172887	19770	5889	13979	2999	2247	232834
Total	2151065	296995	228638	123089	101333	109839	101563	100793	3213315

## Female

10-14	987908	174329		20101	22887	23631	26398	16424	1271678
15-19	491522	251689		11942	14075	13337	14331	7279	804175
20-24	120783	363805		9751	11726	11160	12280	6420	535925
25-29	23360	343292		8251	9268	8859	9138	3778	405946
30-34	11329	280160		6876	7797	7018	6778	2315	322273
35-39	7424	233078		5665	6410	5815	5211	1447	265050
39-44	5966	189217		4520	5621	6266	4188	1238	217016
45-49		156308	7101	4295	4616	6018	3613	1023	182974
50-54		124605	18399	4143	4129	7436	2778	967	162457
55-59		93430	26860	3513	3543	7065	2469	786	137666
60-64		69240	66111	3790	3260	7219	2077	770	152467
65+		83055	247134	7642	5737	14769	3296	1591	363224
Total	1648292	2362208	365605	90489	99069	118593	92557	44038	4820851

**Total**

<b>Age</b>	<b>Study</b>	<b>HH chore</b>	<b>Aged</b>	<b>Pension</b>	<b>Handi-capped</b>	<b>Sick</b>	<b>Others</b>	<b>Not stated</b>	<b>Total</b>
10-14	2187602	254716	0	40649	46837	46793	54656	36631	2667884
15-19	1145385	304411	0	25189	30746	28598	33085	27562	1594976
20-24	341255	401979	0	20100	24451	22394	27545	25247	862971
25-29	78723	370233	0	15334	18746	17193	19662	16674	536565
30-34	24071	299678	0	12315	15307	13509	13706	10093	388679
35-39	12857	249057	0	11732	12458	10855	10335	6695	313989
39-44	9464	202035	0	10696	10429	11063	8201	5154	257042
45-49	0	166783	10535	10794	8676	10561	6702	4119	218170
50-54	0	133384	25623	12250	7916	12760	5590	3673	201196
55-59	0	101599	38692	13156	6839	12777	4487	2936	180486
60-64	0	77210	99372	13951	6371	13181	3856	2209	216150
65+	0	98118	420021	27412	11626	28748	6295	3838	596058
<b>Total</b>	<b>3799357</b>	<b>2659203</b>	<b>594243</b>	<b>213578</b>	<b>200402</b>	<b>228432</b>	<b>194120</b>	<b>144831</b>	<b>8034166</b>

Source: Computed from Population Census 2001, CBS.

## ANNEX 9

## PERSONS AGED 15 YEARS AND OVER CURRENTLY INFORMALLY EMPLOYED IN THE NON-AGRICULTURAL SECTOR BY SEX AND OCCUPATION OF MAIN JOB

(in '000)

Occupation	Male			Female			Total		
	Non-ag	Infor-mal	Per-cent	Non-ag	Infor-mal	Per-cent	Non-ag	Infor-mal	Per-cent
	sector	jobs		sector	jobs		sector	jobs	
Legislators/Senior Officials	11	5	45.5	1	1	100.0	12	6	50.0
Professionals	33	4	12.1	4	0	0.0	37	4	10.8
Technicians	162	37	22.8	41	4	9.8	203	41	20.2
Clerks	95	4	4.2	11	1	9.1	106	5	4.7
Service Workers	324	298	92.0	163	159	97.5	487	457	93.8
Agricultural workers	8	7	87.5	5	5	100.0	13	12	92.3
Craft and related trade workers	395	346	87.6	162	151	93.2	557	497	89.2
Plant and machinery operators	89	48	53.9	13	12	92.3	102	60	58.8
Elementary Occupations	441	305	69.2	299	273	91.3	740	578	78.1
Armed forces	5	0	0.0	0	0		5	0	0.0
Total	1563	1054	67.4	699	606	86.7	2262	1660	73.4

Note: Non-ag = Non-agriculture  
Source: NLFS, 1998/99.



**ANNEX 10 PERSONS AGED 15 YEARS AND OVER CURRENTLY INFORMALLY EMPLOYED IN THE NON-AGRICULTURAL SECTOR BY SEX, LOCALITY AND OCCUPATION OF MAIN JOB (IN '000)**

Occupation	Male			Female			Total			Urban %		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Male	Female	
Legislators/Senior Officials	3	1	4	1	0	1	4	1	5	75	100	80
Professionals	3	1	4	0	0	0	3	1	4	75		75
Technicians	14	22	36	2	2	4	16	24	40	38.9	50	40
Clerks	2	2	4	1	0	1	3	2	5	50	100	60
Service Workers	103	195	298	57	102	159	160	297	457	34.6	35.8	35
Agricultural workers	0	5	5	0	5	5	0	10	10	0	0	0
Craft and related trade workers	67	279	346	36	114	150	103	393	496	19.4	24	20.8
Plant and machinery operators	12	36	48	2	10	12	14	46	60	25	16.7	23.3
Elementary Occupations	37	268	305	35	238	273	72	506	578	12.1	12.8	12.5
Armed forces	0	0	0	0	0	0	0	0	0			
<b>Total</b>	<b>241</b>	<b>809</b>	<b>1050</b>	<b>134</b>	<b>471</b>	<b>605</b>	<b>375</b>	<b>1280</b>	<b>1655</b>	<b>23</b>	<b>22.1</b>	<b>22.7</b>

Source: NLFS, 1998/99.

(in 000)

Sex/Employment status	Urban	Rural	Total	Percent	Urban %
<b>A. Male</b>					
Own business with no employees	127	418	545	51.9	23.3
Business with no regular paid employees	66	312	378	36.0	17.5
Business with 1-4 regular paid employees	40	65	105	10.0	38.1
Business with 5-9 regular paid employees	8	15	23	2.2	34.8
<i>Total</i>	<i>241</i>	<i>810</i>	<i>1051</i>	<i>100.0</i>	<i>22.9</i>
<b>B. Female</b>					
Own business with no employees	45	169	214	35.4	21
Business with no regular paid employees	78	295	373	61.7	20.9
Business with 1-4 regular paid employees	9	6	15	2.5	60
Business with 5-9 regular paid employees	2	1	3	0.5	66.7
<i>Total</i>	<i>134</i>	<i>471</i>	<i>605</i>	<i>100.0</i>	<i>22.1</i>
<b>C. Total</b>					
Own business with no employees	172	587	759	45.8	22.7
Business with no regular paid employees	144	607	751	45.4	19.2
Business with 1-4 regular paid employees	49	71	120	7.2	40.8
Business with 5-9 regular paid employees	10	16	26	1.6	38.5
<b>Total</b>	<b>375</b>	<b>1281</b>	<b>1656</b>	<b>100.0</b>	<b>22.6</b>

Source: NLFS, 1998/99.

