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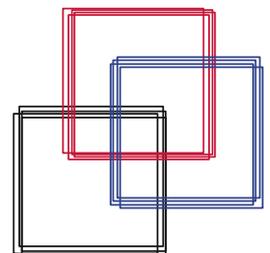
The MasterCard  
Foundation

# Labour market transitions of young women and men in Nepal

Nicolas Serrière and  
Centre for Economic Development  
and Administration

May 2014

Youth Employment Programme  
Employment Policy Department



**Work4Youth Publication Series No. 12**

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**Nicolas Serrière and  
Centre for Economic Development and Administration**

**International Labour Office • Geneva**

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## Preface

Youth is a crucial time of life when young people start realizing their aspirations, assuming their economic independence and finding their place in society. The global jobs crisis has exacerbated the vulnerability of young people in terms of: i) higher unemployment, ii) lower quality jobs for those who find work, iii) greater labour market inequalities among different groups of young people, iv) longer and more insecure school-to-work transitions, and v) increased detachment from the labour market.

In June 2012, the International Labour Conference of the ILO resolved to take urgent action to tackle the unprecedented youth employment crisis through a multi-pronged approach geared towards pro-employment growth and decent job creation. The resolution “The youth employment crisis: A call for action” contains a set of conclusions that constitute a blueprint for shaping national strategies for youth employment.<sup>1</sup> It calls for increased coherence of policies and action on youth employment across the multilateral system. In parallel, the UN Secretary-General highlighted youth as one of the five generational imperatives to be addressed through the mobilization of all the human, financial and political resources available to the United Nations (UN). As part of this agenda, the UN has developed a System-wide Action Plan on Youth, with youth employment as one of the main priorities, to strengthen youth programmes across the UN system.

The ILO supports governments and social partners in designing and implementing integrated employment policy responses. As part of this work, the ILO seeks to enhance the capacity of national and local-level institutions to undertake evidence-based analysis that feeds social dialogue and the policy-making process. To assist member States in building a knowledge base on youth employment, the ILO has designed the “school-to-work transition survey” (SWTS) and the “labour demand enterprise survey” (LDES). The current report, which presents the results of the surveys in Nepal, is a product of a partnership between the ILO and The MasterCard Foundation. The “Work4Youth” Project entails collaboration with statistical partners and policy-makers of 28 low- and middle-income countries to undertake the SWTS and assist governments and the social partners in the use of the data for effective policy design and implementation.

It is not an easy time to be a young person in the labour market today. The hope is that with leadership from the UN system, with the commitment of governments, trade unions and employers’ organizations and through the active participation of donors such as The MasterCard Foundation, the international community can provide the effective assistance needed to help young women and men make a good start in the world of work. If we can get this right, it will positively affect young people’s professional and personal success in all future stages of life.

Azita Berar Awad  
Director  
Employment Policy Department

José Assalino  
Director  
Country Office for Nepal

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<sup>1</sup> The full text of the 2012 resolution “The youth employment crisis: A call for action” can be found on the ILO website at: [http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS\\_185950/lang--en/index.htm](http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS_185950/lang--en/index.htm).



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Finally, the ILO would like to acknowledge the support given by The MasterCard Foundation in allowing the research to move forward, under the scope of the Work4Youth partnership.



# 1. Introduction and main findings

## 1.1 Overview

The group of young people aged 15–29 in Nepal represents more than one-quarter (28 per cent) of the total population and, of these, over 40 per cent are teenagers aged 15–19, the youngest part of the age group. Many of the country's youth are still in school, making them the most educated generation ever in the country but, despite improvements in education, many still have difficulty finding employment in their country. As a result, the number who emigrate increases every year, with young Nepalese looking for work in neighbouring India or further abroad in Middle Eastern countries. Those who remain in Nepal engage in long-term studies unlikely to provide them with the skills needed locally; they thus tend to join the ranks of the underemployed or, worse, drop out of the labour market completely. Given the circumstances, therefore, it is not a cliché to say that Nepal is sitting on a youth employment time bomb.

It is also necessary to realize that youth were at the centre of Nepal's ten-year conflict. Young Nepalese were co-opted, manipulated or forced into political rallies, strikes or military violence. As a result, many are victims who suffered direct violence and lost the opportunity to attend school or vocational training. The future of Nepal, its political stability and economic development, is now intricately linked to its ability to provide protection and ensure the socio-economic integration of its youth, including those touched by the conflict.

The challenges, therefore, are many, yet the situation is not all bad. While Nepal remains ahead of only Afghanistan within South Asia in terms of socio-economic development, it has nevertheless made considerable progress. Poverty levels have decreased over the last decade from more than one-third to about one-quarter of the population. This is largely due to increasing remittances but can also be attributed to moderate economic growth in the country. This growth must be nurtured, however, to decrease the dependence on remittances and to ensure it translates into effective job creation.

Nepal is at a crossroads. Although the political situation remains volatile, the government must concentrate on fully assessing the challenges ahead to adopt pertinent and commensurate policy measures. It requires all the information possible on the target population of these policies. This report contributes to that effort by providing a quantitative and qualitative assessment of Nepal's youth population generated from the recent school-to-work transition survey (SWTS) and labour demand enterprise survey (LDES).

One important point to bear in mind when reading this report is the high rate of external migration among Nepalese youth. With estimates as high as 10 per cent of the population, or at least 2.1 million Nepalese working abroad,<sup>2</sup> it could be argued that a bias exists in the dataset. If young Nepalese working abroad were added to the estimates, the high share of inactive students in the total youth population, which could easily be read as a success story of the Nepalese education system, would shrink accordingly. In other words, interpretation of the data in the face of high external migration should be made with care.

---

<sup>2</sup> According to the 2009 Nepal Migration Survey, as reported in World Bank (2011).

## 1.2 Structure of the report

This report consists of six sections. Following this introduction, section 2 provides an overview of the socio-economic situation in Nepal, explores the specificities of the labour market, and introduces the objectives and methodology of the SWTS. Section 3 presents a descriptive analysis of the characteristics of the population aged 15–29, concentrating on their labour market outcomes. Section 4 introduces the stages of labour market transition and investigates the parameters that determine whether youth are more or less successful in their professional development. Section 5 reports on the results of the labour demand enterprise survey (LDES), focusing on what enterprises look for in prospective employees and whether or not the supply of labour is likely to satisfy the demand for labour. Finally, section 6 outlines Nepal’s institutional and employment policy framework and lists policy recommendations.

## 1.3 Main findings

### *The youth population in Nepal is large, and getting larger.*

Nepal has a population of 26.5 million, which is growing fast. As a result, young people are numerous. The 15–29 year-olds represent 27.8 per cent of the total population. In addition, children below the age of 15 make up a further 34.9 per cent of the total population. Nepal must take full account of this demographic trend to prepare for the massive pressure that will be put on the labour market as more and more youth become available for work.

### *Nepal’s youth face a serious deficit in job creation.*

Unemployment rates are much higher for young people than for the whole of the population. The unemployment rate for those aged 15–29 is 19.2 per cent, while the national unemployment rate for people older than 15 is just 2.7 per cent. Differences between young men and women exist but are limited. The male youth unemployment rate is 17.1 per cent compared to 22.2 per cent for young females. Young women also fare worse than men regarding their employment ratio (33.4 and 42.8 per cent, respectively) and their labour force participation rate (43.0 and 51.7 per cent, respectively). In addition, close to 27 per cent of all unemployed youth have been looking for work for more than 1 year. These young people will experience increasing difficulty to find decent jobs that allow them to lift themselves or their families out of poverty.

### *Nepal’s youth population has never been so well educated and the level of completed education continues to rise.*

Eighty per cent of young people with only primary-level education are better educated than their fathers (90 per cent when compared to their mothers). The level of educational attainment is rising: 40 per cent of those surveyed had completed primary school and another 40 per cent had completed secondary school. Yet still 10.7 per cent of youth had completed tertiary education and as much as 52.7 per cent with completed education left after primary level or less. On the more positive side, among those still in school, nearly 60 per cent are currently enrolled in secondary education and another 29.6 per cent are in higher education.

### *While unemployment may be higher among the better educated, the results clearly show that investing in education brings positive returns to youth in terms of wages and access to the “better” jobs.*

The youth unemployment rates increase with each incremental level of education. The youth unemployment rate of a university graduate is triple that of the young person

with no education at all (26.1 per cent and 8.2 per cent, respectively). This may be due to the fact that highly educated people are keen to reap the benefits of the money and time they have invested in education and are willing to spend more time looking for the right job. At the same time, however, there appears to be a clear deficiency of job opportunities for young graduates.

Evidence from the surveys show that youth with tertiary-level degrees can earn at least 1.5 times the wages of youth with primary education. The average monthly wages of youth increases steadily with each incremental step of education or training. Also, the higher the educational attainment of youth, the more likely they are to attain stable employment and the better chance they have to escape informal employment.

***There are several lines of segmentation in the youth labour market, such as male/female and rural/urban.***

Employment for youth, as for adults, is mainly concentrated in rural areas, with around 80 per cent of the labour force living in rural regions. Unemployment, by contrast, is largely an urban phenomenon. The urban unemployment rate of surveyed youth amounted to 27.6 per cent compared to 17.4 per cent in rural areas. Young women do not appear to suffer from blatant forms of discrimination once in wage or salaried employment, but their access to paid employment is far less assured than for young men (30.0 per cent of young female workers are paid employees compared to 47.6 per cent of young males). In addition, some sectors and occupations in agriculture or services are male-biased. Overall, data suggest that women have greater difficulty finding decent employment than men in Nepal.

***Too many young people are engaged in low-productivity activities in agriculture.***

Agriculture remains the biggest employer of young people but it is also the least productive sector. Almost one-third of youth employed in the sector are teenagers aged 15–19 who may subsequently miss out on educational opportunities. Working long hours at an early age, in a low-productivity sector and with reduced possibilities to acquire better skills and knowledge may condemn a substantial portion of the population to a pattern of low-productivity work, thereby making poverty reduction a difficult goal to achieve.

***Informal employment is standard among youth.***

Nine in ten young workers (92.2 per cent) are in informal employment. Among the informally employed, 65.6 per cent work in the informal (unregistered) sector and 34.4 per cent are in informal (paid) jobs in the formal sector. This reflects the lack of employment entitlements for a majority of young paid workers. Less than one-half of young employees receive entitlements beyond the basic wage. Of the benefits mentioned in the survey, five (a meal allowance, annual paid leave, paid sick leave, overtime pay and training courses) are enjoyed by at least 30 per cent of employed youth. Although wage and salaried employment is not the norm among young workers, it nevertheless encompasses a sizeable portion (at least as concerns males as 47.6 per cent of young men are employees). In other words, the population appreciates that employment includes quantitative and qualitative dimensions, which may facilitate the adoption of decent work promotion.

***Most young people benefit from unlimited contracts.***

Data show that, among young wage and salaried workers, employment contracts of unlimited duration are the norm. Those who fare the worst in terms of employment contract are urban women, despite the fact that 58.7 per cent of paid female employees have a contract without a time limit (permanent). Young men in urban areas fare the best, as 74.8 per cent of male employees have a contract of unlimited duration. Those with

short-term contracts of less than 1 year, on the other hand, vary between rural female employees (30.6 per cent) and urban male employees (12.7 per cent).

***Self-employment is the dominant status of employment of youth.***

Adding together employers, own-account workers and contributing family workers, 51.3 per cent of young working men and 67.9 per cent of young working women are self-employed. The dynamics behind this category of workers are important because in certain cases this group reveals symptoms of vulnerable employment. Although some youth have positive reasons for establishing a business, such as gaining financial or personal independence, many are forced into self-employment because no jobs are available (according to 34.5 per cent of self-employed respondents), or because they do not have the appropriate educational background (18.7 per cent) or the right professional profile (18.2 per cent). Young contributing family workers, who remain unpaid and make up the majority of self-employed and 40.6 per cent of young workers overall, have less choice in the matter. They work in the family establishment because it is expected by the family, leaving one to wonder if this is really the most effective use of young resources in the country.

***Classifying youth into stages of transition identifies a potentially explosive situation for Nepal in that the only prospect for many young people appears to be emigration.***

Many young people (40.9 per cent) have not yet started their labour market transition to stable and/or satisfactory employment, some are still in transition (38.9 per cent) and fewer still have completed their transition (19.9 per cent). Unless Nepal can radically change its macroeconomic environment and introduce effective employment-generating policies, the only option for those entering the labour market is emigration. The massive expatriation of men is already being felt, with unpredictable effects on society.

***Employers need workers with usable skills but a minority of Nepalese young people invest in vocational training.***

Education is held in such high esteem that close to 30 per cent of young people currently in education are currently enrolled in university courses and 52 per cent of current students state they plan to finish tertiary education. Although this may help fill the higher-skilled positions in the future, most currently available jobs are in production, where the main criterion for selection is work experience. The youth and parents who help fund their studies should be informed of Nepal's labour market opportunities, and greater consideration should be given to increasing investment in vocational education and training.

## **2. Overview of the labour market and survey methodology**

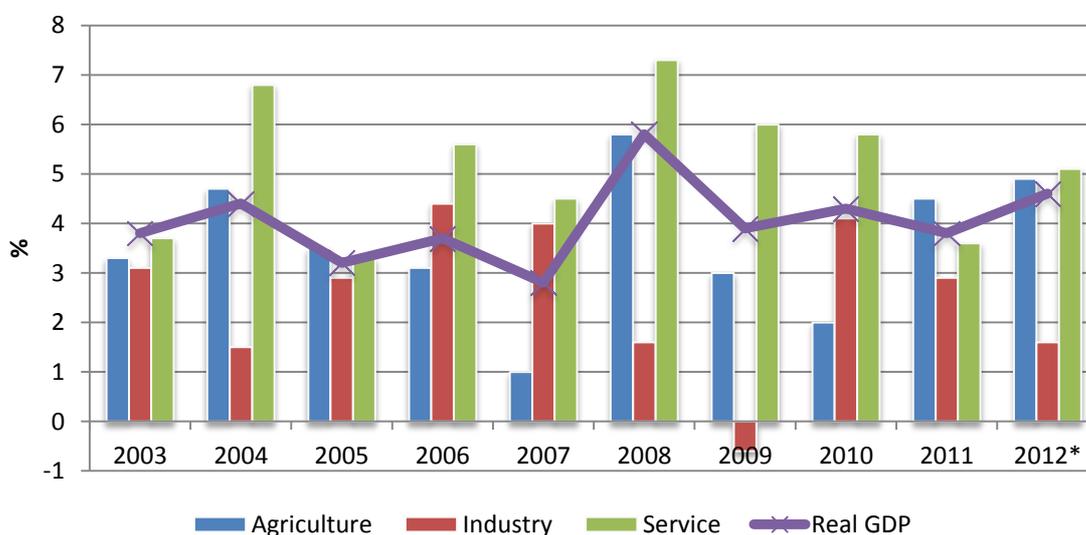
### **2.1 The socio-economic context**

Landlocked between India and China, Nepal covers an area of 147,181 square kilometres and is a land of contrasts, rising from 70 metres above sea level to 8,848 metres atop Mount Everest. It has three distinct geographic and climatic areas: the Mountain, Hill and Terai regions. With its tropical climate, the Terai region is most suited for agriculture. The Hill region, with the Valleys of Kathmandu and Pokhara, is the most urbanized. Its slopes are increasingly being used for cattle grazing and breeding activities. Finally, the Mountain region is the most sparsely populated with economic activities geared towards tourism and mountaineering.

The 2011 census estimated the population of Nepal at 26.5 million, with a growth rate of 1.35 per cent per annum between 2001 and 2011. Approximately 34.9 per cent of inhabitants were under the age of 15, and 27.8 per cent were aged 15–29. The population is multi-ethnic and multilingual, with a total of 125 castes and ethnic groups and 123 languages. Seventeen per cent of the population at the time of the census lived in urban areas and 83 per cent in rural regions. The male and female literacy rates were 75.1 per cent and 57.4 per cent, respectively.<sup>3</sup>

A kingdom ruled by the Shah dynasty for approximately 240 years, Nepal became a federal republic in 2006 after a ten-year civil war. The transition did not go smoothly and the political situation has remained tense, inevitably affecting the economy. As a result, Nepal's economic growth rates are not in line with those of other countries in the region, although annual growth in real gross domestic product (GDP) has remained at more or less 4 per cent per year since 2009 (figure 2.1). The main contributors to this growth rate are the service and agricultural sectors, which grew an estimated 5 per cent each in 2012. The industrial sector, on the other hand, has been more volatile, with a negative growth rate in 2009 (-0.6 per cent) and a lackluster performance in 2012 (1.6 per cent).