## ANNEX 12 TYPE OF INFORMAL WORK PERFORMED BY SEX AND LOCATION (URBAN/RURAL)

(in '000)

	ISCO code	Urban						Rural						Total		
		Male	Female	Total	Female %	Male	Female	Total	Female %	Male	Female	Total	Female %	Male	Female	Total
Housekeeping/restaurant	512	18	17	35	48.6	33	31	64	48.4	51	48	99	48.5	51	48	99
Salespersons	522	79	38	117	32.5	147	68	215	31.6	226	106	332	31.9	226	106	332
Trade workers	712	17	0	17	0.0	96	2	98	2.0	113	2	115	1.7	113	2	115
Blacksmiths	722	3	0	3	0.0	28	2	30	6.7	31	2	33	6.1	31	2	33
Handicraft workers	733	3	7	10	70.0	35	41	76	53.9	38	48	86	55.8	38	48	86
Wood workers	742	4	0	4	0.0	25	0	25	0.0	29	0	29	0.0	29	0	29
Textile workers	743	1	7	8	87.5	4	19	23	82.6	5	26	31	83.9	5	26	31
Tailors	746	8	12	20	60.0	38	23	61	37.7	46	35	81	43.2	46	35	81
Street vendors	911	4	2	6	33.3	13	10	23	43.5	17	12	29	41.4	17	12	29
Helpers	913	3	8	11	72.7	12	4	16	25.0	15	12	27	44.4	15	12	27
Messengers/porters	915	2	0	2	0.0	21	2	23	8.7	23	2	25	8.0	23	2	25
Fetching water	922	1	9	10	90.0	5	42	47	89.4	6	51	57	89.5	6	51	57
Mining/construction	931	11	4	15	26.7	112	35	147	23.8	123	39	162	24.1	123	39	162
Manufacturing	932	2	2	4	50.0	11	21	32	65.6	13	23	36	63.9	13	23	36
Transport/freight	933	9	1	10	10.0	43	9	52	17.3	52	10	62	16.1	52	10	62
Collecting firewood	934	2	8	10	80.0	43	112	155	72.3	45	120	165	72.7	45	120	165
Total		167	115	282	40.8	666	421	1087	38.7	833	536	1369	39.2	833	536	1369

Source: NLFS, 1998/99.

(in Million Rs.)

Description	1996/97 (2053/54)	1997/98 (2054/55)	1998/99 (2055/56)	1999/00 (2056/57)	2000/01R (2057/58)	Change %	Share 00/01 %
Agriculture Fisheries and Forestry	108785	112495	132373	142908	146447	2.48	37.4
Mining and Quarrying	1495	1553	1685	1815	1981	9.15	0.5
Manufacturing	24816	26987	30337	33550	35566	6.01	9.1
Electricity Gas and Water	4457	4383	4632	5980	7191	20.25	1.8
Construction	29263	30483	33262	37369	39623	6.03	10.1
Trade restaurant and Hotel	30551	33687	39313	42895	45364	5.76	11.6
Transport Communication and Storage	19315	22598	24631	29336	33015	12.54	8.4
Finance and real Estate	27157	29778	33203	36919	42007	13.78	10.7
Community and Social Services	23731	27834	30582	34024	40303	18.45	10.3
Agriculture	108785	112495	132373	142908	146447	2.48	37.4
Non-agriculture	160,785	177,303	197,645	221,888	245,050	10	62.6
GDP at factor cost before deduction of bank service charges	269570	289798	330018	364796	391498	7.32	
Less imputed value of bank service charges	7009	7896	9438	10708	11912	11.24	
Total GDP at factor cost	262561	281902	320580	354088	379586	7.2	
Plus indirect Taxes, net.	17952	18943	21456	23945	28633	19.58	
GDP at producers prices	280513	300845	342036	378033	408218	7.98	

Source: CBS 2001, National Accounts of Nepal 2001.

**ANNEX 14 AVERAGE EARNINGS PER MONTH BY OCCUPATION AND SEX (IN RS.)**

	Av. cash earnings per month			Av. kind earnings per month			Total earnings/month			
	Male	Female	All	Male	Female	All	Male	Female	All	Female/Male
Legislators/Senior officials	8525	7525	8463	1004		1004	8068	7525	8037	93.3
Professionals	5057	4585	4999	2189	875	1978	5141	4631	5079	90.1
Technicians	3023	2651	2938	933	1229	962	3057	2678	2971	87.6
Clerks	2786	2747	2782	688	456	662	2836	2805	2832	98.9
Service workers	2158	2382	2180	969	751	956	2506	2525	2507	100.8
Agricultural workers	1402	757	1171	3910	429	2154	2756	957	2109	34.7
Crafts and related trades	2879	1414	2699	827	554	807	2973	1393	2773	46.9
Plant and machine operators	2590	1938	2580	1197	295	1186	2995	2037	2981	68
Elementary Occupations	1681	972	1477	824	663	765	1692	1054	1491	62.3
Armed forces	2578	3300	2613	1133	950	1119	3258	4250	3306	130.4
ALL	2363	1397	2155	947	648	855	2389	1368	2143	57.3

Source: NLFS, 1998/09.

**ANNEX 15 CHILD POPULATION AND THEIR LABOUR PARTICIPATION RATE BY LOCATION**

Particulars	Population (000)	LFPR (%)	Currently employed	Current Unemp rate (%)	Visibly under-employed (%)
<b>Urban</b>					
Kathmandu valley	97	7.2	7	3.2	1
East/central HM	70	22.9	16	0.8	0.8
West HM	86	27.9	24	1	1.4
East Terai	101	12.9	13	3.6	1
Central Terai	79	16.5	13	1.6	1
West Terai	105	26.7	28	0.2	1.9
<b>Total</b>	<b>538</b>	<b>18.8</b>	<b>101</b>	<b>1.3</b>	<b>1.3</b>
<b>Rural</b>					
Kathmandu valley	430	48.4	208	0	0
East/central HM	608	34.9	212	0	2.9
West HM	483	50.1	242	0	1
Mid/far west HM	715	52.0	372	0	0.8
East Terai	596	39.9	238	0.3	1.1
Central Terai	793	37.5	297	0.7	0.8
West Terai	696	44.7	311	0	0.1
<b>Total</b>	<b>4321</b>	<b>43.5</b>	<b>1880</b>	<b>0.2</b>	<b>1</b>
East	1151	40.4	465	0.3	0.6
Central	1624	33.3	540	0.5	1.6
West	868	40.9	355	0.1	1.1
Mid-west	692	57.4	397	0	0.8
Far-west	526	43.0	226	0	1.1
Mountain	385	43.4	167	0	2.1
Hill	2105	43.5	915	0.1	0.9
Terai	2371	38.0	900	0.4	1
<b>Nepal</b>	<b>4861</b>	<b>40.8</b>	<b>1982</b>	<b>0.2</b>	<b>1.1</b>

Source: Computed from NLFS, 1998/99.