**Figure 2.1 Annual changes in real GDP and growth by major economic sector, 2003–2012**



\*Estimates

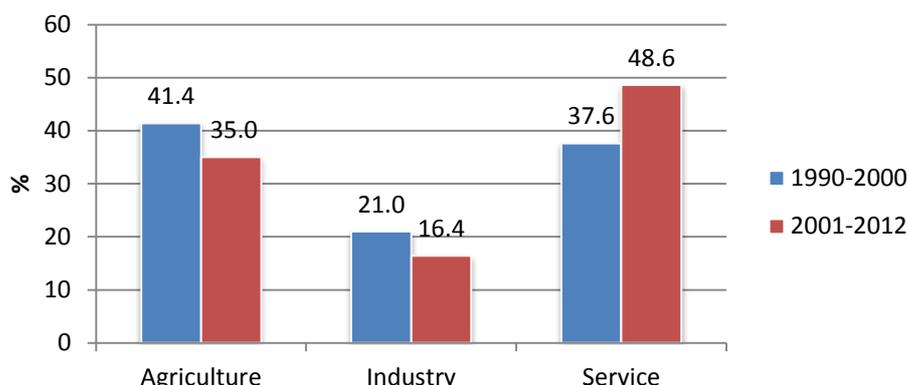
Source: Ministry of Finance of Nepal, 2012, *Economic Survey of Nepal*.

The poor performance of the industrial sector can be explained by a drop in construction subsequent to a slump in real estate prices. By 2012, the sector's share of GDP had declined to 16.4 per cent (figure 2.2) and became the third most important sector after the agricultural and service sectors. Manufacturing activities continue to be beset by the lack of power shortage, high labour cost, low productivity and low competitiveness. It is expected to grow by only 1.9 per cent 2013, down from 3.6 per cent in 2012 (ADB, 2013). The agricultural sector was still important but depended heavily on climatic conditions; it was the second largest economic sector in Nepal with a GDP share of 35.0 per cent. The most important sector was the service sector, boosted by a relentless increase

<sup>3</sup> Data from the *National Population and Housing Census 2011*. (CBS, 2012). See major highlights at <http://cbs.gov.np/wp-content/uploads/2012/11/Major-Finding.pdf>.

in remittances, with a GDP share of almost 50 per cent in 2012. Figure 2.2 shows the importance of the economic sectors between 1990 and 2012.

**Figure 2.2 Average share of GDP by sector, 1990–2012**

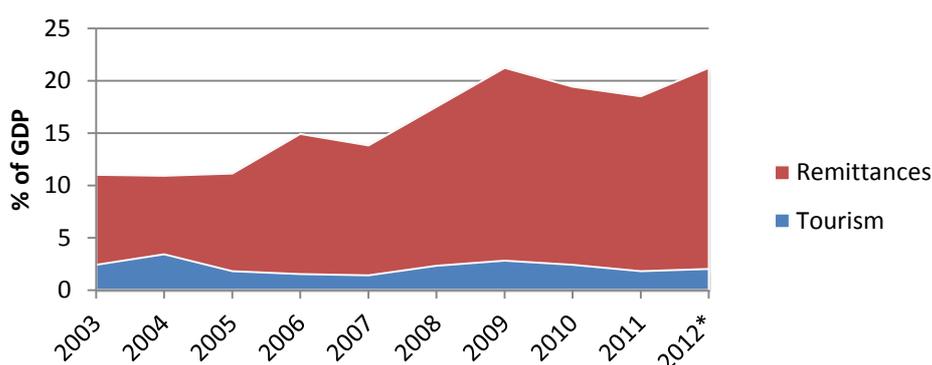


Source: IMF, 2012.

Further to this sectoral shift, Nepal's main economic activity deserves examination. Nepal is well known for its mountain ranges and its extreme trekking and mountaineering activities. Tourism is often cited as the country's main activity. However, the facts show otherwise. Since 2003, the share of tourism income in GDP has oscillated between 2 and 3 per cent, employing 120,000 people or less than 1 per cent of the total number of employed Nepalese (Ministry of Finance of Nepal, 2012).

During the same period, the biggest cash earner for Nepal has been remittances. Income from remittances as a share of GDP has almost doubled over the last 10 years, from 11 per cent in 2003 to an estimated 21 per cent in 2012 (figure 2.3). Up to 55 per cent of households receive remittances on a regular basis (Jones and Basnett, 2013). This remains an unreliable and vulnerable source of income, however, as it depends on the migration policies of receiving countries or on the petrol income of Gulf Cooperation Council countries, which are important destinations for Nepalese workers.

**Figure 2.3 Income from remittances and tourism in Nepal, 2003–2012 (% of GDP)**



\*Estimate

Sources: National Accounts of Nepal; Ministry of Finance of Nepal, 2012, *Economic Survey of Nepal*.

Overall, the economic situation of the population has improved in the last 8 years. The poverty level declined from 31.0 per cent in 2004 to 23.8 per cent in 2012 (Economic Survey, 2012/13). GDP per capita, which at US\$270 in 2004 was one of the lowest in developing countries and the lowest in South Asia, reached US\$706 in 2012 (Government of Nepal, Central Bureau of Statistics, 2012). Thanks to progress in public health, Nepal's

Human Development Index is gradually improving and is ranked 157th (out of 187), but it remains in penultimate position within the South Asian region, just ahead of Afghanistan.

In spite of these improvements, the medium-term outlook for Nepal remains relatively uncertain and vulnerable: the political situation is still unstable, investments are low, issues of marginalization exist between the many ethnic groups, and the economy is far from capable of producing sufficient jobs for those who need them. As a result, up to 350,000 people look for better employment opportunities outside the country every year.

## **2.2 The labour market in Nepal**

At the time of the latest labour force survey (LFS) in 2008, Nepal had a population of 23.5 million people. The 2011 census updated this number to 26.5 million, an increase of almost 13 per cent in 3 years. Nevertheless, to present the most precise and official data possible, the 2008 LFS data covering the working-age population are referred to in this section, whereas the more recent SWTS data are used for specific youth analysis in subsequent sections.

Yet the LFS fails to capture the heterogeneity of the Nepalese population along ethnic lines. One weakness of the labour market in Nepal is its incapacity to address the needs of vulnerable groups, including youth, displaced people and freed but unemployed bonded labourers. While the SWTS bridges this lack of data as regards the youth population, the LFS report recommends that certain changes be made to the data collection method to better capture the socio-economic position of the numerous ethnic groups.

### **2.2.1 Working-age population**

#### ***Employment rates are very high.***

The labour force in 2008 comprised 12,032,000 people, i.e. a participation rate of 83.4 per cent at the national level, or 87.5 per cent for men and 80.1 per cent for women (table 2.1). The difference of 7.4 percentage points is limited. The employment rates are also very high, 85.5 per cent for men and 78.5 per cent for women.

#### ***Men are missing from rural areas.***

Strong emigration flows considerably impact the structure of the working-age population in Nepal. At the national level, there are 6,452,000 men for 7,972,000 women, or 123 women per 100 men. This difference is particularly significant in rural areas, where there are fewer men in the labour force than women (4,731,000 men against 5,640,000 women), and fewer are employed (4,664,000 men against 5,580,000 women).

#### ***The Nepalese workforce is largely rural.***

Eighty-three per cent (82.8 per cent) of the population lives in rural areas. This percentage is similar to those of the rural labour force and rural employed. Because of the very low rural unemployment rate, the number of unemployed in rural areas is almost equal to the number in urban areas (128,000 and 125,000, respectively).

#### ***Gender differences in employment and unemployment are essentially urban phenomena.***

The only significant difference in the employment and unemployment rates of men and women is in urban areas, where the employment rate of men is 71.5 per cent, and 53.4 per cent for women, i.e. a difference of 18.1 percentage points. This can be explained by

the fact that women have a higher inactive rate in cities than in the countryside. In absolute terms, however, the difference amounts to 175,000, i.e. a small proportion of the national employed population of 11,779,000. Female unemployment in urban areas is also higher than male unemployment, although to a lesser extent, with a difference of just 2.1 percentage points. Although limited, this difference points to discrimination against women in access to employment.

**Table 2.1 Key labour market indicators for the working-age population (15+) by area of residence and sex, 2008**

Area of residence and sex	Total population ('000)	Labour force ('000)	Employed ('000)	Unemployed ('000)	Labour force participation rate (%)	Employment rate (%)	Unemployment rate (%)
<b>Urban areas</b>	2 468	1 660	1 535	125	67.3	62.2	7.5
Male	1 195	915	855	60	76.6	71.5	6.6
Female	1 273	745	680	65	58.5	53.4	8.7
<b>Rural areas</b>	11 956	10 372	10 244	128	86.8	85.7	1.2
Male	5 257	4 731	4 664	67	90.0	88.7	1.4
Female	6 699	5 640	5 580	61	84.2	83.3	1.1
<b>Total</b>	14 424	12 032	11 779	253	83.4	81.7	2.1
Male	6 452	5 646	5 519	127	87.5	85.5	2.2
Female	7 972	6 385	6 259	126	80.1	78.5	2.0

Source: CBS, 2009 and Khare and Slany, 2011.

## 2.2.2 Employment dimensions

### *Sectoral employment*

Data show that the agricultural sector employs the greatest number of people in Nepal by far (table 2.2). Overall, 73.9 per cent of those employed are in agricultural activities, although the percentages differ significantly between men and women: 62.2 per cent of men work in agriculture compared to 84.3 per cent of women. Evaluated against the economic contribution of agriculture to GDP (figure 2.2), agricultural employment is work with particularly low levels of productivity, which further highlights the disadvantaged position of women in employment.

**Table 2.2 Employment by economic sector, sex and area of residence, 2008 (%)**

Economic sector	Nepal			Urban areas			Rural areas		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Agriculture	73.9	62.2	84.3	32.2	19.9	47.7	80.2	69.9	88.7
Industry	6.8	8.8	5.0	14.2	15.8	12.2	5.7	7.6	4.1
Services	19.3	29.0	10.7	53.6	64.4	40.1	14.1	22.5	7.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

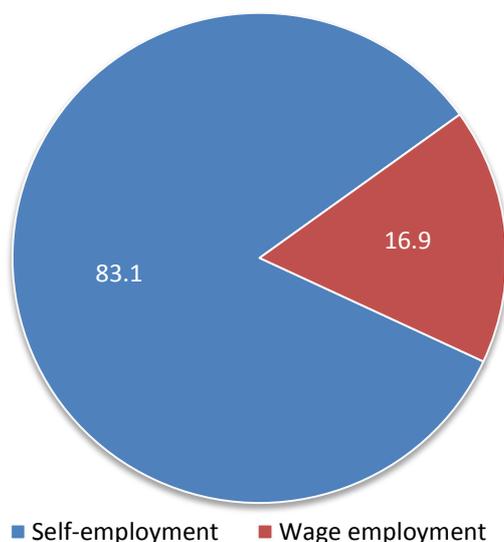
Source: CBS, 2009.

### *Status in employment*

Among the 11.8 million employed people in Nepal (in 2008), almost 2 million were paid employees while 9.8 million, i.e. 83.1 per cent, were self-employed. Wage and salaried employment therefore only applies to a minority of the employed (16.9 per cent),

as figure 2.4 shows. Translated into absolute numbers, 521,000 women receive wages versus 1,471,000 men.

**Figure 2.4 Status in self-employment and wage employment, 2008 (%)**



Note: The self-employment category includes the self-employed with regular employees, own-account workers and contributing family workers.

Source: CBS, 2009. .

### ***Informal employment***

To capture informality, the 2008 LFS closely followed ILO guidelines: the survey excluded agricultural activities; it included own-account workers with or without employees, workers in unregistered companies with less than ten employees, contributing family workers and all those not receiving paid annual leave and/or social security. According to this definition, informal employment within non-agricultural employment amounted to 69.7 per cent (66.0 per cent men and 77.5 per cent women). If agricultural activities, consisting mainly of subsistence farming, are taken into account, the share of informal employment climbed to 96.2 per cent (98.6 per cent for men and 93.5 per cent for women).

### ***Labour migration***

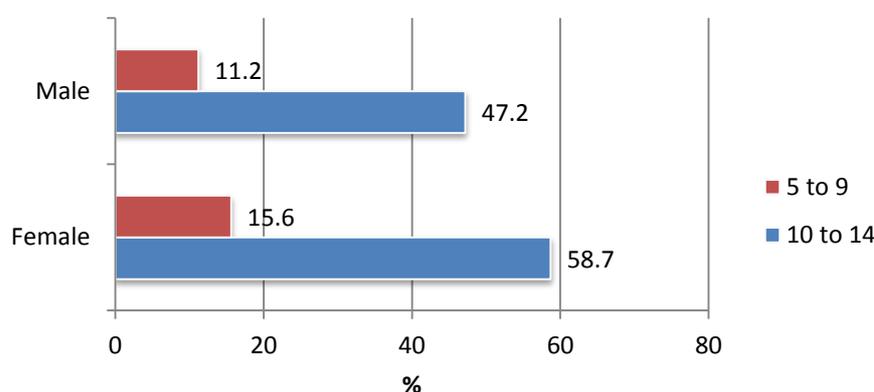
Labour migration has been an important phenomenon for many years. It takes many shapes, from internal seasonal migration to foreign migration, as well as immigration mainly from India. For migration, reliable data are often difficult to obtain. Registered migration increases on average 20 per cent every year, with as many as 350,000 Nepalese having left the country to look for employment opportunities elsewhere, including mainly in Saudi Arabia, Qatar, the United Arab Emirates and Malaysia. A probable, much larger albeit undocumented number of workers is estimated to cross the Nepalese–Indian border for seasonal or long-term employment. Nepalese find employment in the Indian army or as security guards. Reverse flows, i.e. immigration from India, are also sizeable, with workers seeking employment or migrating for seasonal business in Nepal (World Bank, 2011).

As already noted, the macroeconomic impacts of such movements, notably the role of remittances for households, are significant (figure 2.3). The labour market impact on youth is discussed later in this report.

## *Child labour*

Another important aspect of the Nepalese workforce is the importance of child labour. Data from the 2008 LFS show alarmingly high rates of child labour. Eleven per cent of boys and 15 per cent of girls aged 5–9 are already in the labour force (figure 2.5). This increases to 47.2 and 58.7 per cent for boys and girls, respectively, aged 10–14. The activities performed by the children include fetching water or collecting firewood, and take an average of 18 hours per week. As a result, they appear in the 2008 LFS as working and not as contributing to a household. Arguably, the incidence of child labour is decreasing as wealth levels slowly rise, and the hours registered as work are limited. However, as 35 per cent of the Nepalese population is under 15 years of age, it is an urgent policy issue that the government needs to address.

**Figure 2.5 Labour force participation of children by age group (5–9 and 10–14 year-olds) and sex**



Source: CBS, 2009.

## **2.3 The school-to-work transition survey and labour demand enterprise survey in Nepal**

### **2.3.1 Objectives**

The question of why the school-to-work transition of young people today is a long and difficult process has not yet been satisfactorily answered due to current restrictions in labour market information. At the same time, improving the transitions of youth is a top policy priority in most countries. In response to this obvious information gap, the ILO has developed two surveys. One is the SWTS, a detailed household survey covering 15–29 year-olds (see box 1). It is applied at the national level to generate information on the current labour market situation, the history of economic activities and the perceptions and aspirations of youth. This supply-side picture is then balanced by a second survey that aims to measure the demand for labour, for young workers in particular. The LDES investigates the current and expected workforce needs of enterprises and the perspectives of managers on the pool of available young jobseekers and workers.

Nepal undertook the SWTS and LDES to collect and analyse information on the various challenges that impact young men and women as they make the transition to working life. The SWTS and LDES were implemented by the Centre for Economic Development and Administration (CEDA), with fieldwork completed from April to May

2013.<sup>4</sup> Funding for the surveys came from the Work4Youth partnership between the ILO Youth Employment Programme and The MasterCard Foundation (see box 2). The partnership supports the SWTS in 28 target countries, and data from the first round were made available throughout 2013. A second round of the SWTS will be conducted in 2014–15 in each of the 28 countries surveyed, including in Nepal.

**Box 1 Definition of youth**

While in most contexts, a youth is defined as a person aged between 15 and 24, for the purpose of the SWTS and related reports, the upper age limit is 29 years of age. This recognizes the fact that some young people remain in education beyond the age of 24, and allows the opportunity to capture more information on the post-graduation employment experiences of young people.

The survey is based on a nationally representative sample of 3,020 households in 22 districts of Nepal, covering 3,584 youth including 1,677 women (46.8 per cent) and 1,907 men (53.2 per cent) aged 15–29 (see box 2). More information on the surveys and samples are provided in Annex III.

**Box 1 Work4Youth: An ILO project in partnership with The MasterCard Foundation**

The Work4Youth (W4Y) Project is a partnership between the ILO Youth Employment Programme and The MasterCard Foundation. The project has a budget of US\$14.6 million and will run for 5 years to mid-2016. Its aim is to “promot[e] decent work opportunities for young men and women through knowledge and action”. The immediate objective of the partnership is to produce more and better labour market information specific to youth in developing countries, focusing in particular on transition paths to the labour market. The assumption is that governments and social partners in the project’s 28 target countries will be better prepared to design effective policy and programme initiatives once armed with detailed information on:

- what young people expect in terms of transition paths and quality of work;
- what employers expect in terms of young applicants;
- what issues prevent the two sides – supply and demand – from matching; and
- what policies and programmes can have a real impact.