**ANNEX 16 CHILDREN'S LIVING ARRANGEMENTS BY AGE GROUP AND SEX**

Age	Male Children Living with											Percent	
	Parents	Mother	Father	F and step M	M and step F	Relatives	Employer	Others	Total	Parents	F or M	Others	
0-4	1279222	63341	8638	6674	6731	7689		23419	1395714	91.7	5.2	3.2	
5	336162	18514	3353	2121	1907	2441		6596	371094	90.6	5.9	3.5	
6	299539	16821	3056	1794	1537	2029	1558	6210	332544	90.1	6.0	3.9	
7	277742	16265	3113	1778	1184	2094	1548	6209	309933	89.6	6.3	4.1	
8	325729	17947	3804	2259	1578	2405	1879	7609	363210	89.7	6.0	4.3	
9	228934	13967	2456	1435	1087	1901	1351	5175	256306	89.3	6.4	4.3	
10	331787	23451	6276	4105	3106	4381	3710	10107	386923	85.8	7.7	6.6	
11	209077	15955	3780	2510	1885	2755	2274	7053	245289	85.2	8.0	6.7	
12	309231	23007	7065	4274	3153	4914	4715	11534	367893	84.1	8.2	7.8	
13	215674	17107	4911	3048	2359	3594	3369	8636	258698	83.4	8.5	8.1	
14	226600	17130	5842	3657	2869	4270	4509	10126	275003	82.4	8.4	9.2	
15	204544	17581	6265	4178	3309	4713	5074	11307	256971	79.6	9.3	11.1	
Total	4244241	261086	58559	37833	30705	43186	29987	113981	4819578	88.1	6.6	5.3	

**B. Female**

Age	Male Children Living with											Percent		
	Parents	Mother	Father	F and step M	M and step F	Relatives	Employer	Others	Total	Parents	F or M	Others		
0-4	1244699	63905	7926	6521	5743	6978		23726	1359498	91.6	5.3	3.2		
5	321490	17363	2862	2117	1820	2323		6847	354822	90.6	5.7	3.7		
6	292596	16434	2695	1823	1676	1991	1469	6288	324972	90.0	5.9	4.1		
7	275291	16316	2658	1724	1326	2105	1402	5969	306791	89.7	6.2	4.1		
8	305334	17904	3268	2077	1462	2238	1904	6937	341124	89.5	6.2	4.3		
9	223390	13820	2475	1546	971	1835	1390	5216	250643	89.1	6.5	4.4		
10	305706	23032	5664	3862	3240	4569	3762	10140	359975	84.9	8.0	7.1		
11	197808	16110	3356	2474	1984	3154	2552	7082	234520	84.3	8.3	7.4		
12	278120	22194	5710	4114	3271	4711	4932	11423	334475	83.2	8.3	8.5		
13	207496	17616	4530	3178	2445	3821	3782	8925	251793	82.4	8.8	8.8		
14	215893	18569	5628	3879	3164	4678	4350	11203	267364	80.7	9.1	10.2		
15	193167	21538	9020	7696	6634	8222	7701	16363	270341	71.5	11.3	17.2		
Total	4060990	264801	55792	41011	33736	46625	33244	120119	4656318	87.2	6.9	5.9		



C. Total		Male Children Living with										Percent	
Age Group	Parents	Mother	Father	F and step M	M and step F	Relatives	Employer	Others	Total	Parents	F or M	Others	
0.4	2523921	127246	16564	13195	12474	14667	0	47145	2755212	91.6	5.2	3.2	
5	657652	35877	6215	4238	3727	4764	0	13443	725916	90.6	5.8	3.6	
6	592135	33255	5751	3617	3213	4020	3027	12498	657516	90.1	5.9	4.0	
7	553033	32581	5771	3502	2510	4199	2950	12178	616724	89.7	6.2	4.1	
8	631063	35851	7072	4336	3040	4643	3783	14546	704334	89.6	6.1	4.3	
9	452324	27787	4931	2981	2058	3736	2741	10391	506949	89.2	6.5	4.3	
10	637493	46483	11940	7967	6346	8950	7472	20247	746898	85.4	7.8	6.8	
11	406885	32065	7136	4984	3869	5909	4826	14135	479809	84.8	8.2	7.0	
12	587351	45201	12775	8388	6424	9625	9647	22957	702368	83.6	8.3	8.1	
13	423170	34723	9441	6226	4804	7415	7151	17561	510491	82.9	8.7	8.5	
14	442493	35699	11470	7536	6033	8948	8859	21329	542367	81.6	8.7	9.7	
15	397711	39119	15285	11874	9943	12935	12775	27670	527312	75.4	10.3	14.3	
Total	8305231	525887	114351	78844	64441	89811	63231	234100	9475896	87.6	6.8	5.6	

Percent		Male Children Living with										Percent	
Age	Group	Parents	Mother	Father	F and step M	M and step F	Relatives	Employer	Others	Total	Parents	F or M	Others
	Male	51.1	49.6	51.2	48.0	47.6	48.1	47.4	48.7	50.9			
	Female	48.9	50.4	48.8	52.0	52.4	51.9	52.6	51.3	49.1			

#### 5-14 Years

Percent		Male Children Living with										Percent	
Age	Group	Parents	Mother	Father	F and step M	M and step F	Relatives	Employer	Others	Total	Parents	F or M	Others
	Male	2760475	180164	43656	26981	20665	30784	24913	79255	3166893	87.2	7.1	5.8
	Female	2623124	179358	38846	26794	21359	31425	25543	80030	3026479	86.7	7.2	6.1
	Total	5383599	359522	82502	53775	42024	62209	50456	159285	6193372	86.9	7.1	5.9
	Male%	51.3	3.3	0.8	0.5	0.4	0.6	0.5	1.5	58.8			
	Fem %	48.7	3.3	0.7	0.5	0.4	0.6	0.5	1.5	56.2			

Source: Computed from Population Census 2001, CBS.

**ANNEX 17****CHILD POPULATION AGED 5-14, EMPLOYMENT LEVEL AND HOURS WORKED BY SEX AND SCHOOL ATTENDANCE STATUS**

	Attending School							Attendancy rate		
	Boys	Girls	Total	Girls %	Boys	Girls	Total	Boys	Girls	Total
Total Number (000)	2480	2380	4860	49.0	1975	1479	3454	79.6	62.1	71.1
Number employed (000)	911	1072	1983	54.1	694	569	1263	76.2	53.1	63.7
Total hours worked per week (million)	20	24	44	54.5	13	10	23			
Average hours/week	22.0	22.4	22.2		18.7	17.6	18.2			

Source: Computed from NLFS, 1998/99.