Work4Youth target areas and countries:

- **Asia and the Pacific:** Bangladesh, Cambodia, Nepal, Samoa, Viet Nam
- **Eastern Europe and Central Asia:** Armenia, Kyrgyzstan, the former Yugoslav Republic of Macedonia, the Republic of Moldova, the Russian Federation, Ukraine
- **Latin America and the Caribbean:** Brazil, Colombia, El Salvador, Jamaica, Peru
- **Middle East and North Africa:** Egypt, Jordan, Occupied Palestinian Territory, Tunisia
- **Sub-Saharan Africa:** Benin, Liberia, Madagascar, Malawi, the United Republic of Tanzania, Togo, Uganda, Zambia

### 3. The characteristics of youth covered by the survey

At the time of the SWTS, there were 7,326,457 young men and women aged 15–29 in Nepal, or 27.8 per cent of the population. That number plus the 35 per cent of people who are below the age of 15 add up to a very young population that brings about energy, creativity and productive forces, representing an immense asset for the development of the country. In return, however, Nepal must ensure that all the people who are looking for jobs have access to education, training or decent work opportunities.

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<sup>4</sup> CEDA was selected as the implementation partner following a bidding process. The Central Bureau of Statistics was unavailable to implement the SWTS due to its current workload.

The task proves even larger when the heterogeneity of Nepal’s population is considered, including that of its young people. Sharing the same age group and “youth” label does not mean the group is unified. Like the rest of the population, the young people belong to 125 ethnic groups, speak 123 languages and live in the Hill, Mountain or Terai areas. Like the rest of the population, they will face more or less difficulty in realizing their life expectations, depending on such factors as gender, origins, educational paths and religious choices. But they all must accept that the transition from education to employment, and from youth to adulthood, is a tricky one. Understanding who this group of people is by looking at their individual characteristics through the examination of the survey results is the objective of this third section.

**Box 3 School-to-work transition survey, Nepal, 2005**

In 2005, the ILO organized a SWTS as part of an ILO project on *Promoting Decent and Productive Work for Young People*. The survey was conducted by New ERA and was organized through a 14 member Steering Committee chaired by the National Planning Commission of Nepal. The sample size was 2,400 youth aged 15-29 from 1,200 households in three areas of Nepal – the Banke district, Kathmandu Valley (Kathmandu, Lalitpur and Bhaktapur districts) and Morang district. At the same time an employers’ survey was administered to 120 enterprises in the regions. Both survey results are summarized in an ILO working paper (New Era, 2008).

Although data from the 2005 SWTS is not strictly comparable to the 2013 survey due to changes in the questionnaire design and sample frames, nonetheless, numerous conclusions and policy recommendations from the survey report still remain relevant. For example, the report concludes that: “The informal economy in Nepal is the refuge sector for the marginalized; the unskilled and unplaced young workers who are all attempting to survive through petty trading and production of goods and services. It is also the sector where poverty and the working poor are concentrated. Promoting self-employment through institutional, financial, and capacity-building support is crucial for improving productivity, incomes, and other decent work deficits. ... Nevertheless, it is important to highlight here that not all young people can be suitable for this type of job generation since it requires continuous support and an enabling policy environment. Therefore, unskilled and vulnerable young women and men may face additional burdens if they do not succeed. As such, while promoting this type of job generation may be attractive it is important not to look at it as the panacea of job generation, and to carefully develop programmes to identify the right target groups and develop the appropriate supportive environment.”

### 3.1 The individual characteristics of youth

Table 3.1 illustrates the distribution of youth by sex, age group, area of residence, civil status and household income, as identified by the SWTS. A striking fact is the percentage of those aged 15–19 among the overall youth group. Teenagers represent 43.9 per cent of all young people aged of 15–29. Many are still in education, but immense pressure will be put on the labour market to accommodate them in a very short amount of time.

Reflecting the total population of Nepal, most of the youth (79.5 per cent) live in rural areas. In cities, young women are more numerous than young men (23.3 per cent and 18.1 per cent, respectively). The young women surveyed represent 46.1, 47.5 and 42.6 per cent respectively of the 15–19, 20–24 and 25–29 age groups. The reason for the lower percentage of females than males in the youth population (45.7 per cent overall) may be due to sex-selective abortions. Abortion has been legalized since 2002. Sex-selective abortions are expressly forbidden and punishable by law, but there is evidence of illegal abortions or of cross-border movement to neighbouring India to carry them out (Frost, Puri and Hinde, 2013).

Table 3.1 also shows that a majority of young people are single (73.0 per cent of men and 58.4 per cent of women). One-third is married and almost one-quarter has one or more children. The average age of marriage is 20.7 for men and 19.2 for women. The gender differences apparent in these statistics, although not too pronounced, provide an indication

that the women in Nepal are to a large extent destined to carry out family duties rather than economic activities.

Slightly more young people report their household income level as below average (poor or fairly poor) than above average (well off or fairly well off) (table 3.1).<sup>5</sup> One-fifth (21.9 per cent) of youth in Nepal reports living in households with incomes below the national average.

**Table 3.1 Youth population aged 15–29 by selected characteristics and sex**

Characteristic	Total		Male		Female	
	Number	%	Number	%	Number	%
<b>Age group</b>						
15–19 years	3 213 011	43.9	1 731 420	43.5	1 481 591	44.3
20–24 years	2 254 988	30.8	1 183 030	29.7	1 071 958	32.0
25–29 years	1 858 458	25.4	1 066 958	26.8	791 500	23.7
		100.0		100.0		100.0
<b>Area of residence</b>						
Rural	5 826 809	79.5	3 261 669	81.9	2 565 140	76.7
Urban	1 499 648	20.5	719 740	18.1	779 908	23.3
		100.0		100.0		100.0
<b>Civil status</b>						
Married (including divorced and widowed)	2 464 210	33.6	1 073 004	27.0	1 391 206	41.6
Single	4 862 248	66.4	2 908 405	73.0	1 953 843	58.4
With children	1 771 897	24.2	733 370	18.4	1 038 527	31.0
Average age of marriage	20.0		20.7		19.2	
<b>Household income*</b>						
Well off	59 135	0.8	17 337	0.4	41 799	1.2
Fairly well off	1 274 445	17.4	611 562	15.4	662 884	19.8
Average	4 388 202	59.9	2 387 390	60.0	2 000 811	59.8
Fairly poor	1 414 560	19.3	856 298	21.5	558 262	16.7
Poor	190 114	2.6	108 822	2.7	81 292	2.4
Total youth population	7 326 457	100.0	3 981 408	100.0	3 345 048	100.0

\*Household income level is based on the perception of the young respondents.  
Source: SWTS-Nepal, 2013.

Table 3.2 presents the key labour market indicators. As is often the case, the employment and labour force participation rates for young women are lower than those for young men (33.4 and 42.8 per cent, respectively, as regards the employment rate, and 43.0 and 51.7 per cent, respectively, as regards the labour force participation rate). The unemployment rates are high (22.2 per cent for women and 17.1 per cent for men), especially as these rates are calculated according to the strict definition of unemployment, whereby respondents are required to have engaged in an active job search (see Annex I for the definitions of labour market statistics).

<sup>5</sup> The qualification of household income is based on the opinion of the respondent, asked to select among the following option: poor, fairly poor, average, fairly well off and well off. Respondents were not given additional criteria from which to base their selection.

**Table 3.2 Key labour market indicators for youth by sex**

	Total	Male	Female
Labour force participation rate (%)	47.7	51.7	43.0
Employment-to-population rate (%)	38.5	42.8	33.4
Unemployment rate (strict) (%)	19.2	17.1	22.2
Inactivity rate (%)	52.3	48.3	57.0

Source: SWTS-Nepal, 2013.

An examination of the activity of youth, by education level and excluding current students (table 3.3), gives an indication of the importance of education on young people's activity choices. Those who never attended school or left before graduating are more likely to be inactive (inactivity rates are 19.1 and 23.0 per cent, respectively) than those who completed their education (11.6 per cent). Completing education thus appears to be an important factor for staying in the labour force. Yet young people who completed their education are at least two times more likely to be unemployed than the others. This could be due to the fact that young people with completed education are keen to reap the benefits of the time and finances they invested in their education, and are willing to spend more time looking for the right job. This theme will be examined further in section 3.7.

**Table 3.3 Youth activity status by education level (excluding current students)**

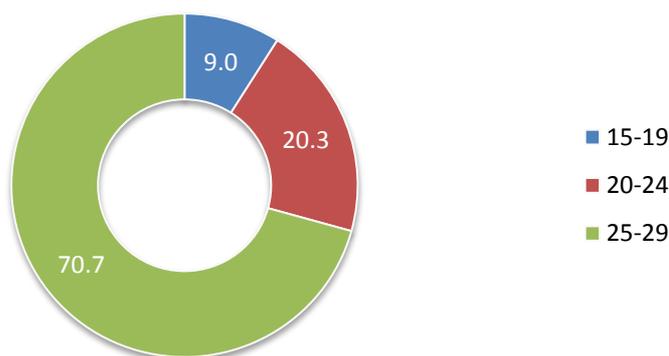
Schooling	Employed		Unemployed		Inactive		Total	
	Number	%	Number	%	Number	%	Number	%
Never attended school	431 790	74.2	38 756	6.7	111 342	19.1	581 888	100.0
Completed education	315 275	71.5	74 580	16.9	51 262	11.6	441 117	100.0
Left before completion	1 335 451	69.0	154 793	8.0	444 430	23.0	1 934 674	100.0
Total	2 082 516	70.4	268 129	8.9	607 034	20.7	2 957 679	100.0

Source: SWTS-Nepal, 2013.

### 3.2 The household characteristics of youth and youth migration

The family background influences many aspects of young people's lives. The family is the first societal unit. It is, therefore, the first social institution towards which young people direct their expectations about their adult life. This is particularly true in countries where social mobility is low and the economic structure is stable over time. Figure 3.1 provides insights into the importance of family life for young people in Nepal. Unsurprisingly, the older people are, the more involved they become in family life. Already 20 per cent of people in the 20–24 age group are heads of households, and 71 per cent aged 25–29 lead households. Thus young people are under great pressure to finalize their school-to-work transition so they can provide a stable and sufficient income for their families.

**Figure 3.1 Young heads of households by age group**



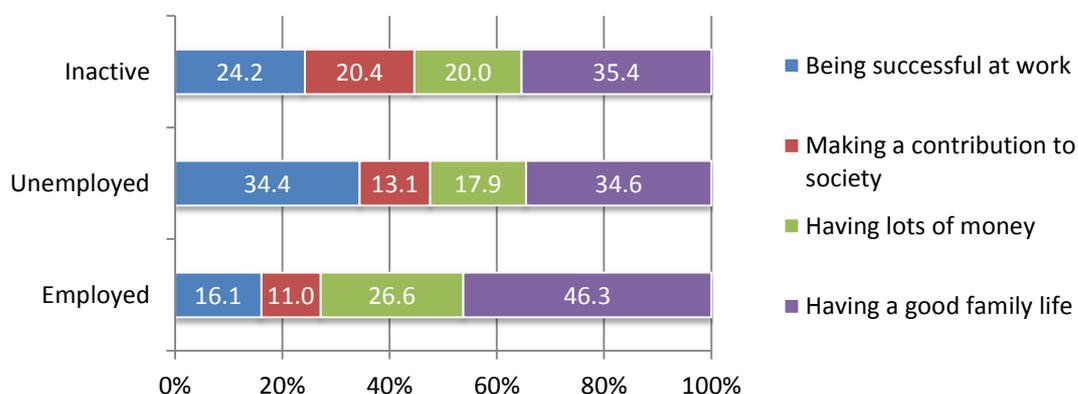
Source: SWTS-Nepal, 2013.

The youth population appears to be quite mobile (table 3.4). Almost one-fifth (18.1 per cent) declared having moved from their original residence, with young women almost three times more likely than men to have moved (27.4 per cent against 10.3 per cent). The vast majority of those moving (94.6 per cent) left rural areas. Regarding urban areas, where most people are going, 84.3 per cent of female respondents left their rural homes to settle in urban areas. Reasons are quite different according to sex: young men move to accompany their families (63.5 per cent), whereas young women are more likely to give unspecified reasons for their relocation. Education and training is an important reason to move for young men (21.8 per cent), while only 13.5 per cent move for employment reasons.

### 3.3 Aspirations and life goals

The SWTS attempts to capture the aspirations of young people in four main areas: being successful at work, making a contribution to society, having lots of money and having a good family life. This question is very important in the context of an increasingly complex environment for young people. Their transition to employment, and therefore to adulthood, is currently compromised, given the difficulty of obtaining decent employment. As young people are often accused of having overly high expectations or of expecting success without hard work, this study goes a long way to establish a more balanced view of how they fit in society. Other questions pertaining to the difficulty of gaining access to employment or to the quality of employment for those who have a job are examined later in this report and provide further elements to understand this population. Figure 3.2 shows the attitudes to the four areas already mentioned of the youth surveyed.

**Figure 3.2 Primary life goals of youth by activity status**



Source: SWTS-Nepal, 2013.

**Table 3.4 Youth migrants by previous residence, reasons for moving, sex and area of residence**

Area of residence and reason for move	Total		Male		Female	
	Number	%	Number	%	Number	%
<b>Total (Urban + Rural)</b>						
Total youth population	7 326 457	100.0	3 981 408	100.0	3 345 048	100.0
Share of youth who moved from original residence	1 327 126	18.1	409 163	10.3	917 963	27.4
<b>of which:</b>						
- from rural area	1 072 612	80.8	341 649	83.5	730 963	79.6
- from small town/village	182 635	13.8	47 356	11.6	135 279	14.7
- from large urban area	42 653	3.2	12 066	2.9	30 586	3.3
- from another country	29 226	2.2	8 091.04	2.0	21 135	2.3
Total	1 327 126	100.0	409 163	100.0	917 963	100.0
<b>Main reason for moving to current residence</b>						
To accompany family	610 088	46.0	259 659	63.5	350 429	38.2
For education/training	190 417	14.3	89 164	21.8	101 252	11.0
To work/for employment-related reason	107 056	8.1	55 192	13.5	51 864	5.6
Other reason	419 565	31.6	5 148	1.3	414 417	45.1
Total	1 327 126	100.0	409 163	100.0	917 963	100.0
<b>Urban areas</b>						
Total youth population	1 499 648	100.0	719 740	100.0	779 908	100.0
Share of youth who moved from original residence	880 313	58.7	222 857	31.0	657 456	84.3
<b>of which:</b>						
- from rural area	737 456	83.8	201 007	90.2	536 449	81.6
- from small town/village	108 086	12.3	17 434	7.8	90 652	13.8
- from large urban area	16 209	1.8	2 187	1.0	14 022	2.1
- from another country	18 563	2.1	2 229.54	1.0	16 333	2.5
Total	880 313	100.0	222 857	100.0	657 456	100.0
<b>Main reason for moving to current residence</b>						
To accompany family	421 387	47.9	188 341	84.5	233 046	35.4
For education/training	45 195	5.1	9 046	4.1	36 148.71	5.5
To work/for employment-related reason	32 498	3.7	20 322	9.1	12 176	1.9
Other reason	381 234	43.3	5 148	2.3	376 086	57.2
Total	880 313	100.0	222 857	100.0	657 456	100.0
<b>Rural areas</b>						
Total youth population	5 826 809	100.0	3 261 669	100.0	2 565 140	100.0
Share of youth who moved from original residence	446 813	7.7	186 306	5.7	260 507	10.2
<b>of which:</b>						
- from rural area	335 157	75.0	140 642	75.5	194 514	74.7
- from small town/village	74 549	16.7	29 923	16.1	44 627	17.1
- from large urban area	26 444	5.9	9 880	5.3	16 564	6.4
- from another country	10 663	2.4	5 861.50	3.1	4 801.83	1.8
Total	446 813	100.0	186 306	100.0	260 507	100.0
<b>Main reason for moving to current residence</b>						
To accompany family	188 701	42.2	71 318	38.3	117 383	45.1
For education/training	145 222	32.5	80 118	43.0	65 104	25.0
To work/for employment-related reason	74 558	16.7	34 870	18.7	39 688	15.2
Other reason	38 332	8.6	0	0.0	38 332	14.7
Total	446 813	100.0	186 306	100.0	260 507	100.0

Source: SWTS-Nepal, 2013.

Overall, “having a good family life” is the primary goal of most of the young respondents, with the exception of the unemployed. “Being successful at work” is the primary goal of all unemployed, strengthening the claim that dignity is achieved through work. On the other hand, many employed youth, and in particular employed males, choose “having a lot of money” as their goal. This may appear materialistic but, as Nepal is a poor country, the aim to pull oneself and one’s family out of poverty is a legitimate one. Detailed data on aspirations appear in table A.2.

### 3.4 Educational attainment

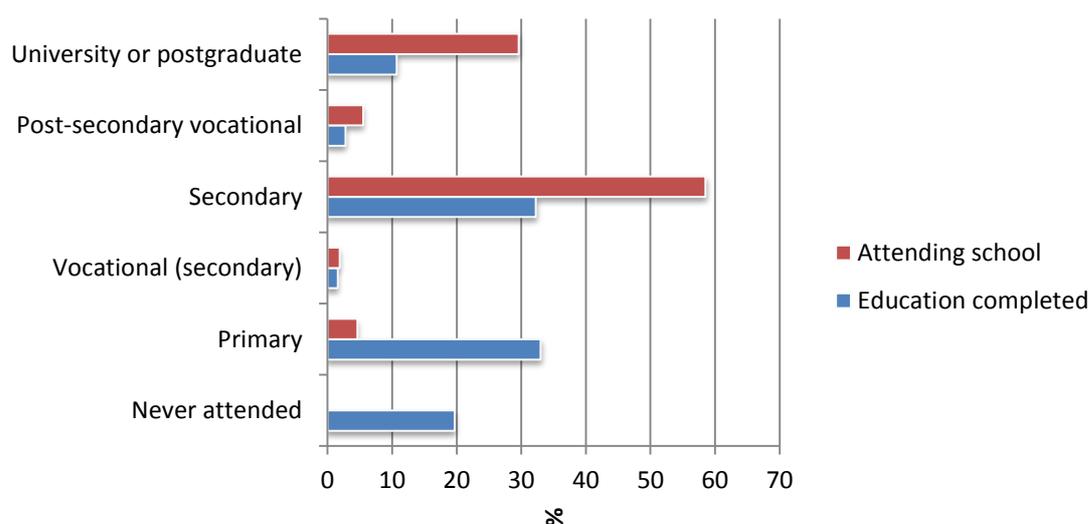
Educational attainment is improving rapidly in Nepal but, as discussed in this section, improved education alone is insufficient to keep its young people in productive employment and to push the country towards higher growth.

It is possible to see the speed at which educational attainment is progressing in the country by comparing data on the education levels of youth currently in school with those of youth having completed their education (figure 3.3), and by comparing the education levels attained by youth in the sample with those of their parents (figure 3.4).

Of the sampled youth, 4.4 million are estimated to be currently in education (59.6 per cent of youth population) and less than one half million (6.0 per cent) have completed their education. The remaining 34.3 per cent have never attended school or left before completing primary education. Among those currently in school, 58.5 per cent are in secondary school (figure 3.3), a level consistent with the high demographic share of the 15–19 age group. A further 7.4 per cent are in vocational school, and almost 30 per cent are in higher education.

As regards those who have completed their education, one-third (33.0 per cent) finished primary school, and about the same percentage have finished secondary education (32.2 per cent). Around 11 (10.7) per cent of the youth have completed the university level, while only 5.4 per cent have finished vocational training (secondary and post-secondary).

**Figure 3.3 Comparison of education levels of youth currently in school with youth who have completed their education**

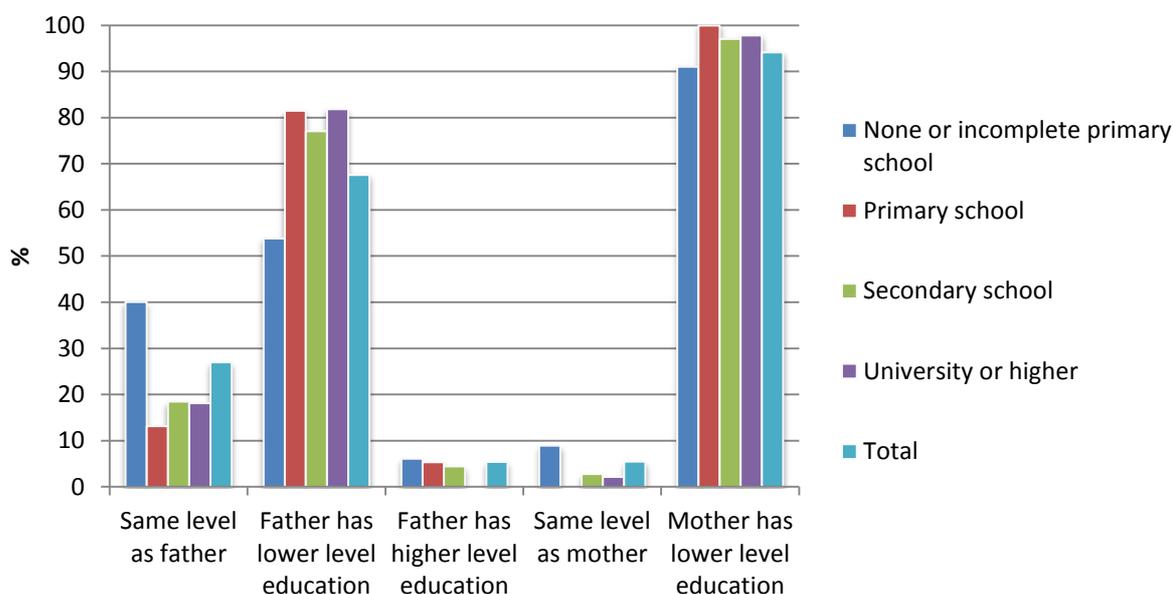


Source: SWTS-Nepal, 2013.

The data highlight a number of interesting points. First, education, including higher education, is highly considered by the population. Just over thirteen (13.3) per cent of youth have obtained a university degree, a relatively high number considering Nepal's socio-economic typology. By comparison, in Cambodia, which has a similar GDP per capita, fewer than 4 per cent of youth hold a degree from an institution of higher education (Kanol, Khemarin and Elder, 2013). This trend has accelerated in past years. The number of students in higher education (certificate, diploma, master's, MPhil. and PhD) increased from 168,271 in 2008 to 412,540 in 2011, according to the 2011 census. Higher education is expected to pay off in the future. Many households therefore invest money in their children's higher education. Yet as explored later in this report, the employment outcomes of this investment do not always match expectations; this difference is largely due to insufficient job growth in the high-skilled occupations, which strengthens the call for effective macroeconomic approaches to expand job creation.

The esteem for education is confirmed by an examination of the dynamics of the improvement in education levels in Nepal (figure 3.4). In the comparison of education levels of young respondents with those of their parents, it appears that even at low levels of educational attainment (e.g. primary school), at least 80 per cent of youth have reached a higher level of education than their fathers. Comparable data apply to those who have attained the secondary or university level. The past generation of women had even lower levels of education as 90 per cent or more of all respondents, whether they have less than primary schooling or achieved the university level, have overtaken their mothers in terms of educational attainment.

**Figure 3.4 Comparison of education levels of youth and their parents**



Note: The share of mothers with higher levels of education is 0 or negligible across all categories and is therefore not shown.

Source: SWTS-Nepal, 2013.

Another salient point is the very small number of youth engaged in vocational training. Table 3.5 indicates that only slightly more than 129,000 have attained the secondary or higher vocational level, which is far fewer than those who have obtained a university or postgraduate degree (around 317,000). Cambodia also has similarly low rates of certification in vocational education, but it has much lower youth unemployment rates than Nepal. It could be that youth's inclination to engage in higher education is a reflection of the poor opinion they have about vocational education in Nepal, although the demand for labour highlighted by the LDES shows a strong need for people trained in technical

occupations (section 5). This important issue must be addressed by policy-makers to better shape the educational profile of the youth population.

**Table 3.5 Youth by activity status and level of completed education**

Level of completed education	Employed		Unemployed		Inactive		Total	
	Number	%	Number	%	Number	%	Number	%
No schooling	431 790	20.7	38 756	14.5	111 342	18.3	581 888	19.7
Primary	686 764	33.0	83 283	31.1	206 018	33.9	976 065	33.0
Secondary vocational	31 039	1.5	-	-	15 247	2.5	46 286	1.6
Secondary	635 175	30.5	75 770	28.3	242 808	40.0	953 753	32.2
Higher vocational	72 661	3.5	3 523	1.3	6 602	1.1	82 786	2.8
University	175 202	8.4	61 802	23.0	20 513	3.4	257 517	8.7
Postgraduate	49 885	2.4	4 994	1.9	4 505	0.7	59 384	2.0
Total	2 082 516	100.0	268 128	100.0	607 035	100.0	2 957 679	100.0

- = insignificant.

Note: Current students are excluded.

Source: SWTS-Nepal, 2013.

It may be, however, that vocational training is offered not in the formal education system but informally in enterprises. The survey of employers discussed in section 5 included a question on whether enterprises carry out in-house training. Table 5.5 indicates in-house training is offered by 73 of 412 respondents, i.e. 17.7 per cent. It may be worthwhile to explore this issue further, by refining existing surveys or conducting ad hoc inquiries to capture the extent to which such training qualifies as informal apprenticeships. Informal apprenticeships can potentially provide training for a large number of young people,<sup>6</sup> although certain pitfalls, such as the danger of exploitation or inadequate preparation, need further research in Nepal.

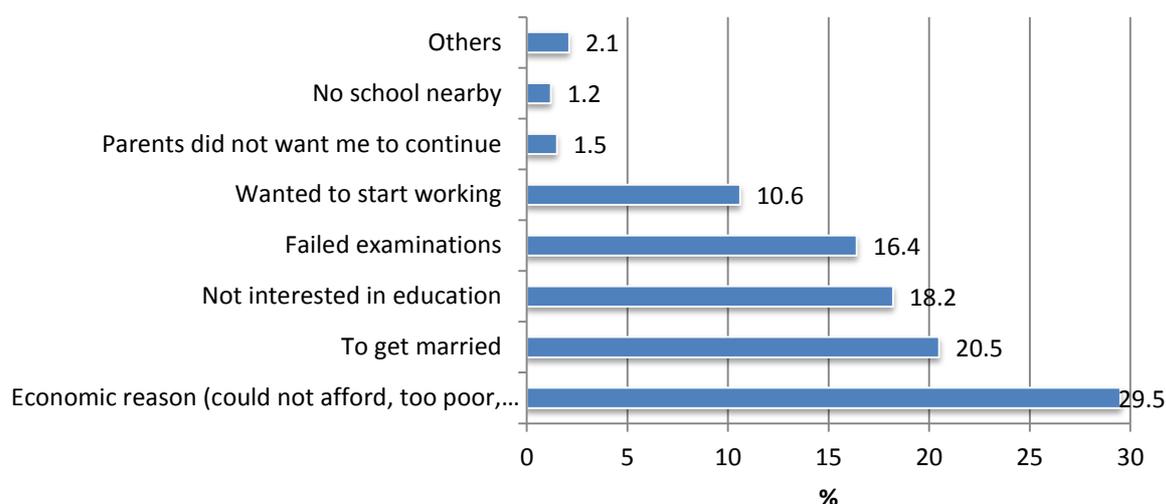
The data in table 3.5 reveals that holders of university degrees are strongly represented in the unemployed category (23.0 per cent). A much smaller percentage of inactive youth have higher vocational, university or postgraduate degrees (5.2 per cent), while an average of 13.5 per cent of youth have completed that level of education.

Studies show that more youth in Nepal are now attending school than ever before and they are more literate than previous generations. Nevertheless, too many are forced to stop their education or fail to go to school altogether. With 7.9 per cent of youth with no education at all and 13.3 per cent completing only the primary level or lower, it is clear that investment in education remains insufficient to provide universal access.

Figure 3.5 sheds some light on why youth have interrupted their education. It shows that nearly one-third (29.5 per cent) of youth dropped out of education for economic reasons. One-fifth (20.5 per cent) reported they dropped out to get married. Sixteen (16.4) per cent of respondents stopped their education because they failed examinations and a relatively high number (18.2 per cent) left because they were not interested in education.

<sup>6</sup> See Elder and Koné (2014), section 9.2, for a presentation of “good practice” in an informal apprenticeship programme.

**Figure 3.5 Reasons for leaving school early**



Source: SWTS-Nepal, 2013.

Out-of-school youth represent 40 per cent of the total youth population (Table 3.6). Many (80.3 per cent) have completed their education, while the rest have never attended school. The labour market outcomes of these two groups are very different when analysed along gender lines, with outcomes that are systematically worse for young women than men. First, young women are more likely than young men to have no education (the female share is 52.6 per cent) and less likely to have completed their education (the female share is 44.7 per cent). Second, among the out-of-school youth, a majority of both women and men are working (table 3.6), but the male share in employment is much higher (81.6 per cent) than the female share (57.5 per cent), and young women have a much higher likelihood of being inactive (33.3 per cent versus only 9.5 per cent of young men). The share of young women in unemployment is also slightly higher than young men.

**Table 3.6 Out-of-school youth by current activity status and sex**

Out-of-school youth	Employed		Unemployed		Inactive		Total	
	Number	%	Number	%	Number	%	Number	%
<b>Never attended school</b>	431 790	74.2	38 756	6.7	111 342	19.1	581 888	100.0
Male	241 776	87.6	14 912	5.4	19 329	7.0	276 017	100.0
Female	190 013	62.1	23 844	7.8	92 013	30.1	305 871	100.0
<b>Completed education</b>	1 650 726	69.5	229 372	9.7	495 693	20.9	2 375 791	100.0
Male	1 054 886	80.3	126 682	9.6	132 363	10.1	1 313 931	100.0
Female	595 840	56.1	102 691	9.7	363 329	34.2	1 061 860	100.0
<b>Total out-of-school youth</b>	2 082 506	70.4	268 128	9.1	607 035	20.5	2 957 679	100.0
Male	1 296 663	81.6	141 594	8.9	151 692	9.5	1 589 948	100.0
Female	785 853	57.5	126 535	9.3	455 343	33.3	1 367 731	100.0

Source: SWTS-Nepal, 2013.

Once more, the data do not show that education increases the likelihood of gaining employment. Quite the contrary, as young males with no education total 87.6 per cent of employed out-of-school youth and young males with completed education make up 80.3 per cent. The data for women show a similar trend, i.e. slightly more young women with no education are employed than young women with completed education (62.1 and 56.1

per cent, respectively). Even in unemployment or inactivity, those without education appear to fare better than those having completed their education. Further analysis below, however, will provide evidence that despite the higher likelihood of unemployment for those with higher education, investing in education will still pay off in terms of the quality employment. In other words, returns to employment are higher for those with higher education.

### 3.5 Youth outside the labour force (inactive youth)

An important measure of youth outside the labour force is the inactivity rate. This rate of course has no “right” value, as it depends on a variety of factors, including the major element of age, and access to education. Table 3.2 shows “low” inactivity rates in Nepal of 48.3 per cent for young men and 57.0 per cent for young women.<sup>7</sup> These are considered low because normally as many young people as possible from a given age cohort should be enrolled in education, thereby increasing the inactivity rate. In this case, as was evident from the SWTS, young people in Nepal join the labour force early.

**Table 3.7 Inactive youth by reason for inactivity and sex, age group and area of residence (%)**

Reason for inactivity	Sex		Age group			Area of residence	
	Male	Female	15–19	20–24	25–29	Rural	Urban
In education or training	90.4	75.7	94.2	71.9	47.8	82.1	86.5
Family responsibilities	2.6	17.2	2.6	15.5	36.4	10.6	7.1
Pregnancy	0.0	2.9	0.2	3.8	2.7	1.7	0.7
Sick, injured or disabled	1.3	0.5	0.5	1.5	2.2	1.2	0.1
Too young to work	0.8	0.1	0.7	0.3	0.0	0.4	0.9
No desire to work	1.3	0.7	0.9	0.7	2.7	1.0	1.1
Off-season	1.7	1.7	0.4	4.2	3.1	1.6	2.2
Other	1.9	1.1	0.6	2.1	5.0	1.5	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (number)	1 705 675	1 645 943	2 085 915	898 847	367 157	2 575 279	776 339

Source: SWTS-Nepal, 2013.

Table 3.7 shows the two main reasons youth are inactive. The first one is enrolment in education or training, which explains inactivity for 94.2 per cent of the 15–19 age group, 71.9 per cent of the 20–24 age group, and 47.8 per cent of the 25–29 age group. The second main cause of inactivity is family responsibilities, which increase with age: only 2.6 per cent of teenagers are inactive because of family duties, rising to 15.5 per cent among those aged 20–24 and to 36.4 per cent for those aged 25–29. This trend matches the conclusions of the earlier discussion on the number of youth who are heads of households. Worth mentioning are the 4.2 per cent share of inactive youth aged 20–24 who are “off-season”, i.e. people engaged in seasonal agricultural activities, possibly outside the country. Also notable are the 2.2 per cent of inactive youth aged 25–29 who cite health

<sup>7</sup> To compare, the regional average inactivity rate of youth (15–24) in South Asia in 2012 was 59 per cent (42.7 per cent for young men and 76.6 per cent for young women) (ILO, 2013, calculated from table A.4). In this regard, the rate in Nepal is much closer to that of the South-East Asia and the Pacific region (40.8 per cent for young men and 54.9 per cent for young women).

reasons as the cause for inactivity. More information is needed to probe further into issues of health care in the country and their relationship to the quality of employment.

### 3.6 Current students

Young people still in school are a specific group preparing for their labour market transition. Students who do not combine work or efforts to look for work with their studies are considered inactive. The survey reveals that 40.0 per cent of sampled youth are considered inactive students, which represents 2.9 million young people. Another 19.7 per cent (1.4 million) of the youth population are economically active students, either employed or unemployed while in education or training.

Table 3.8 shows the distribution of youth in education by the level of education they hope to complete, again confirming their recognition of the value of education. More than half – 52.1 per cent – of currently enrolled students aim to complete their education at the university level. These results show greater appreciation for vocational training, with 32.6 per cent of current students aiming to complete post-secondary vocational training.