**ANNEX 18** TYPE OF WORKS PERFORMED BY CHILDREN AGED 5-14 BY SEX AND SCHOOL ATTENDANCE STATUS (IN '000)

Occupation	Total				Attending School			Percent of attend school		
	Boys	Girls	Total	Girls %	Boys	Girls	Total	Boys	Girls	Total
Service workers	22	17	39	43.6	18	14	32	81.8	82.4	82.1
Housekeeping	7	6	13	46.2	4	5	9	57.1	83.3	69.2
Shops	15	11	26	42.3	14	9	23	93.3	81.8	88.5
Agriculture	784	886	1670	53.1	615	461	1076	78.4	52.0	64.4
Animals	23	30	53	56.6	18	21	39	78.3	70.0	73.6
Subsistence	761	856	1617	52.9	597	440	1037	78.4	51.4	64.1
Craft	9	13	22	59.1	3	5	8	33.3	38.5	36.4
Plant and machine operators	2	2	4	50.0	2	2	4	100.0	100.0	100.0
Elementary	70	126	196	64.3	49	73	122	70.0	57.9	62.2
Ag. labourers	17	23	40	57.5	3	5	8	17.6	21.7	20.0
Fetching water	28	50	78	64.1	27	43	70	96.4	86.0	89.7
Collecting firewood	25	53	78	67.9	19	25	44	76.0	47.2	56.4
<b>Total</b>	<b>887</b>	<b>1044</b>	<b>1931</b>	<b>54.1</b>	<b>687</b>	<b>555</b>	<b>1242</b>	<b>77.5</b>	<b>53.2</b>	<b>64.3</b>
<b>Industries</b>										
Agriculture /forestry	804	921	1725	53.4	620	474	1094	77.1	51.5	63.4
Manufacturing	11	16	27	59.3	4	8	12	36.4	50.0	44.4
Construction	7	3	10	30.0	1	2	3	14.3	66.7	30.0
Trade	17	12	29	41.4	15	9	24	88.2	75.0	82.8
Hotels/restaurants	9	7	16	43.8	4	7	11	44.4	100.0	68.8
Private households	58	107	165	64.8	47	68	115	81.0	63.6	69.7
<b>Total</b>	<b>906</b>	<b>1066</b>	<b>1972</b>	<b>54.1</b>	<b>691</b>	<b>568</b>	<b>1259</b>	<b>76.3</b>	<b>53.3</b>	<b>63.8</b>
All other categories	5	5	10	50.0	2	2	4	40.0	40.0	40.0
<b>Grand total</b>	<b>1798</b>	<b>2115</b>	<b>3913</b>	<b>54.1</b>	<b>1380</b>	<b>1125</b>	<b>2505</b>	<b>76.8</b>	<b>53.2</b>	<b>64.0</b>

Source: Computed from NLFS, 1998/99.

## ANNEX 19

AVERAGE DURATION OF WORK BY AGE GROUP AND SEX  
AND THE NUMBER OF WORKERS

## A. Male

Age	Total	<3 months	3-5 m	6-7 m	8+ m	Total m	Av months
10-14	288475	97657	53218	12778.0	124822	1690635	5.9
15-19	507044	60916	51102	25556.0	369470	4156596	8.2
20-24	672672	18249	34725	28690.0	591008	6262839	9.3
25-29	723920	7289	26237	23390.0	667004	6937957	9.6
30-34	685446	4129	21682	19093.0	640542	6622446	9.7
35-39	623938	3349	18176	18370.0	584043	6037563	9.7
39-44	517598	2395	15236	14939.0	485028	5011920	9.7
45-49	449369	1962	12907	13871.0	420629	4351023	9.7
50-54	366630	1738	10970	12502.0	341420	3541950	9.7
55-59	287712	1553	10369	10632.0	265158	2764494	9.6
60-64	210245	1895	9779	9351.0	189220	1994940	9.5
65+	273725	5444	18530	13580.0	236171	2532266	9.3
Total	5606774	206576	282931	202752	4914515	51904626	9.3

## B. Female

Age	Total	<3 months	3-5 m	6-7 m	8+ m	Total m	Av months
10-14	320939	87112	57379	16987.0	159461	2065210	6.4
15-19	514782	56102	59678	29420.0	369582	4209915	8.2
20-24	614530	30256	50175	34182.0	499917	5467437	8.9
25-29	564825	23485	42822	31359.0	467159	5081939	9.0
30-34	496024	19047	35786	27496.0	413695	4487389	9.0
35-39	440494	15676	30566	24057.0	370195	4004099	9.1
39-44	369854	13149	25671	20091.0	310943	3362429	9.1
45-49	303084	11010	21371	17190.0	253513	2748864	9.1
50-54	238338	9665	17736	13159.0	197778	2148755	9.0
55-59	167300	7766	13717	10337.0	135480	1488508	8.9
60-64	125124	7094	11814	8072.0	98144	1091805	8.7
65+	138159	11577	15921	9075.0	101586	1155897	8.4
Total	4293453	291939	382636	241425	3377453	37312245	8.7

**C. Total**

<b>Age</b>	<b>Total</b>	<b>&lt;3 months</b>	<b>3-5 m</b>	<b>6-7 m</b>	<b>8+ m</b>	<b>Total m</b>	<b>Av months</b>
10-14	609414	184769	110597	29765	284283	3755844	6.2
15-19	1021826	117018	110780	54976	739052	8366511	8.2
20-24	1287202	48505	84900	62872	1090925	11730276	9.1
25-29	1288745	30774	69059	54749	1134163	12019896	9.3
30-34	1181470	23176	57468	46589	1054237	11109835	9.4
35-39	1064432	19025	48742	42427	954238	10041661	9.4
39-44	887452	15544	40907	35030	795971	8374349	9.4
45-49	752453	12972	34278	31061	674142	7099887	9.4
50-54	604968	11403	28706	25661	539198	5690705	9.4
55-59	455012	9319	24086	20969	400638	4253001	9.3
60-64	335369	8989	21593	17423	287364	3086745	9.2
65+	411884	17021	34451	22655	337757	3688163	9.0
Total	9900227	498515	665567	444177	8291968	89216871	9.0

Source: Computed from Population Census 2001, CBS

**ANNEX 20 BORROWINGS FROM FORMAL & INFORMAL SOURCES (IN PERCENT)**

Source of Credit	All Households	Male	Female
<b>Institutional</b>	<b>29.7</b>	<b>30.4</b>	<b>15.4</b>
Agricultural Development Bank	15.9	16.4	4.9
Commercial Bank	11.6	11.9	7.4
Others	2.1	2.1	2.1
<b>Non-Institutional</b>	<b>70.3</b>	<b>69.9</b>	<b>84.6</b>
Friends & Relatives	24.5	24.2	30.5
Moneylenders	28.4	27.9	38.9
Landlords	0.9	0.9	1.0
Merchants Traders/Others	16.5	16.6	14.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Improving Access of Women to Formal Credit Facilities in Nepal, IIDS, 1992

**ANNEX 21 EXTERNAL MIGRATION BY SEX AND DESTINATION**

	Number			Percent		
	Male	Female	Total	Male	Female	Total
India	520500	68550	589050	76.6	82.9	77.3
Pakistan	466	92	558	0.1	0.1	0.1
Bangladesh	784	168	952	0.1	0.2	0.1
Bhutan	511	99	610	0.1	0.1	0.1
Sri Lanka	176	25	201	0.0	0.0	0.0
Maldives	334	36	370	0.0	0.0	0.0
Total	522771	68970	591741	76.9	83.4	77.6
<b>Grand Total</b>	<b>679469</b>	<b>82712</b>	<b>762181</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Compiled from the Population Census 2001, CBS.

**ANNEX 22 PURPOSE OF MIGRATION BY SEX**

Purpose	Number			Percent		
	Male	Female	Total	Male	Female	Total
Agriculture	6608	1155	7763	1.0	1.4	1.0
Business	11140	910	12050	1.6	1.1	1.6
Personal service	481278	24943	506221	70.8	30.2	66.4
Institutional service	91007	3322	94329	13.4	4.0	12.4
Study/Training	24929	6818	31747	3.7	8.2	4.2
Marriage	2157	11944	14101	0.3	14.4	1.9
Others	62350	33620	95970	9.2	40.6	12.6
<b>Total</b>	<b>679469</b>	<b>82712</b>	<b>762181</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Compiled from Population Census 2001, CBS.



**ANNEX 23 FEMALE OWNERSHIP OF PRODUCTIVE ASSETS**

Area	Total HH	House	Land only	Live-stock only	House and land	Land and live-stock	All	Total yes	Yes%
NEPAL	4174374	68187	217489	232188	161051	5826	39187	723928	17.3
Eastern Dev Region	1000358	5947	73451	80707	47494	1413	17529	220387	22.0
Central Dev Region	1465753	16459	77153	12303	56296	1134	12511	247180	16.9
Western Dev Region	863045	41067	43072	12384	36910	2771	6131	137710	16.0
Mid-Western Dev Reg.	479817	3054	17801	10037	14715	339	2234	63941	13.3
Far-Western Dev Reg.	365401	1660	6012	16643	5636	169	782	42293	11.6
Mountain	285213	1664	11885	70765	8166	313	3408	57716	20.2
Hill	1951191	54507	88013	86395	69617	3573	17750	313314	16.1
Terai	1937970	12016	117591	75028	83268	1940	18029	340481	17.6
Eastern Mountain	77197	422	6658	5679	4011	110	1903	20395	26.4
Central Mountain	103637	356	4265	6624	2797	86	1174	16678	16.1
Western Mountain	5019	52	211	81	157	7	27	598	11.9
Mid-Western Mountain	31384	652	409	3332	693	60	169	5574	17.8
Far-Western Mountain	67976	182	342	13230	508	50	135	14471	21.3
Eastern Hill	309149	1448	23225	23339	12218	340	6721	72019	23.3
Central Hill	691207	12437	31880	34196	26970	434	5680	116304	16.8
Western Hill	568898	38787	26365	28860	23923	2556	4277	87819	15.4
Mid-Western Hill	239100	1260	5876	11972	5507	175	958	26977	11.3
Far-Western Hill	142837	575	667	7587	999	68	114	10195	7.1
Eastern Terai	614012	4077	43568	33189	31265	963	8905	127973	20.8
Central Terai	670909	3666	41008	32222	26529	614	5657	114198	17.0
Western Terai	289128	2228	16496	14044	12830	208	1827	49293	17.0
Mid-Western Terai	209333	1142	11516	8096	8515	104	1107	31390	15.0
Far-Western Terai	154588	903	5003	6511	4129	51	533	17627	11.4

Source: Computed from Population Census 2001, CBS.

- 1.** Recognizing the commitment of the ILO and its constituents to making decent work a reality for all workers and employers, the Governing Body of the International Labour Office invited the International Labour Conference to address the issue of the informal economy. The commitment to decent work is anchored in the Declaration of Philadelphia's affirmation of the right of everyone to "conditions of freedom and dignity, of economic security and equal opportunity". We now seek to address the multitude of workers and enterprises who are often not recognized and protected under legal and regulatory frameworks and who are characterized by a high degree of vulnerability and poverty, and to redress these decent work deficits.
- 2.** The promotion of decent work for all workers, women and men, irrespective of where they work, requires a broad strategy: realizing fundamental principles and rights at work; creating greater and better employment and income opportunities; extending social protection; and promoting social dialogue. These dimensions of decent work reinforce each other and comprise an integrated poverty reduction strategy. The challenge of reducing decent work deficits is greatest where work is performed outside the scope or application of the legal and institutional frameworks. In the world today, a majority of people work in the informal economy – because most of them are unable to find other jobs or start businesses in the formal economy.
- 3.** Although there is no universally accurate or accepted description or definition, there is a broad understanding that the term "informal economy" accommodates considerable diversity in terms of workers, enterprises and entrepreneurs with identifiable characteristics. They experience specific disadvantages and problems that vary in intensity across national, rural, and urban contexts. The term "informal economy" is preferable to "informal sector" because the workers and enterprises in question do not fall within any one sector of economic activity, but cut across many sectors. However, the term "informal economy" tends to downplay the linkages, grey areas and interdependencies between formal and informal activities. The term "informal economy" refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs. The ILO's work needs to take into account the conceptual difficulties arising from this considerable diversity.
- 4.** Workers in the informal economy include both wage workers and own-account workers. Most own-account workers are as insecure and vulnerable as wage workers and move from one situation to the other. Because they lack protection, rights and representation, these workers often remain trapped in poverty.
- 5.** In some countries, the term "informal economy" refers to the private sector. In some other countries, the term is considered synonymous with the "underground", "shadow" or "grey" economy. However, the majority of workers and enterprises in the informal economy produce legal goods and services, albeit sometimes not in conformity with procedural legal requirements, for example where there is non-compliance with registration requirements or immigration formalities. These activities should be distinguished from criminal and illegal activities, such as production and smuggling of illegal drugs, as they are the subject of criminal law, and are not appropriate for regulation or protection under labour or commercial law. There also may be grey areas where the economic activity involves characteristics of both the formal and informal economy, for instance when formal workers are provided with undeclared remuneration, or when there are groups of workers in formal enterprises whose wages and working conditions are typical of those existing in informality.
- 6.** The informal economy absorbs workers who would otherwise be without work or income, especially in developing countries that have a large and rapidly growing labour force, for example in countries where workers are made redundant following structural adjustment programmes. Most people enter the informal economy not by choice but out of a need to survive. Especially in circumstances of high unemployment, underemployment and poverty, the informal economy has significant job and income generation potential because of the relative ease of entry and low requirements for education, skills, technology and capital, but the jobs thus created often fail to meet the criteria of decent work. The informal economy also helps to meet the needs of poor consumers by providing accessible and lowpriced goods and services.
- 7.** Workers and economic units in the informal economy can have a large entrepreneurial potential. Workers in the informal economy also have a reservoir of skills. Many people working in the informal economy have real business acumen, creativity, dynamism and innovation, and such potential could flourish if certain obstacles could be removed. The informal economy could also serve as an incubator for business potential and an opportunity for on-the-job skills acquisition. In this sense, it can be a transitional base for accessibility and graduation to the formal economy, if effective strategies are put in place.