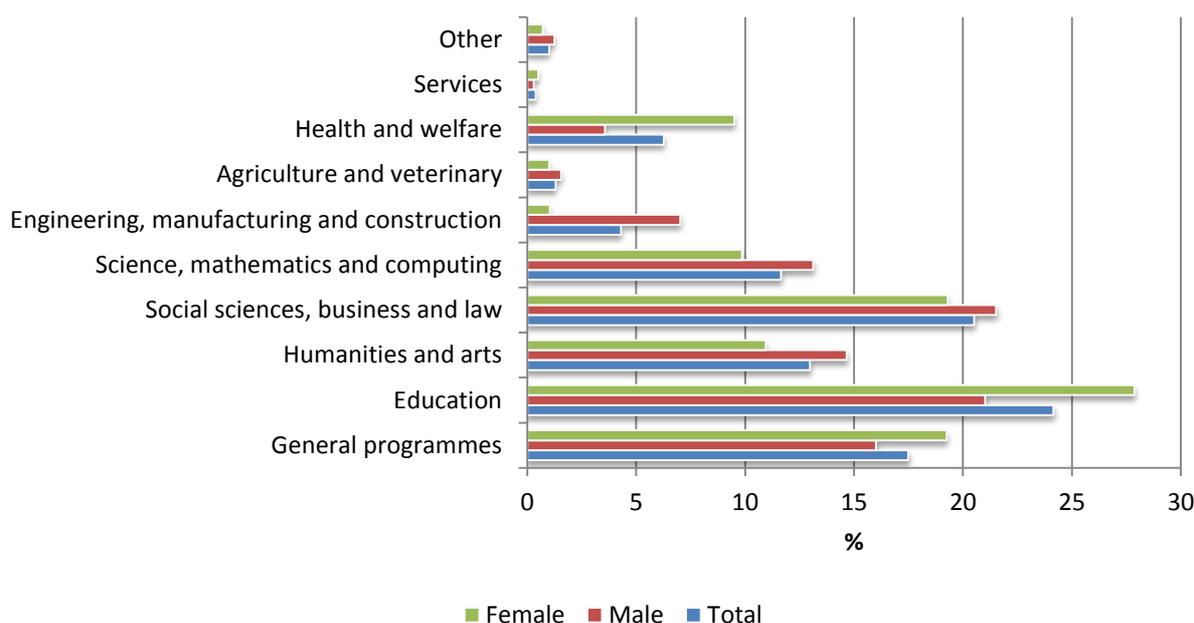
**Table 3.8 Youth currently in education by highest level completed and highest level hoped to complete**

Level of education	Level completed		Highest level hoped to complete	
	Number	%	Number	%
Primary	199 464	4.6	10 113	0.2
Secondary vocational	81 263	1.9	477 233	10.9
Secondary	2 555 844	58.5	136 927	3.1
Higher vocational	238 844	5.5	1 423 517	32.6
University	1 144 319	26.2	2 274 213	52.1
Postgraduate	146 468	3.4	38 615	0.9
Unknown	-	-	5 584	0.1
Total	4 366 202	100.0	4 366 202	100.0

Source: SWTS-Nepal, 2013.

Regarding the choice of studies, the results are quite varied. Five fields were preferred by more than 10 per cent of students (figure 3.6): science, mathematics and computing (11.6 per cent); humanities and arts (13.0 per cent); general programmes (17.5 per cent, reflecting the number of students in secondary education); social sciences, business and law (20.5 per cent); and education (24.1 per cent). The gender distribution is relatively balanced, with some of the main – and predictable – differences noticeable in the areas of health and welfare (9.5 per cent female, 3.5 per cent male); engineering, manufacturing and construction (1.0 per cent female, 7.0 per cent male); and education (27.9 per cent female, 21.0 per cent male).

**Figure 3.6 Current students by preferred field of study**



Source: SWTS-Nepal, 2013.

### 3.7 Unemployed youth

Unemployment according to international standards is defined as the situation of a person who: “(a) did not work in the reference period, (b) was available to take up a job had one been offered in the week prior to the reference period, and (c) actively sought work within the past 30 days (for example, by registering at an employment centre or answering a job advertisement)” (ILO, 2013, p. 39). The definition of “relaxed unemployment” (also known as “broad unemployment”), in contrast, differs in the relaxation of the “seeking work” criterion. “According to the international standards, the seeking work criterion may be relaxed ‘in situations where the conventional means of seeking work are of limited relevance, where the labour market is largely unorganized or of limited scope, where labour absorption is, at the time, inadequate or where the labour force is largely self-employed’” (ILO, 2013, pp. 39–40). This describes the situation in Nepal well, such that the relaxed definition is preferred in much of this report’s analysis.

Table 3.9 compares strict and relaxed unemployment rates in Nepal. The table shows that the strict unemployment rate for young people is high at 17.1 per cent for men and 22.2 per cent for women (19.2 per cent in total). This indicates a situation where young people do not find anything to do of economic value, not even of short duration, which is surprising in a labour market with such a high share of informal employment. A gender difference is apparent but is limited to 5.1 percentage points in favour of men.

**Table 3.9 Strict and relaxed youth unemployment rates**

Youth unemployment rate	Number			%		
	Male	Female	Total	Male	Female	Total
Strict	351 885	319 059	670 944	17.1	22.2	19.2
Relaxed	570 735	579 941	1 150 676	25.1	34.1	28.9

Source: SWTS-Nepal, 2013.

The numbers and rates for relaxed unemployment are, as expected, substantially higher at 25.1 per cent for young males and 34.1 per cent for young females (28.9 per cent in total). The gender difference is also higher, reaching 9.0 percentage points.

Unemployment rates are higher among young people with higher levels of education. Table 3.10 reveals a youth unemployment rate of 26.1 per cent for university graduates compared to 8.2 per cent for young people with no schooling. The male university graduate has a higher unemployment rate than the female graduate, while female unemployment rates are higher than the male's among youth with lower levels of education. Young university graduates in rural areas have a much harder time finding work that meets their expectations than those in urban areas (unemployment rates are 30.4 per cent and 12.9 per cent, respectively). In contrast, young persons with lower levels of education have a harder time finding a job in urban areas. As educational attainment levels increase in Nepal, the country will continue to witness the massive migration of educated youth to urban areas unless rural development is able to keep pace.

**Table 3.10 Youth unemployment rates by level of completed education, sex and area of residence (%)**

Level of completed education	Total	Male	Female	Rural	Urban
No schooling	8.2	5.8	11.1	8.2	9.0
Primary	10.8	9.2	13.9	9.3	29.4
Secondary vocational	0.0	0.0	0.0	0.0	0.0
Secondary	10.7	7.8	14.6	9.8	14.8
Higher vocational	4.6	0.0	10.0	3.4	10.7
University	26.1	27.4	22.6	30.4	12.9
Postgraduate	9.1	3.4	21.3	0.0	15.9
Total	11.4	9.8	13.9	10.6	16.6

Note: The denominator is economically active youth with completed education only.

Source: SWTS-Nepal, 2013.

Young unemployed youth were asked what they believe constitutes their biggest obstacle to finding employment (table 3.11). Almost one-third (32.9 per cent) responded that the lack of education or training is the most significant obstacle to finding employment, yet again confirming the perceived importance of education. However, 32.1 per cent of unemployed youth said the lack of jobs is their main challenge. In other words, the supply-side (the labour force is not sufficiently prepared for the world of work) and demand-side factors (the economy is not sufficiently dynamic to provide opportunities for youth) produce virtually equal scores. The third main obstacle cited by 19.7 per cent of unemployed youth is their lack of work experience. The other reasons cited received at most 4.6 per cent of total responses, including discrimination along gender lines (below 1 per cent) or other discriminatory prejudices (3.6 per cent).

The length of time youth remain unemployed is also important. For young people as well as adults, long periods of unemployment are particularly damaging for future employment prospects. Employability decreases with the length of unemployment, because potential employers are more inclined to think that the competencies of the long-term unemployed are obsolete or not as sharp as the skills of those hired straight from education or from another position. Attitude towards work may also be perceived differently as unemployed people are often portrayed as lazy or less competent. In short, it can be difficult to emerge from a long negative spiral, with devastating consequences on the poverty levels of certain groups of people. Long-term unemployment in Nepal is thus a problem that needs to be addressed.

**Table 3.11 Unemployed youth by main obstacles to finding work**

Obstacle	Number	%
Low education or training	220 969	32.9
Not enough work	215 086	32.1
Not enough work experience	132 219	19.7
Don't know how to seek work	30 749	4.6
Discriminatory prejudices	23 998	3.6
Considered too young	10 104	1.5
Poor working conditions	9 617	1.4
Low wage	8 597	1.3
Being male/female	4 479	0.7
Other	15 124	2.3
Total	670 944	100.0

Source: SWTS-Nepal, 2013.

Table 3.12 presents data on the length of unemployment by sex, age group and area of residence, sketching the “portraits” of long-term unemployed youth. For example, those unemployed for more than 6 months but less than 1 year are primarily male, aged 20–24 and living in rural areas. Those unemployed for more than 1 and up to 2 years are primarily young women, aged 25–29 and living in rural areas. Finally, those who have been unemployed for more than 2 years are predominantly young men, aged 25–29, who live in rural areas. All categories considered, close to 27 per cent of unemployed youth have been unemployed for more than 1 year. They will have considerable difficulty ever finding a decent job and lifting themselves or their families out of poverty and thus should be the focus of specific policies that help reintegrate them into the world of work.

**Table 3.12 Length of job search of unemployed youth by sex, age group and area of residence (%)**

Length	Sex		Age group			Area of residence		Total	
	Male	Female	15–19	20–24	25–29	Rural	Urban	Number	%
Less than 1 week	60.5	39.5	66.2	33.8	0.0	55.0	45.0	17 121	2.6
1 week to 1 month	56.9	43.1	42.3	43.6	14.1	84.1	15.9	176 774	26.3
More than 1 month to 3 months	48.6	51.4	34.7	51.7	13.5	73.0	27.0	144 070	21.5
More than 3 months to 6 months	36.9	63.1	51.0	32.3	16.7	63.3	36.8	72 089	10.7
More than 6 months to 1 year	56.0	44.0	25.4	51.5	23.0	76.0	24.0	80 946	12.1
More than 1 year to 2 years	36.0	64.0	27.9	31.5	40.6	72.0	28.0	57 864	8.6
More than 2 years	64.0	36.0	13.1	26.5	60.4	75.1	25.0	122 077	18.2
Total	52.5	47.6	33.6	40.7	25.7	75.1	24.9	670 944	100.0

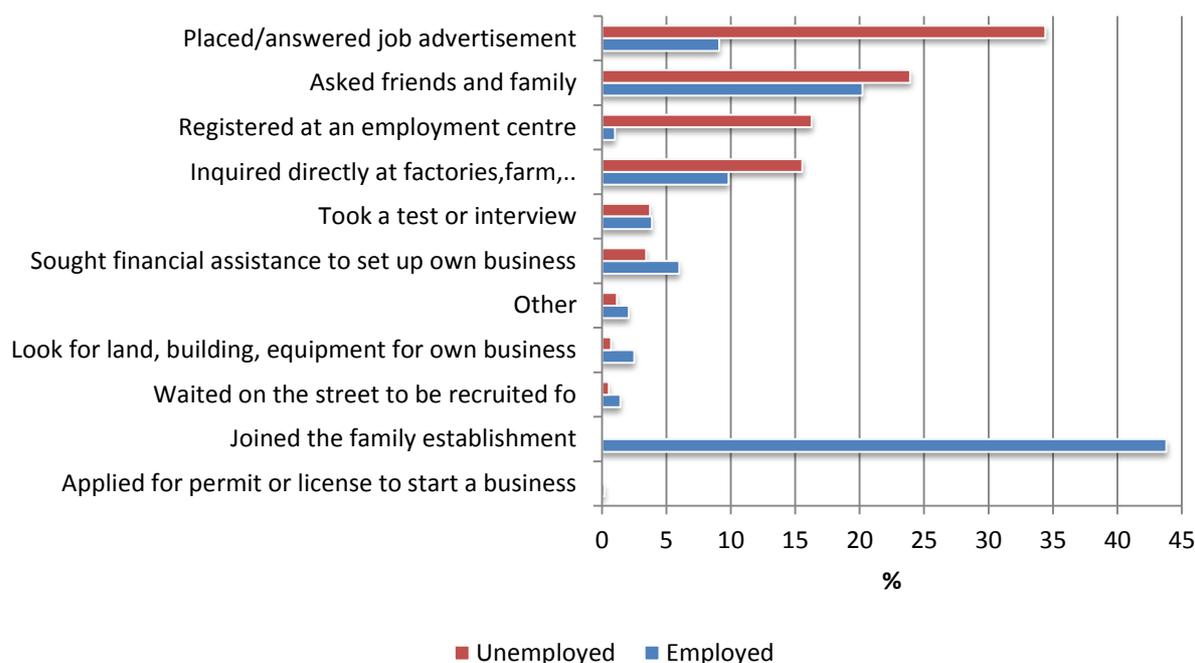
Source: SWTS-Nepal, 2013.

The survey also asked young unemployed people what actions they undertake to look for jobs. The data show they use a variety of methods (figure 3.7). Overall, the results of the employed (asked to identify how they had searched for their current job) and unemployed youth are relatively similar, except in three areas: First, 34.4 per cent of the unemployed placed or answered a job advertisement, while only 9.1 per cent of the employed found a job using this method. Second, 16.3 per cent of unemployed youth registered at an employment centre, while just 1.0 per cent of employed youth had found

their job through this means. Third, 43.8 per cent of employed youth joined the family business, which would imply they had no need to actively search for work.

There is no universal solution to finding a job, and both the employed and unemployed use similar methods. What is clear is that those unable to join a family business, for whatever reason, are at a serious disadvantage. In addition, the high share of informality in employment explains a pattern in these results, i.e. the reliance on informal means of job searching. The striking lack of use of employment centres has serious policy implications.

**Figure 3.7 Unemployed and employed youth by job search method**



Source: SWTS-Nepal, 2013.

### 3.8 Employed youth

The 2.8 million youth at work in Nepal follow a different trend than that of the population as a whole. The largest share of employed youth (just over 45 per cent) work in agriculture, followed by almost 41 per cent in services and approximately 14 per cent in industry (table A.3), whereas data in table 2.2 show these figures to be 73.9, 19.3 and 6.8 per cent, respectively, for the whole population. The higher level of educational attainment of the new generation is already changing the employment situation and therefore the development of Nepal. Interestingly, the geographic distribution of youth is similar to that of the population, i.e. around 80 per cent in rural areas.

Looking in more detail within the sectors of employment (table 3.13) reveals that three sub-sets are the main employers of youth: agriculture, forestry and fishing, which employs 45.3 per cent of working youth; wholesale, retail trade, hotel and restaurants, employing 15.9 per cent; and public administration, defence and other services, employing 15.7 per cent. The data in these three areas indicate a relatively homogeneous situation and offer a few salient points. In particular, as agriculture is the least productive sector, it should be a concern that 32.0 per cent of employment in that area is made up of teenagers who may miss out on educational opportunities. In the public administration sector, young women comprise only 41.7 per cent of employment. Public administrations should set

better examples of gender equality. Finally, the wholesale, retail trade, hotel and restaurant sub-set should also consider adopting policies that promote gender equality, as a gain of just 1 per cent of female employment would generate close to 4,500 jobs – to be considered within the growth of the sector as a whole, of course, in order not to diminish male employment. Oddly, the only area in which young women are more numerous than men is mining and quarrying, an industry typically dominated by males.

**Table 3.13 Sectors of youth employment by sex, age group and area of residence (%)**

Sector	Sex		Age group			Area of residence		Total	
	Male	Female	15–19	20–24	25–29	Rural	Urban	Number	%
Agriculture, forestry & fishing	53.7	46.3	32.0	28.6	39.4	96.2	3.8	1 277 216	45.3
Mining & quarrying	40.4	59.6	30.1	30.5	39.3	100.0	0.0	53 642	1.9
Manufacturing	64.7	35.3	19.0	38.9	42.2	75.5	24.5	198 326	7.0
Electricity, gas & water	100.0	0.0	25.3	23.7	51.0	77.2	22.8	9 114	0.3
Construction	100.0	0.0	27.1	32.6	40.3	94.0	6.0	136 815	4.9
Wholesale, retail trade, hotel & restaurants	62.3	37.7	19.6	36.0	44.4	71.1	28.9	447 235	15.9
Transport, storage & communications	88.9	11.1	16.1	28.5	55.3	76.8	23.2	148 380	5.3
Financial intermediation, real estate & business activities	55.1	44.9	10.1	41.9	47.9	50.5	49.5	106 360	3.8
Public administration, defence & other services	58.3	41.7	11.4	37.4	51.2	74.3	25.7	443 341	15.7
Total	60.4	39.6	23.9	32.6	43.5	84.5	15.5	2 820 429	100.0

Source: SWTS-Nepal, 2013.