**8.** In many countries, both developing and industrialized, there are linkages between changes in the organization of work and the growth of the informal economy. Workers and economic units are increasingly engaged in flexible work arrangements, including outsourcing and subcontracting; some are found at the periphery of the core enterprise or at the lowest end of the production chain, and have decent work deficits.

**9.** The decent work deficits are most pronounced in the informal economy. From the perspective of unprotected workers, the negative aspects of work in the informal economy far outweigh its positive aspects. Workers in the informal economy are not recognized, registered, regulated or protected under labour legislation and social protection, for example when their employment status is ambiguous, and are therefore not able to enjoy, exercise or defend their fundamental rights. Since they are normally not organized, they have little or no collective representation vis-à-vis employers or public authorities. Work in the informal economy is often characterized by small or undefined workplaces, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours and lack of access to information, markets, finance, training and technology. Workers in the informal economy may be characterized by varying degrees of dependency and vulnerability.

**10.** Although most at risk and therefore most in need, most workers in the informal economy have little or no social protection and receive little or no social security, either from their employer or from the government. Beyond traditional social security coverage, workers in the informal economy are without social protection in such areas as education, skillbuilding, training, health care and childcare, which are particularly important for women workers. The lack of social protection is a critical aspect of the social exclusion of workers in the informal economy.

**11.** While some people in the informal economy earn incomes that are higher than those of workers in the formal economy, workers and economic units in the informal economy are generally characterized by poverty, leading to powerlessness, exclusion, and vulnerability. Most workers and economic units in the informal economy do not enjoy secure property rights, which thus deprives them access to both capital and credit. They have difficulty accessing the legal and judicial system to enforce contracts, and have limited or no access to public infrastructure and benefits. They are vulnerable to harassment, including sexual harassment, and other forms of exploitation and abuse, including corruption and bribery. Women, young persons, migrants and older workers are especially vulnerable to the most serious decent work deficits in the informal economy. Characteristically, child workers and bonded labourers are found in the informal economy.

**12.** Unregistered and unregulated enterprises often do not pay taxes, and benefits and entitlements to workers, thus posing unfair competition to other enterprises. Also workers and economic units in the informal economy do not always contribute to the tax system, although often because of their poverty. These situations may deprive the government of public revenue thereby limiting government's ability to extend social services.

**13.** To promote decent work, it is necessary to eliminate the negative aspects of informality while at the same time ensuring that opportunities for livelihood and entrepreneurship are not destroyed, and promoting the protection and incorporation of workers and economic units in the informal economy into the mainstream economy. Continued progress towards recognized, protected decent work will only be possible by identifying and addressing the underlying causes of informality and the barriers to entry into the economic and social mainstream.

**14.** Informality is principally a governance issue. The growth of the informal economy can often be traced to inappropriate, ineffective, misguided or badly implemented macroeconomic and social policies, often developed without tripartite consultation; the lack of conducive legal and institutional frameworks; and the lack of good governance for proper and effective implementation of policies and laws. Macroeconomic policies, including structural adjustment, economic restructuring and privatization policies, where not sufficiently employment-focused, have reduced jobs or not created adequate new jobs in the formal economy. A lack of high and sustainable economic growth inhibits the capacity of governments to facilitate the transition from the informal to the formal economy, through the creation of more jobs in the mainstream economy. Many countries do not have explicit employment creation and business development policies; they treat job quantity and quality as a residual rather than as a necessary factor of economic development.

**15.** In appropriate circumstances, trade, investment and technology can offer developing and transition countries opportunities to reduce the gap that separates them from advanced industrialized countries, and can create good jobs. However, the problem is that the current globalization processes are not sufficiently inclusive or fair; the benefits are not reaching enough people, especially those most in need. Globalization lays bare poor governance. Trade, without export subsidies that distort the market, without unfair practices or the application of unilateral measures, would help living standards to be raised and conditions of employment to be improved in developing countries, and would reduce decent work deficits in the informal economy.

**16.** Since a defining characteristic of workers and enterprises in the informal economy is that they often are not recognized, regulated or protected by law, the legal and institutional frameworks of a country are key. The ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up and the core labour standards are as applicable in the informal as in the formal economy. But some workers are in the informal economy because national labour legislation does not adequately cover them or is not effectively enforced, in part because of the practical difficulties of labour inspection. Labour legislation often does not take into account the realities of modern

organization of work. Inappropriate definitions of employees and workers may have the adverse effect of treating a worker as self-employed and outside the protection of labour legislation.

**17.** Inappropriate legal and administrative frameworks that do not guarantee and protect freedom of association make it difficult for workers and employers to organize. Democratic, independent, membership-based organizations of wage workers, own-account workers, self-employed persons or employers in the informal economy are sometimes not allowed to operate under local or national legislation and are often unrecognized and excluded from or under-represented in social dialogue institutions and processes. Without organization and representation, those in the informal economy generally do not have access to a range of other rights at work. They are not able to pursue their employment interests through collective bargaining or to lobby policy-makers on issues such as access to infrastructure, property rights, taxation and social security. Women and youth, who make up the bulk of workers in the informal economy, are especially without representation and voice.

**18.** Economic units operate in the informal economy mainly because inappropriate regulations and excessively high tax policies are responsible for excessive costs of formalization and because barriers to markets and the lack of access to market information, public services, insurance, technology and training exclude them from the benefits of formalization. High transaction and compliance costs are imposed on economic units by laws and regulations that are overly burdensome or involve dealing with corrupt or inefficient bureaucracies. The absence of an appropriate system of property rights and the titling of the assets of the poor prevents the generation of productive capital needed for business development.

**19.** Informality can also be traced to a number of other socio-economic factors. Poverty prevents real opportunities and choices for decent and protected work. Low and irregular incomes and often the absence of public policies prevent people from investing in their education and skills needed to boost their own employability and productivity, and from making sustained contributions to social security schemes. Lack of education (primary and secondary) to function effectively in the formal economy, in addition to a lack of recognition of skills garnered in the informal economy, act as another barrier to entering the formal economy. The lack of livelihood opportunities in rural areas drives migrants into informal activities in urban areas or other countries. The HIV/AIDS pandemic – by illness, discrimination or loss of adult breadwinners – pushes families and communities into poverty and survival through informal work.