**Table 3.14 Youth employment status by sex, age group and area of residence (%)**

Employment status	Total	Sex		Age group			Area of residence	
		Male	Female	15–19	20–24	25–29	Rural	Urban
Employee	40.6	47.6	29.9	32.3	45.8	41.3	38.5	52.1
Employer	6.8	9.0	3.3	1.3	4.9	11.2	6.4	8.6
Own-account worker	10.5	10.9	9.9	5.3	8.1	15.2	10.5	10.8
Member of producer's cooperatives	0.1	0.0	0.3	0.0	0.0	0.2	0.1	0.0
Contributing family worker	40.6	31.4	54.7	60.8	40.3	29.7	43.2	26.6
Other	1.4	1.1	1.8	0.2	0.9	2.4	1.3	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of self-employed	58.0	51.3	68.2	67.4	53.3	56.3	60.2	46.0
Total employment (number)	2 820 429	1 706 055	1 118 109	677 649	919 218	1 227 527	2 384 235	439 929

Source: SWTS-Nepal, 2013.

Table 3.14 provides an overview of the employment status of youth, which can reveal a lot in terms of employment quality. The vulnerability of women is striking. More than half (54.7 per cent) are contributing family workers (the percentage for men is 31.4).

Conversely, just under half of men (47.6 per cent) and almost one-third of women (29.9 per cent) are employees. Within age groups, teenagers are the most vulnerable: 60.8 per cent are contributing family workers, while 32.3 per cent are employees. As young people grow older, their vulnerability tends to decrease, although those aged 25–29 are slightly less likely to be employees than those aged 20–24. Regarding the area of residence, the advantage goes to urban workers, who are less likely to be contributing family workers and more likely to be employees.

### 3.8.1 Wage employment

As already noted and table 3.14 shows, only approximately one-third of women (29.9 per cent) and fewer than one-half of men (47.6 per cent) are wage and salaried workers, with urban youth more likely to be in wage employment than rural youth (52.1 per cent against 38.5 per cent, respectively). Although they are not the majority, wage workers still represent 1.1 million youth out of a total of 2.8 million employed, or 40.6 per cent. Table 3.15 provides details of this subgroup of employed youth and a snapshot of types of contracts.

**Table 3.15** Young wage and salaried workers by type of contract, area of residence and sex

Type of contract and area of residence	Total		Male		Female	
	Number	%	Number	%	Number	%
<b>Urban area</b>						
Written agreement	109 416	47.8	53 403	44.1	56 013	51.9
Oral agreement	119 655	52.2	67 703	55.9	51 952	48.1
Unlimited duration	153 970	67.2	90 564	74.8	63 406	58.7
Limited duration	75 101	32.8	30 542	25.2	44 559	41.3
Less than 12 months	33 162	14.5	15 376	12.7	17 786	16.5
12 to 36 months	32 155	14.0	10 436	8.6	21 719	20.1
More than 36 months	9 784	4.3	4 730	3.9	5 054	4.7
Total wage and salaried workers	229 071	100.0	121 106	100.0	107 965	100.0
<b>Rural area</b>						
Written agreement	270 933	29.5	194 186	28.1	76 747	33.8
Oral agreement	646 738	70.5	496 141	71.9	150 597	66.2
Unlimited duration	601 122	65.5	462 199	67.0	138 923	61.1
Limited duration	316 548	34.5	228 128	33.0	88 420	38.9
Less than 12 months	213 732	23.3	144 169	20.9	69 563	30.6
12 to 36 months	67 233	7.3	60 395	8.7	6 839	3.0
More than 36 months	35 583	3.9	23 564	3.4	12 019	5.3
Total wage and salaried workers	917 670	100.0	690 327	100.0	227 343	100.0

Source: SWTS-Nepal, 2013.

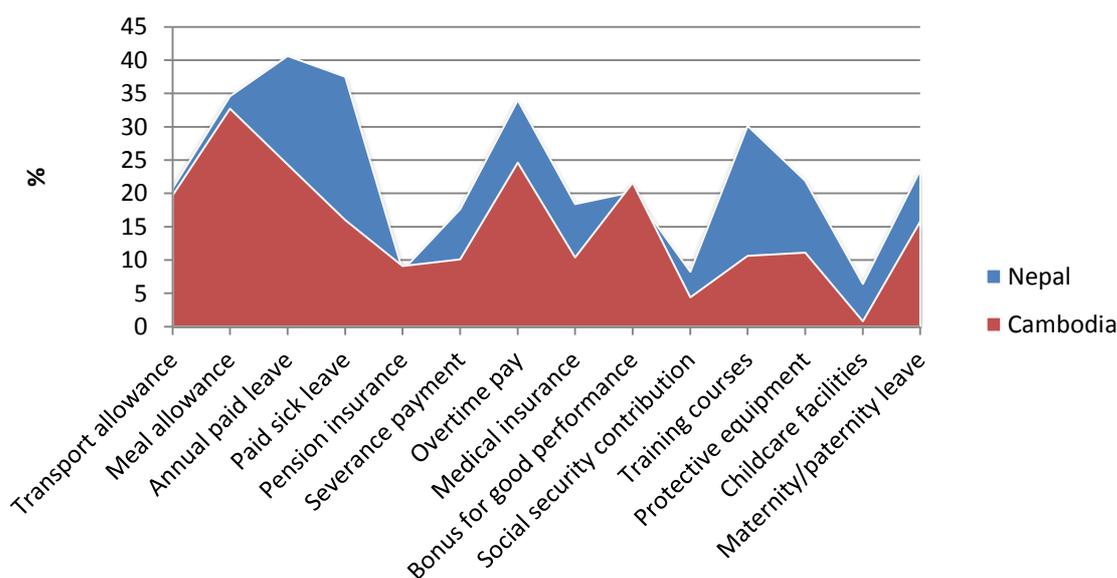
It may be useful to introduce an important nuance at this point. Several times in this report the importance of informal employment is highlighted, which would seem to contradict data showing high numbers of wage employment. Yet data from the SWTS reveal high numbers of youth in informal employment (figure 3.11). The two indicators are not contradictory because one sub-category of informal employment is “informal jobs in the formal sector”. These are the contract-based paid jobs without the provision of certain basic entitlements such as social security and/or paid annual or sick leave.

According to the data, contracts of unlimited duration (contracts without a time limit) are the norm. Those faring the worst in terms of contract type are urban women, but even in this group 58.7 per cent are hired on a contract of unlimited duration. Those faring the best are urban men, as 74.8 per cent benefit from an unlimited duration contract, although it is important to bear in mind that even with an unlimited contract, the young worker is not necessarily protected from dismissal under the labour laws. The percentages of those with short-term contracts of less than 1 year, on the other hand, vary from the most precarious (rural women, comprising 30.6 per cent) to the least (urban men, comprising 12.7 per cent). Here again, the important division is between rural and urban areas rather than between men and women. Or, to be more precise, young women do not appear to suffer from blatant forms of discrimination once in wage employment, but their access to wage employment, on the other hand, is far less assured than for young men.

Thus, it would appear at first glance that employment security among those who attain paid employment is not an area of concern for most Nepalese youth. However, it is important to look also at the high share of oral contracts (amounting to 70.5 per cent of contracts in rural areas). Without a written contract, even in a job without a time limit, the security of the job can easily be called into question. Still, in the context of Nepal, oral contracts may not be bad if they are guaranteed by family, social or community bonds.

Less than one-half of young employees receive additional entitlements beyond the basic wage; this is another area where the informality (and possibly the insecurity) of employment is revealed. Across the range of benefits, three items are notable for their low level of entitlement: pension/old-age insurance (8.4 per cent), social security contributions (8.2 per cent) and childcare facilities (6.4 per cent) (figure 3.8). Both pension and social security contributions are benefits requiring long-term savings. It is often difficult to promote putting money aside as useful for the future, all the more in Nepal where children are considered as a sort of old-age insurance. At the same time, 18.4 per cent of young workers benefit from medical insurance coverage and 37.5 per cent receive paid sick leave. Gender differences exist, favouring men in certain cases (37.0 per cent of men, for instance, receive meal allowances versus 28.8 per cent of women) and favouring women in other instances (the biggest gap concerns maternity/paternity leave, which 36.0 per cent of women benefit from as opposed to 18.3 per cent of men). Table A.4 provides additional details.

**Figure 3.8 Wage and salaried workers by access to benefits/entitlements in Nepal and Cambodia**



Sources: SWTS-Nepal, 2013; Kanol, Khemarin and Elder, 2013.

Young Nepalese workers seem to fare quite well in terms of access to benefits, which a comparison with Cambodia confirms. Cambodia shares a socio-economic profile comparable to Nepal and also underwent an SWTS in 2012. Figure 3.8 compares the access of young wage workers to benefits in the two countries. Nepal systematically comes out ahead, in some areas substantially. For example, 40.6 per cent of workers benefit from annual paid leave in Nepal compared to 24.3 per cent in Cambodia. In Nepal, 37.5 per cent of young workers receive paid sick leave, against 16.0 per cent in Cambodia, and 30.1 per cent benefit from training courses in Nepal against 10.6 per cent in Cambodia.

Young wage workers in Nepal therefore benefit from a favourable work environment, particularly for a developing country. Although wage and salaried employment is not the norm among young workers, it nevertheless encompasses a sizeable portion of this age group. In other words, the population well understands that employment includes quantitative and qualitative dimensions, which may facilitate the adoption of decent work policies.

### **3.8.2 Self-employment**

Most young workers in Nepal are self-employed. Adding together employers, own-account workers and contributing family workers, 58.9 per cent of the youth are self-employed (table 3.14). The difference between young women and men is substantial: 67.9 per cent of young women are self-employed compared to 51.3 per cent of young men, the reasons for which are explored further.

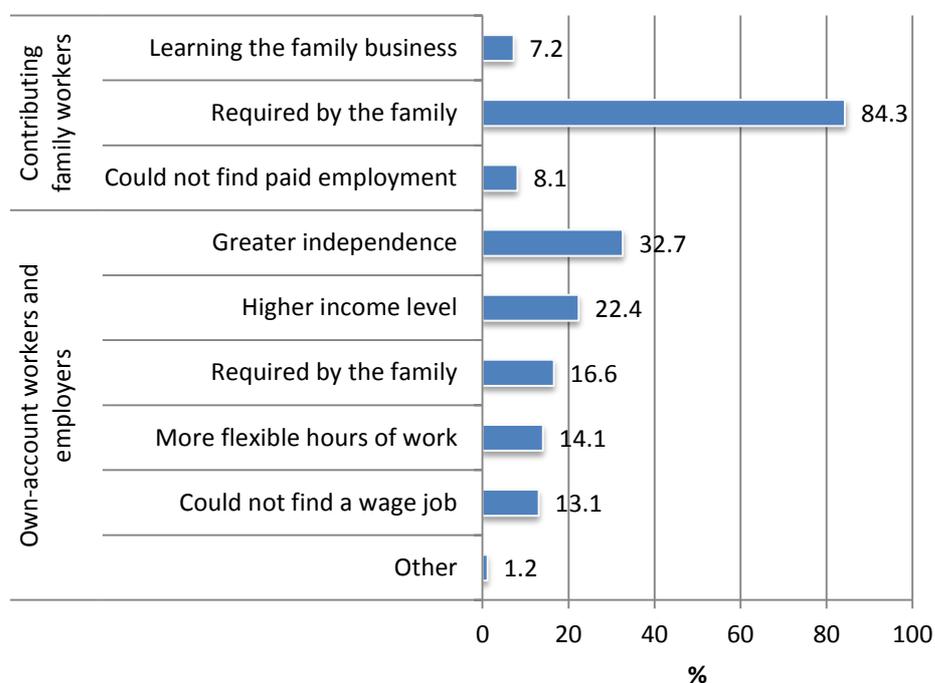
These figures are lower than those observed for the total employed population (see figure 2.4), indicating that this is not just a youth-specific issue. However, particular issues are highlighted by the data in tables A.5 and A.6. One has already been mentioned, i.e. the gender dimension of self-employment. Another is the importance of the phenomenon in rural areas. Although the percentages for rural and urban self-employed youth are comparable, the demographic distribution of the population means the numbers concerned are very different. In fact, more than 1.4 million youth are self-employed in rural areas (60.2 per cent of rural employment) against approximately 0.2 million in urban areas (46.0 per cent of urban employment). In other words, there are many more self-employed youth in rural areas than there are young wage workers in Nepal as a whole.

To understand why the numbers of self-employed are so high, self-employed youth were asked what they think is the main obstacle to finding a job. For 34.5 per cent, the main reason is the insufficient availability of paid jobs and the lack of knowledge of where and how to seek work (figure 3.9). The second most cited obstacle is insufficient education or training to attain paid employment (18.7 per cent), and the third (18.2 per cent) is insufficient work experience (full data by sex and area of residence can be found in table A.5). The importance employers place on candidates' work experience is confirmed in the LDES (table A.12).

The dynamics behind this category of workers are important because in certain cases this group reveals symptoms of vulnerable employment. In the case of Nepal, data show that self-employment is driven mainly by contributing (unpaid) family work. While only 10.5 per cent of young workers are own-account workers and even fewer are employers (6.8 per cent), as much as 54.7 per cent of young women and 31.4 per cent of young men help out in a family establishment without pay. And the motivations among the sub-groups of self-employment differ. Contributing family workers tend to follow the will of the family; eight in ten (84.3 per cent) said they are required to do such work by their family (figure 3.9). Most young own-account workers and employers, on the other hand, expressed voluntary reasons for establishing a business, such as gaining financial or personal independence (32.7 per cent), higher income (22.4 per cent) or more flexible hours of work (14.1 per cent). Less than one-third of own-account workers or employers

were driven to self-employment for reasons depicting a lack of other options (16.6 per cent were following the family requirements and 13.1 per cent could not find a paid job). Table A.6 shows the indicator in greater detail.

**Figure 3.9 Self-employed youth (own-account workers/employers and contributing family workers) by reason for self-employment**



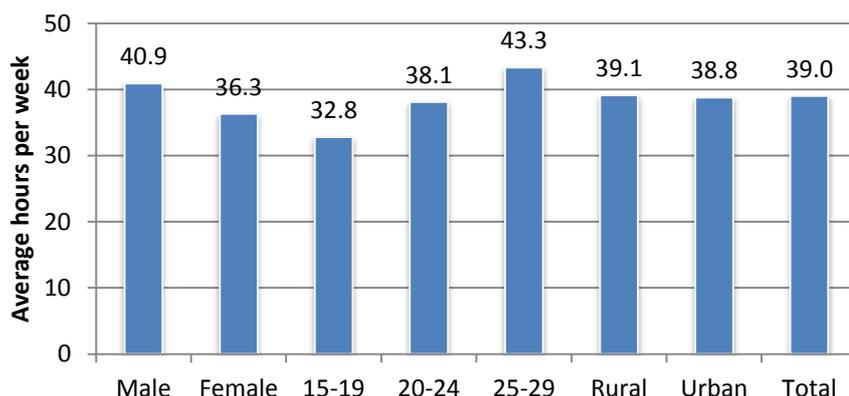
Source: SWTS-Nepal, 2013.

### 3.8.3 Hours of work and involuntary part-time work

An important component of work quality is the number of hours worked. Figure 3.10 shows the average number of hours the surveyed youth work per week. Overall, they work 39 hours per week. As this is the average, it appears youth work long hours, even from an early age: 15–19 year-olds work on average 32.8 hours per week, 20–24 year-olds work on average 38.1 hours per week, and 25–29 year-olds work on average 43.3 hours per week. Men work a little more than women (40.9 against 36.3 hours per week). There is no meaningful difference in hours worked in urban and rural areas.

On the other hand, table 3.16 shows that part-time work (less than 30 hours per week) among youth is not insignificant at 28.7 per cent of all young workers. More young women than men work part time and therefore women are also more likely than men to be in involuntary part-time employment (11.4 per cent young women against 8.2 per cent young men), meaning they would like to work more hours than they do.

**Figure 3.10 Average hours worked by youth per week and sex, age group and area of residence**



Source: SWTS-Nepal, 2013.

**Table 3.16 Part-time and involuntary part-time young workers by sex**

Part-time worker	Total		Male		Female	
	Number	%	Number	%	Number	%
Part-time workers (working less than 30 hours per week in youth employment)	811 586	28.7	418 101	24.5	393 485	35.2
Involuntary part-time workers (in youth employment)	268 423	9.5	140 531	8.2	127 892	11.4

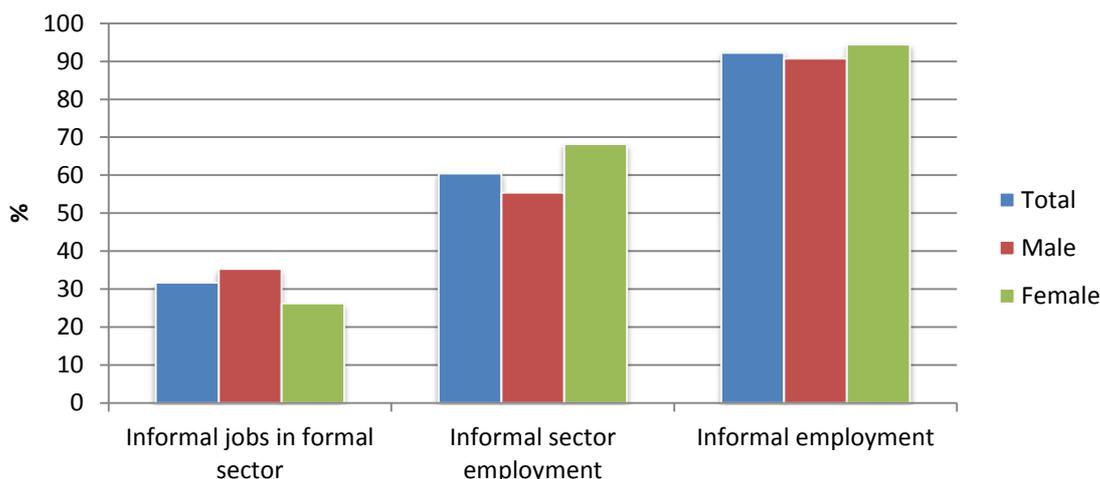
Source: SWTS-Nepal, 2013.