**20.** The feminization of poverty and discrimination by gender, age, ethnicity or disability also mean that the most vulnerable and marginalized groups tend to end up in the informal economy. Women generally have to balance the triple responsibilities of breadwinning, domestic chores, and elder care and childcare. Women are also discriminated against in terms of access to education and training and other economic resources. Thus women are more likely than men to be in the informal economy.

**21.** Since decent work deficits are often traceable to good governance deficits, the government has a primary role to play. Political will and commitment and the structures and mechanisms for proper governance are essential. Specific laws, policies and programmes to deal with the factors responsible for informality, to extend protection to all workers and to remove the barriers to entry into the mainstream economy will vary by country and circumstance. Their formulation and implementation should involve the social partners and the intended beneficiaries in the informal economy. Especially in countries struggling with abject poverty and with a large and rapidly growing labour force, measures should not restrict opportunities for those who have no other means of livelihood. However, it should not be a job at any price or under any circumstances.

**22.** Legislation is an important instrument to address the all-important issue of recognition and protection for workers and employers in the informal economy. All workers, irrespective of employment status and place of work, should be able to enjoy, exercise and defend their rights as provided for in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up and the core labour standards. To ensure that labour legislation affords appropriate protection for all workers, governments should be encouraged to review how employment relationships have been evolving and to identify and adequately protect all workers. The elimination of child labour and bonded labour should be a priority goal.

**23.** The informal economy provides an environment that allows child labour to thrive. Child labour is a key component of the informal economy. It undermines strategies for employment creation and poverty reduction, as well as education and training programmes and the development prospects of countries. Child labour also exists in industrialized countries. The eradication of child labour requires poverty reduction, good governance, effective enforcement, improved access to universal education and social protection. It requires commitment and cooperation between the social partners as part of the promotion of fundamental rights and the programme to transfer jobs from the informal to the economic mainstream. Key to the success of abolishing child labour is the creation of more quality jobs for adults.

**24.** It is the responsibility of governments to provide an enabling framework at national and local levels to support representational rights. National legislation must guarantee and defend the freedom of all workers and employers, irrespective of where and how they work, to form and join organizations of their own choosing without fear of reprisal or intimidation. Obstacles to the recognition of legitimate, democratic, accessible, transparent and accountable membership-based organizations of workers and employers in the informal economy must be

removed, so that they are able to participate in social dialogue structures and processes. Public authorities should include such organizations in public policy debates, and provide them access to the services and infrastructure they need to operate effectively and efficiently and protect them from harassment or unjustified or discriminatory eviction.

**25.** Policies and programmes should focus on bringing marginalized workers and economic units into the economic and social mainstream, thereby reducing their vulnerability and exclusion. This means that programmes addressing the informal economy, such as provision of education, training, microfinance, etc., should be designed and implemented with the main objective of bringing workers or economic units in the informal economy into the mainstream, so that they are covered by the legal and institutional framework. Statistical and other research should be focused and designed to give effective support to these policies and programmes.

**26.** Governments must provide the conducive macroeconomic, social, legal and political frameworks for the large-scale creation of sustainable, decent jobs and business opportunities. Governments should adopt a dynamic approach to place decent employment at the centre of economic and social development policies and also to promote wellfunctioning labour markets and labour market institutions, including labour market information systems and credit institutions. To increase job quantity and quality, emphasis should be placed on investing in people, especially the most vulnerable – in their education, skills training, lifelong learning, health and safety – and encouraging their entrepreneurial initiative. Poverty reduction strategies, in particular the Poverty Reduction Strategy Papers (PRSPs), should specifically address the problems in the informal economy. The creation of decent jobs should be a measure of success for these strategies. In many developing countries, rural development and agricultural policies, including supportive legal frameworks for cooperatives, need to be enhanced and strengthened. Special attention should be given to the care responsibilities of women to enable them to make the transition from informal to formal employment more easily.

**27.** A conducive policy and legal environment lowers the costs to establish and operate a business, including simplified registration and licensing procedures, appropriate rules and regulations, reasonable and fair taxation. It also increases the benefits of legal registration, facilitating access to commercial buyers, more favourable credit terms, legal protection, contract enforcement, access to technology, subsidies, foreign exchange and local and international markets. Besides, such policies discourage businesses in the formal economy from shifting into the informal economy. This helps new businesses to start and smaller businesses to enter the formal economy and to create new jobs, without lowering labour standards. This also increases state revenues.

**28.** Another high priority is a coherent legal, judicial and financial framework for securing property rights to enable assets to be turned into productive capital through sale, lease or use as collateral. Reform of legislation regarding property rights should give special attention to gender inequalities in rights to own and control property.

**29.** To address the needs of the poor and vulnerable in the informal economy, the conclusions concerning social security adopted by the 89th Session of the International Labour Conference in 2001 should be supported and implemented. Governments have a lead responsibility to extend the coverage of social security, in particular to groups in the informal economy which are currently excluded. Micro insurance and other communitybased schemes are important but should be developed in ways that are consistent with the extension of national social security schemes. Policies and initiatives on the extension of coverage should be taken within the context of an integrated national social security strategy.

**30.** The implementation and enforcement of rights and protections should be supported by improved systems of labour inspection and easy and rapid access to legal aid and the judicial system. There should also be provisions for cost-effective dispute resolution and contract enforcement. National governments and local authorities should promote efficient bureaucracies that are corruption and harassment free, are transparent and consistent in the application of rules and regulations, and that protect and enforce contractual obligations and respect the rights of workers and employers.

**31.** An important objective for both employers' and workers' organizations is to extend representation throughout the informal economy. Workers and employers in informal activities may wish to join existing trade unions and employers' organizations, or they may want to form their own. Employers' and workers' organizations play a critical role in either strategy: extending membership and services to employers and workers in the informal economy, and encouraging and supporting the creation and development of new memberbased, accessible, transparent, accountable and democratically managed representative organizations, including bringing them into social dialogue processes.

**32.** Both employers' and workers' organizations can play an important advocacy role to draw attention to the underlying causes of informality and to galvanize action on the part of all tripartite partners to address them, and to remove the barriers to entry into mainstream economic and social activities. They can also lobby the public authorities for the creation of transparent institutions and the establishment of mechanisms for delivering and linking services to the informal economy. The innovative and effective strategies and good practices that

employers' organizations and trade unions in different parts of the world have used to reach out to, recruit, organize or assist workers and enterprises in the informal economy should be more widely publicized and shared.