### 3.8.4 Informal employment and other job quality indicators

Informal employment is a significant concern in Nepal.<sup>8</sup> Almost all young workers are engaged in informal employment (92.2 per cent). Informal employment is made up of two sub-categories: workers in the informal (unregistered) sector and paid employees holding informal jobs in the formal sector. The latter earn a salary but do not receive the other benefits, such as social security contributions or paid annual or sick leave, which would normally be associated with a job in the formal sector. More Nepalese youth in informal employment fall within the informal sector (60.5 per cent) than are in an informal job in the formal sector (31.8 per cent) (figure 3.11).

<sup>8</sup> Informal employment is measured according to the guidelines recommended by the 17th International Conference of Labour Statisticians. It includes the following sub-categories of workers: (a) paid employees in “informal jobs”, i.e. jobs without a social security entitlement, paid annual leave or paid sick leave; (b) paid employees in an unregistered enterprise with size classification below five employees; (c) own-account workers in an unregistered enterprise with size classification below five employees; (d) employers in an unregistered enterprise with size classification below five employees; and (e) contributing family workers.

**Figure 3.11 Informal employment of youth by sex (% of total youth employment)**



Source: SWTS-Nepal, 2013.

The informal employment rates of young men and women in Nepal are relatively homogeneous (90.8 per cent for young men and 94.4 per cent for young women). More women are generally involved in informal employment because the barriers for entry are lower. But this is not the case in Nepal where young men and women share similar rates of informal employment.

In terms of wages, table 3.17 reveals an interesting situation. Own-account workers earn on average 1.5 times more than employees (that is, 17,564 and 11,763 Nepalese rupees (NPR), respectively).<sup>9</sup> Young self-employed men systematically earn more than wage and salaried men (employees), as high as 3.9 times for skilled agricultural positions, down to equal pay for craft workers. Women have more variation in earnings, both for own-account workers and employees, although own-account worker earnings are on average 1.3 times higher than those of employees. Female self-employed professionals make the most, with earnings 4.3 times superior to those of employees. The lowest earning occupation is plant and machine operators, where female own-account workers earn just one-third of female employees.

A comparison of earnings by sex within each category, i.e. within employees and own-account workers, shows an overall advantage for men, with some notable exceptions. For instance, women employed as legislators and senior officials and managers earn 1.5 times more than their male counterparts (although it is important to bear in mind that the sample here is small). Women employed as skilled agricultural workers earn more than double what men earn. On the other hand, female technicians, service workers, craft workers, plant operators and holders of elementary occupations earn between 50 and 60 per cent of what males earn in the same professions. In the own-account worker category, women earn more than men as professionals, technicians and service workers (1.7, 1.3 and 1.1 times more, respectively), but earn a lot less (around one-fifth or one-third) as plant operators, skilled agricultural workers and holders of elementary occupations.

<sup>9</sup> The UN operational exchange rate on 1 April 2013 (at the start of the survey field work) was US\$ 1 = 86.45 Nepalese rupees (NPR). The average wage of a young employee in Nepal was therefore the equivalent of US\$ 136.07 per month and the young own-account worker US\$ 203.17. The university graduate working in paid employment earned the equivalent of US\$ 186 per month. The minimum wage for Nepal is NPR 8,000 per month.

**Table 3.17 Average monthly wages of young employees and own-account workers by occupation, sex and educational attainment (in NRP)**

Occupation	Employees			Own-account workers		
	Total	Male	Female	Total	Male	Female
Total	11 763	12 526	9 779	17 564	19 651	12 581
<b>Occupation</b>						
Legislators, senior officials & managers	16 535	14 685	22 534	26 886	27 884	24 253
Professionals	12 566	14 018	10 454	32 899	27 222	45 000
Technicians & associate professionals	12 273	13 404	10 025	16 321	15 953	20 000
Clerks	8 506	8 832	8 169	32 614	32 614	-
Service workers, shop & market sales workers	12 070	12 994	7 087	15 930	15 430	17 151
Skilled agricultural & fishery workers	9 926	6 873	14 601	21 927	26 505	8 101
Craft & related trades workers	12 967	13 120	11 763	11 300	13 402	8 857
Plant & machine operators & assemblers	13 702	13 969	9 000	15 239	16 012	3 000
Elementary occupations	9 458	10 501	6 021	17 134	22 820	6 804
Other	16 606	17 803	10 000	-	-	-
<b>Completed education</b>						
No schooling	7 656	7 269	8 765	9 343	9 501	8 885
Primary	11 142	11 785	7 881	11 733	12 638	10 752
Secondary vocational	9 751	11 336	3 900	-	-	-
Secondary	13 054	15 011	6 050	18 529	20 210	12 993
Higher vocational	17 542	27 747	11 073	-	-	-
University	16 091	16 248	15 722	40 502	42 914	26 359
Postgraduate	21 602	22 558	19 685	23 489	23 489	-

- = sample too small to produce reliable estimates.

Source: SWTS-Nepal, 2013.

Investing in education brings a clear pay off in terms of higher wage potential. The average monthly wage increases incrementally with each added level of education. Among employees, the university graduate can earn up to 1.5 times the wage of a young worker with primary education. The young employer with higher technical training can earn nearly 2 times the wage of the worker with secondary vocational training. Among own-account workers, the wage advantage of higher education is even stronger.

Another job quality measure is the skills mismatch. Skills mismatch between the jobs people do and their level of educational qualification is measured by applying the normative measure of occupational skills categories from the International Standard Classification of Occupations (ISCO) (ILO, 2013, p. 44). ISCO-88 includes the categorization of major occupational groups (first-digit ISCO levels) by level of education in accordance with the International Standard Classification of Education (ISCED). Table 3.18 summarizes the ISCO-based educational classification.

**Table 3.18 ISCO major groups and education levels**

ISCO major group	Broad occupation group	Education level
Managers		
Professionals	High-skilled non-manual	Tertiary (ISCED 5–6)
Technicians & associate professionals		
Clerical support workers	Low-skilled non-manual	
Service & sales workers		
Skilled agricultural & fishery workers		Secondary (ISCED 3–4)
Craft & related trades workers	Skilled manual	
Plant & machine operators & assemblers		
Elementary occupations	Unskilled	Primary (ISCED 1–2)

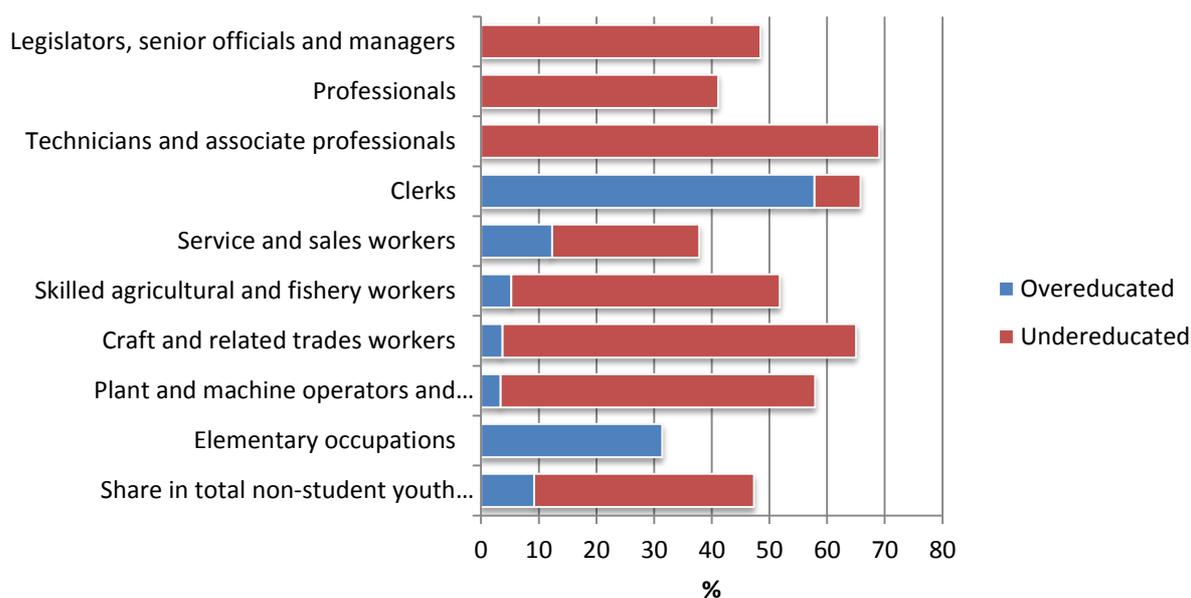
Source: ILO, 2013, table 3.

Workers in a particular group who have the assigned level of education are considered well-matched. Those who have a higher (lower) level of education are considered overeducated (undereducated). For example, a university graduate working as a clerk (a low-skilled non-manual occupation) is overeducated, while someone whose highest education level is secondary school but who is working as an engineer (a high-skilled non-manual occupation) is undereducated.

The results among the surveyed working youth in Nepal show that slightly more young workers are in an occupation that matches their level of education (52.7 per cent) than in an occupation for which they are overqualified or underqualified. Figure 3.12 provides the breakdown: 9.2 per cent of young workers are overeducated and 38.1 per cent are undereducated. The results are, in part, a reflection of the levels of education attained by youth in Nepal. As a substantial share of employed youth complete their education below the secondary level in the country, it is not surprising to find that more youth are classified as undereducated than overeducated. The phenomenon of overeducation tends to take place when an insufficient number of jobs match a certain level of education, which forces some of the degree holders to take up available work that they are subsequently overqualified for. One consequence is that overeducated young people are likely to earn less than they otherwise could have and are not making the most of their productive potential. Another consequence is the crowding out of youth at the bottom of the educational pyramid. The less-educated youth find themselves at the back of the queue even for those jobs for which they are best qualified.

Figure 3.12 supports the premise that some highly educated young people in the country must settle for jobs for which they are overqualified, with a particularly high representation of overeducated youth engaged as clerks (57.8 per cent). On the other hand, many more young people hold positions for which they are undereducated, in particular, legislators, senior officials and managers; professionals; technicians and associate professionals; craft and related trades workers; and plant and machine operators. In these occupations, a majority of youth do not hold the educational credentials that are normally expected.

**Figure 3.12 Shares of overeducated and undereducated young workers by major occupational category (ISCO-08)**

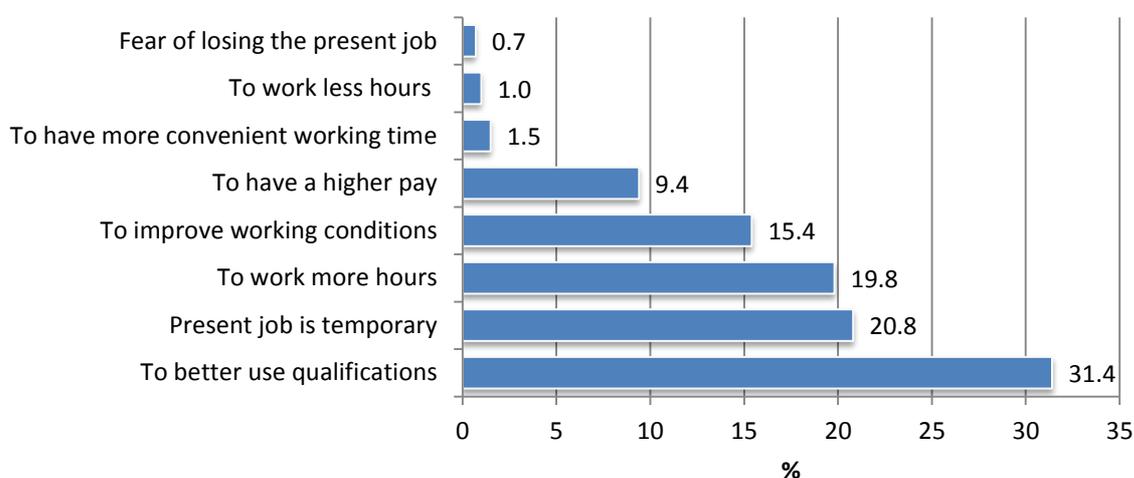


Source: SWTS-Nepal, 2013.

### 3.8.5 Security and satisfaction

Of the 2.8 million youth employed, about 1.3 million said they would like to change jobs. Nearly 60 per cent (58.7 per cent) of young workers surveyed stated that they are dissatisfied with their current job. Figure 3.13 shows the reasons given for wanting to change job. The main reason cited echoes the findings of qualifications mismatch in the sense that 31.4 per cent would like to make better use of their qualifications. About 20.8 per cent would change due to the temporary nature of the job, and a similar amount (19.8 per cent) wish to work more hours. Slightly less (15.4 per cent) would like to improve their working conditions. Finally, fewer than 10 per cent of employed youth state they would change job because of low wages. These interesting data confirm the concerns that young Nepalese have about education.

**Figure 3.13 Employed youth who would like to change their job by reason**



Source: SWTS-Nepal, 2013.

## 4. The stages of transition

### 4.1 Concepts and definitions<sup>10</sup>

Labour market transition is defined as the passage of a young person from the end of schooling (or entry to first economic activity) to the first stable or satisfactory job. Stable employment is defined in terms of the employment contract (written or oral) and the contract duration (greater than 12 months). Introducing the issue of a contract automatically excludes the employment status of self-employed, where the employment relationship is not defined by a contract. The opposite of stable employment is temporary employment, or wage and salaried employment of limited duration. Satisfactory employment is a subjective concept, based on the self-assessment of the jobholder. It implies that respondents consider their jobs to be a good “fit” with their desired employment path at that moment in time. The contrary is termed non-satisfactory employment, implying a sense of dissatisfaction with the job.

Based on this definition of labour market transition, the stages of transition are classified as follows:

**Transited** – A young person who has “transited” is one who is currently employed in:

- a stable job, whether satisfactory or non-satisfactory; or
- a satisfactory but temporary job; or
- satisfactory self-employment.

**In transition** – A young person still “in transition” is one who is currently:

- unemployed (relaxed definition); or
- employed in a temporary and non-satisfactory job; or
- in non-satisfactory self-employment; or
- inactive and not in education or training, with an aim to look for work later.

**Transition not yet started** – A young person whose “transition has not yet started” is one who is currently:

- still in school and inactive (inactive student); or
- inactive and not in education or training (inactive non-student), with no intention of looking for work.

Two elements of this classification are noteworthy. First, the stages of transition span across the boundaries of economic activity as defined in the standard labour force framework.<sup>11</sup> The “transited” category includes a sub-set of youth classified as employed; the remaining employed fall within the category of “in transition”, which includes those who fall under the strict definition of unemployed and portions of the inactive (namely,

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<sup>10</sup> This section is adapted from ILO (2013), Chapter 5.

<sup>11</sup> The international guidelines for measuring statistics on the economically active population, set out by the 13th International Conference of Labour Statisticians (ICLS) in 1982, provide the framework for measuring who is counted as employed and as unemployed according to the economic production boundaries set out by the System of National Accounts.

those without work, available for work but not actively seeking work<sup>12</sup> and inactive non-students who have stated an intention to join the labour force at a later stage). The “transition not yet started” category is the residual of the inactive population.

Second, the stages of transition are not intended to be a normative framework. Because of the inclusion of youth in satisfactory self-employment and satisfactory temporary employment, one cannot say that all young people in the transited category have transited to a “good” job. In fact, a majority of young people in self-employment – the own-account workers and contributing family workers – are more likely to be irregularly employed or employed in the informal economy. Yet they have expressed a degree of satisfaction with their job and are therefore classified as “transited youth”.

## 4.2 The stages of transition

Nepal stands out for its high number of youth who have not started their transition or are still in transition. The data in table 4.1 show that 40.9 per cent of young people have yet to start their transition, 38.9 per cent are still in transition, while only 19.9 per cent have transited to stable and/or satisfactory employment. This no doubt reflects the demographic structure of the youth population, and the prevalence of the 15–19 age group, but, by way of comparison, more than two-thirds of Cambodia’s youth (68.6 per cent) have completed their transition. The difference in the shares of transited youth in the two countries reflects the higher number of Cambodian youth who express general satisfaction with their job. Nepal is the only country of the 27 in which the SWTS was run in 2012 or 2013 where more working youth expressed dissatisfaction than satisfaction with their job. Those working but dissatisfied with their job (unless they have a stable contract) are classified in the category of “in transition”.