**33.** Employers' organizations in collaboration with or through other relevant organizations or institutions could assist economic units operating in the informal economy in a number of important ways, including access to information which they would otherwise find difficult to obtain, such as on government regulations or market opportunities, and also access to finance, insurance, technology and other resources. They could extend business support and basic services for productivity improvement, entrepreneurship development, personnel management, accounting and the like. They could help develop a lobbying agenda specially geared to the needs of micro and small enterprises. Importantly, employers' organizations could act as the conduit for the establishment of links between informal enterprises and formal enterprises, the opportunities for which have increased due to globalization. They could also initiate activities adapted to the needs of the informal economy that can yield important results such as improved safety and health, improved labour-management cooperation or productivity enhancement.

**34.** Trade unions can sensitize workers in the informal economy to the importance of having collective representation through education and outreach programmes. They can also make efforts to include workers in the informal economy in collective agreements. With women accounting for a majority in the informal economy, trade unions should create or adapt internal structures to promote the participation and representation of women and also to accommodate their specific needs. Trade unions can provide special services to workers in the informal economy, including information on their legal rights, educational and advocacy projects, legal aid, provision of medical insurance, credit and loan schemes and the establishment of cooperatives. These services should not, however, be regarded as a substitute for collective bargaining or as a way to absolve governments from their responsibilities. There is also a need to develop and promote positive strategies to combat discrimination of all forms, to which workers in the informal economy are particularly vulnerable.

**35.** The ILO should draw upon its mandate, tripartite structure and expertise to address the problems associated with the informal economy. An approach based on decent work deficits has considerable merit and should be pursued. The ILO approach should reflect the diversity of situations and their underlying causes found in the informal economy. The approach should be comprehensive involving the promotion of rights, decent employment, social protection and social dialogue. The approach should focus on assisting member States in addressing governance, employment-generation and poverty-reduction issues. The ILO should take into account the conceptual difficulties arising from the considerable diversity in the informal economy.

**36.** The efforts of the Office should:

- (a) better address the needs of workers and economic units in the informal economy and they should be addressed throughout the Organization, including already existing policies and programmes;
- (b) strengthen its tripartite approach to all activities in this area and especially to ensure close consultation and active involvement of the Bureau for Workers' Activities and Bureau for Employers' Activities in all aspects of the work programme, in particular their design;
- (c) include an identifiable and highly visible programme of work with dedicated resources that is able to draw together relevant expertise including experts in workers' and employers' activities;
- (d) be linked logically and integrally to the ILO's major strategic objectives and InFocus programmes, for example the Decent Work Agenda, the Declaration on Fundamental Principles and Rights at Work and its Follow-up, the Global Employment Agenda, and upholding the overall goals of gender equality and poverty reduction; and be able to draw upon the multidisciplinary expertise and experience of all four technical sectors and operate effectively across all sectors and field structures. Linkages should also be made with major international initiatives, such as the Millennium Development Goals and the Youth Employment Network;
- (e) be organized in innovative and effective ways to focus the particular and/or combined expertise of specialists in labour law, eradication of the worst forms of child labour, equal opportunities, social aspects of globalization, labour inspection, social dialogue, social protection, micro and small enterprise development and employment policy, together with specialists in workers' and employers' activities, to deliver specifically designed strategies to address the identified causes and impacts of decent work deficits thus contributing to poverty reduction;
- (f) ensure that technical assistance activities seek to integrate workers and economic units in the informal economy into the mainstream economy and are designed to produce this result;
- (g) be reflected in the programme and regular budget and technical assistance priorities and supported by adequate regular budget and extra-budgetary resources.

**37.** Specific priority areas for the ILO's work programme and technical assistance should be to:

- (a) help member States to formulate and implement, in consultation with employers' and workers' organizations, national policies aimed at moving workers and economic units from the informal economy into the formal economy;
- (b) place special emphasis on removing obstacles to, including those in the legal and institutional framework, the realization of all the fundamental principles and rights at work;
- (c) identify the obstacles to application of the most relevant labour standards for workers in the informal economy and assist the tripartite constituents in developing laws, policies, and institutions that would implement these standards;
- (d) identify the legal and practical obstacles to formation of organizations of workers and employers in the informal economy and assist them to organize;
- (e) gather and disseminate examples and best-practice models of innovative and effective strategies used by employers' organizations and trade unions to reach out to, recruit and organize workers and economic units in the informal economy;
- (f) undertake programmes and policies aimed at creating decent jobs and education, skill-building and training opportunities to help workers and employers move into the formal economy;
- (g) target those areas of the informal economy where child labour is prevalent with the objective of assisting member States to design and implement policies and programmes to eradicate child labour; (h) apply the ILO's policies and programmes on enhancing employability, skills and training, productivity and entrepreneurship to help meet the massive demand for jobs and livelihoods in ways that respect labour standards and enable entry into the economic and social mainstream;
- (i) assist member States to develop appropriate and facilitating legal and regulatory frameworks to secure property rights and title assets, and to encourage and support the start-up and sustainable growth of enterprises and their transition from the informal to formal economy;
- (j) mainstream the issues concerning and solutions to the challenges often presented by the informal economy in poverty reduction strategies, in particular the Poverty Reduction Strategy Papers (PRSPs);
- (k) promote the renewed campaign agreed at the International Labour Conference in 2001 to improve and extend social security coverage to all those in need of social protection, especially those in the informal economy, inter alia, through the development and piloting of innovative ideas, such as the Global Social Trust;
- (l) address discrimination in the informal economy and ensure that policies and programmes specifically target the most vulnerable, in particular women, young firsttime jobseekers, older retrenched workers, migrants and those afflicted with or affected by HIV/AIDS;
- (m) develop greater understanding of the relationship between the informal economy and the feminization of work, and identify and implement strategies to ensure that women have equal opportunities to enter and enjoy decent work;
- (n) assist member States to collect, analyse and disseminate consistent, disaggregated statistics on the size, composition and contribution of the informal economy that will help enable identification of specific groups of workers and economic units and their problems in the informal economy and that will inform the formulation of appropriate policies and programmes;
- (o) expand the knowledge base on governance issues in the informal economy and solutions and good practices for dealing with these issues;
- (p) collect and disseminate information on transitions made to the mainstream economy, how such transitions were facilitated, and key success factors;
- (q) take the lead role in working with other relevant institutions whose expertise could complement that of the ILO in addressing the issues in the informal economy;
- (r) include work with other international organizations including United Nations and Bretton Woods institutions, promoting dialogue to avoid duplication, identify and share expertise, while the ILO itself takes the lead role.

For further information, please contact:

**International Labour Office in Nepal**

P.O.Box : 8971 Kathmandu, Nepal

Telephone : (+977) 1 554 2148, 552 2259, 555 0691

Facsimile : (+977) 1 555 0714

Website : [www.ilo.org](http://www.ilo.org)