The male youth has a much higher chance of completing the transition than female youth (25.3 and 13.4 per cent, respectively) while young women have a higher representation among those who remain in transition. The same percentage of urban and rural youth have completed the transition, but the much higher number of youth in school in urban areas is reflected in the higher share of youth in the transition-not-yet-started category in urban regions.

**Table 4.1 Stages of transition of youth by sex, age group and area of residence (%)**

Stage	Sex		Age group			Area of residence		Total
	Male	Female	15–19	20–24	25–29	Rural	Urban	
Transited	25.3	13.4	7.3	21.5	39.4	19.9	19.9	19.9
In transition	33.4	45.4	29.6	44.7	47.9	40.5	32.5	38.9
Transition not yet started	41.0	40.9	62.9	33.4	12.2	39.3	47.4	40.9

Note: The stages do not sum perfectly to 100 due to an insignificant number of respondents not classifiable by stage.

Source: SWTS-Nepal, 2013.

<sup>12</sup> This is the portion added to the “strictly” unemployed category to make up the unemployed (relaxed definition).

### 4.2.1 Youth who have not yet started the transition

Young people who have not started their transition are either still in school or inactive and not in school, with no intention of looking for work. They are therefore not part of the labour force.

Of the three transition stages, youth who must still start their transition constitute the biggest group, comprising almost 3 million young people. It reflects the high share of teenagers among the youth population. In addition, over 33 per cent of the 20–24 age group and slightly over 12 per cent of those aged 25–29 have not yet started their transition either. By sex, about 41 per cent of both young males and females have not yet started their transition, as well as 47.4 per cent of urban youth and 39.3 per cent of rural youth.

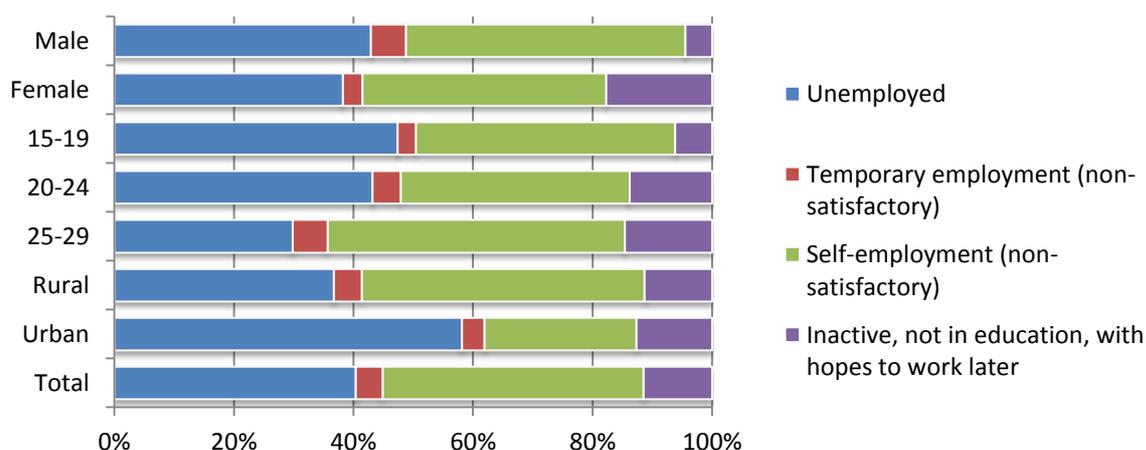
Overall, 97.6 per cent of youth who have yet to start their transition fall into the sub-category of inactive students. A significant variation by sex is apparent, however. While young females make up 44.6 per cent of inactive students, they dominate the category of inactive non-students with no plans to join the labour force in the future, where the female share is 87.0 per cent.

### 4.2.2 Youth in transition

A youth in transition is a young person who is either unemployed (as per the relaxed definition), engaged in self-employment or in a paid temporary job that they describe as unsatisfactory, or is an inactive non-student expressing the hope or desire to work in the future.

Figure 4.1 shows the characteristics of the 2.8 million youth still in transition. For both men and women, non-satisfactory self-employment is the main reason for being in transition (46.7 and 40.8 per cent, respectively). The second main reason is unemployment, for 42.9 per cent of men and 38.2 per cent of women. Unemployment is an urban (58.2 per cent) rather than a rural (36.7 per cent) phenomenon. Looking across the age groups, certain trends can be observed, notably that unemployment decreases with age; unsatisfactory temporary employment increases with age (but remains relatively marginal at 3.1 per cent for those aged 15–19, 4.7 per cent for the 20–24 age group, and 5.9 per cent for the 25–29 year-olds); unsatisfactory self-employment is stronger in older youth and teenagers than in the 20–24 age group; and, finally, the inactivity level increases with age. Differences between the groups are discernible mainly in the sub-category of inactive youth not in education with plans to work in the future.

**Figure 4.1 Characteristics of youth in transition by sex, age group and area of residence**



Source: SWTS-Nepal, 2013.

### 4.2.3 Characteristics of successful transition

About 1.5 million youth have completed their transition (table 4.2). About two-thirds (73.0 per cent of young men and 63.3 per cent of young women) have completed their transition into employment as employees. Those in satisfactory self-employment (comprising employers, own-account workers and contributing family workers) constitute 26.0 per cent of men and 34.6 per cent of women. By age group, those more likely to be in paid employment are youth aged 15–24. The older group is more greatly represented within the self-employed category. Rural and urban youth share comparable percentages, i.e. around 70 per cent are employees and almost 30 per cent are self-employed.

**Table 4.2** Distribution of transited youth by status of employment and sex, age group and area of residence (%)

Status	Sex		Age group			Area of residence		Total (number)
	Male	Female	15–19	20–24	25–29	Rural	Urban	
Employee	73.0	63.3	80.5	77.1	61.9	69.8	70.8	1 018 038
Employer	10.6	6.2	1.9	7.6	12.6	8.9	10.4	133 922
Own-account worker	10.0	9.7	3.8	7.8	13.4	9.3	12.3	144 533
Contributing family worker	5.4	18.7	13.8	6.5	10.3	10.5	6.1	139 425
Other	1.0	1.9	0.0	1.0	1.9	1.5	0.4	18 476
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1 454 394

Source: SWTS-Nepal, 2013

An examination of transited youth by occupation (table 4.3) illustrates that young men achieved similar percentages of transition in elementary occupations (21.6 per cent) as in professional occupations (18.6 per cent), although these professions represent opposite occupational profiles. Young women who have completed their transitions are mainly in professional occupations (30.4 per cent) and in skilled agricultural work (20.1 per cent).

**Table 4.3** Distribution of transited youth by occupation and sex, age group and area of residence (%)

Occupation	Sex		Age group			Area of residence		Total (number)
	Male	Female	15–19	20–24	25–29	Rural	Urban	
Managers	3.0	2.4	0.0	2.3	4.0	2.6	3.5	40 838
Professionals	18.6	30.4	7.8	23.9	25.9	20.6	29.1	324 377
Technicians & associate professionals	3.9	3.9	2.8	5.5	3.3	3.0	7.7	57 026
Clerical support workers	2.2	4.4	1.7	4.1	2.5	0.7	11.6	42 363
Service & sales workers	16.0	13.4	7.5	16.0	17.1	12.9	24.1	220 601
Skilled agriculture, forestry & fishery workers	10.6	20.1	18.3	8.3	15.6	16.6	1.9	197 747
Craft & related trades workers	14.3	8.8	19.9	13.5	9.6	12.6	12.4	182 721
Plant & machine operators/assemblers	8.7	1.4	5.4	5.8	7.0	7.0	4.0	92 723
Elementary occupations	21.6	14.6	36.6	19.9	13.4	23.1	4.9	281 725
Armed forces	1.2	0.5	0.0	0.6	1.6	1.0	0.8	14 276
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1 454 397

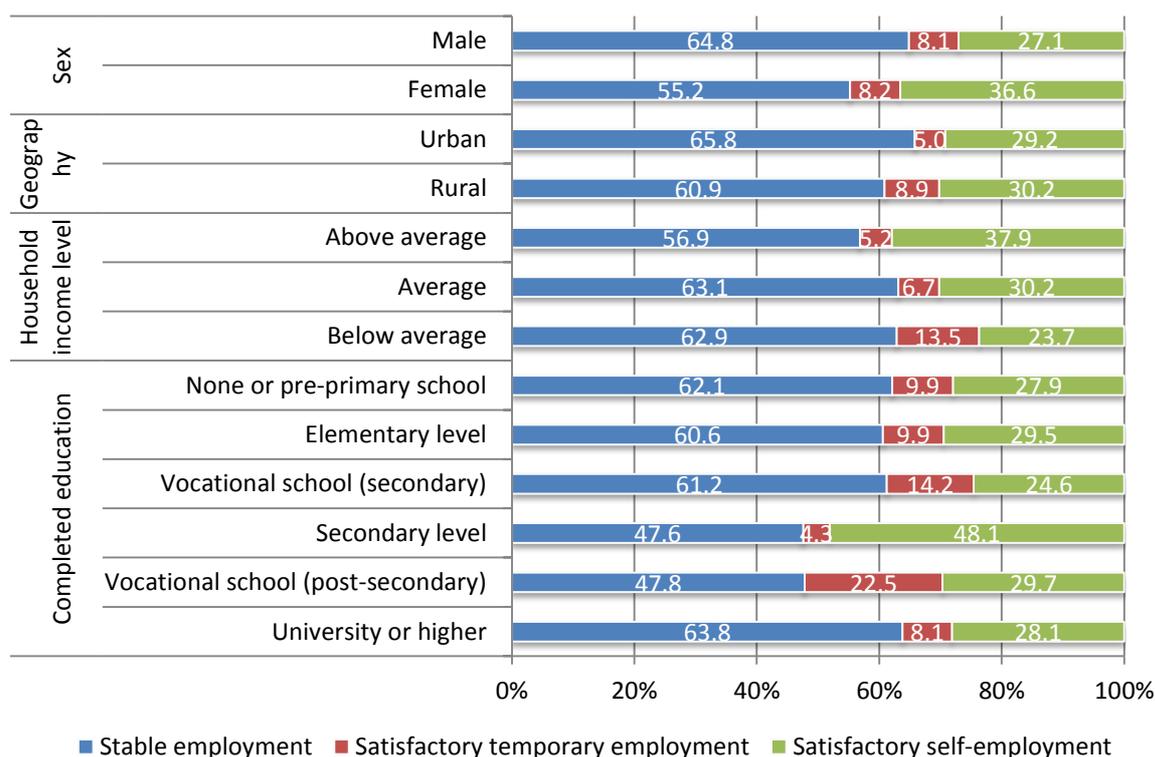
Source: SWTS-Nepal, 2013.

Looking at the age groups, 36.6 per cent of the youngest (15–19 year-olds) have completed their transition into elementary occupations, which makes sense as they have not had the chance to attain high education levels. They also end up as craft workers in 19.9 per cent of cases. The 20–24 year-olds follow the same trend as young males, i.e. their transition ends mainly in professional occupations (23.9 per cent) and elementary occupations (19.9 per cent). Those in the 25–29 age group transition mainly into professional occupations (25.9 per cent) and into services and sales work (17.1 per cent).

By area of residence, the two main transition destinations for urban youth are professional occupations (29.1 per cent) and services and sales work (24.1 per cent) and, for rural youth, elementary occupations (23.1 per cent) and professional occupations (20.6 per cent).

Looking across occupations, youth complete their paths of transition mostly as professionals. This is the case for young women (30.4 per cent), youth aged 20–24 (23.9 per cent) and youth aged 25–29 (25.9 per cent). The second most frequent occupation transitioned into are elementary occupations, for 21.6 per cent of men, 36.6 per cent of teenagers and 23.1 per cent of rural youth. Older youth find work in services and sales (coming in second at 17.1 per cent, after professional occupations as mentioned earlier), as do urban youth (24.1 per cent).

**Figure 4.2** Transited youth by sub-category and sex, area of residence, household income and level of completed education



Source: SWTS-Nepal, 2013.

Figure 4.2 shows transited youth by stable employment and satisfactory self- and temporary employment. The share of transition to stable employment varies between males and females, with young men more likely to attain stable employment than young women (64.8 and 55.2 per cent, respectively). Urban youth are also more likely to attain stable employment than rural youth. The level of household income proves to be insignificant as an indicator of transited youth. Youth from above-average income households are more numerous in satisfactory self-employment while youth from below-average income households are more numerous in satisfactory temporary employment.

The data reveal that the level of education does matter in terms of labour market transition, although its influence is not as clear as it might be. A majority of young people with a tertiary (non-vocational) education completed their transition to stable employment (63.8 per cent), although a substantial share of young people with less than primary education also completed the transition to stable employment (62.1 per cent). Those with the least likely chance of transiting to stable employment are those with secondary education and post-secondary vocational training.

### 4.3 Transition paths and length of transition

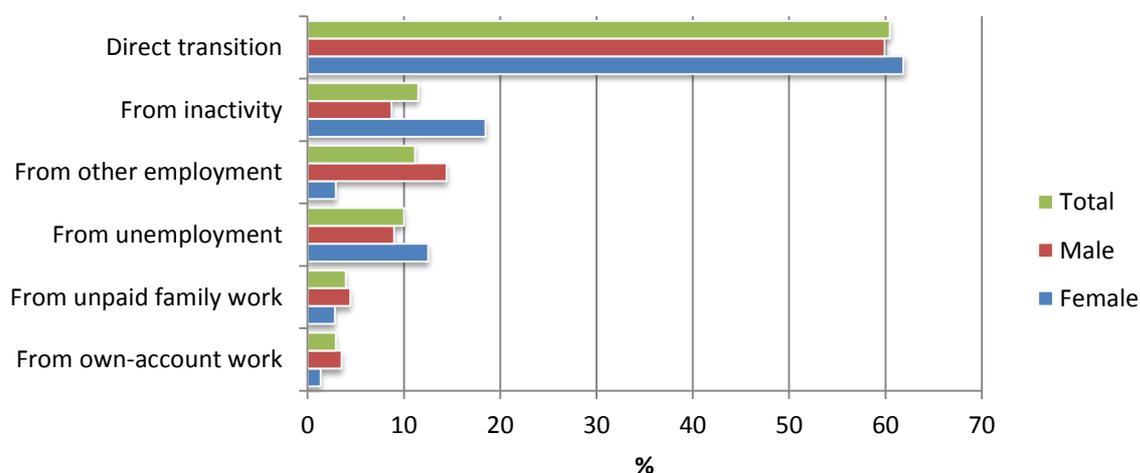
Another means of examining the transition is through flows and identifying the labour market category held by youth prior to transiting to stable and/or satisfactory employment. They provide a dynamic picture of intermediary activities, temporary and stable employment, and satisfactory and non-satisfactory employment over the course of a young person's career.

Figure 4.3 shows data on these flows to stable and/or satisfactory employment and depicts a situation of relative stability. Approximately 60 per cent of both young men and women move straight into their current situation of employment.

Almost one-fifth of young women (18.5 per cent) and 8.7 per cent of men have transited from a situation of inactivity, which is a positive sign that inactive youth can be convinced to reintegrate into the labour market. Another 12.5 per cent of young women and 9.0 per cent of young men completed their transition from a spell of unemployment. Compared to other flows, these numbers are relatively small. In addition, bearing in mind the high number of unemployed, they could indicate that unemployment is a relatively recent and rapidly spreading phenomenon. Unemployment must be monitored closely, considering the very large number of youth about to enter the labour market.

Finally, transition from other employment (likely a job deemed unsatisfactory) is rather low. Men who have transited from another job total 14.4 per cent (and less than 3 per cent for women). The transition from a situation of self-employment is even more insignificant. In other words, the cliché that young people hop from job to job and are only interested in the best working conditions and easy money does not hold true for Nepal.

**Figure 4.3** Flows to stable and/or satisfactory employment of youth who completed the transition



Source: SWTS-Nepal, 2013.

The ILO has also developed a classification system for the length of transition period of youth who have completed the transition.<sup>13</sup> Table 4.4 shows the results based on this classification. Overall, 75.1 per cent of young men and 69.6 per cent of young women have experienced a short transition, which is not surprising given the high share of youth who experience direct transitions (figure 4.3). Mid-length transitions were experienced by 11.8 per cent of men and 17.5 per cent of women, and lengthy transitions by 13.2 per cent of men and 12.9 per cent of women. Women are therefore somewhat at a disadvantage in terms of length of transition period. The dominance of short transition periods confirms the high share of direct transits for men and women.

**Table 4.4 Length of transition of youth who completed the transition by sex**

Length	Total		Male		Female	
	Number	%	Number	%	Number	%
Short transition	850 473	73.5	620 780	75.1	229 693	69.6
Mid-length transition	154 922	13.4	97 258	11.8	57 664	17.5
Lengthy transition	151 703	13.1	109 042	13.2	42 661	12.9
Total	1 157 098	100.0	827 080	100.0	330 018	100.0

Source: SWTS-Nepal, 2013.

Table 4.5 presents additional transition path indicators, offering a more detailed picture of how youth reached the transited stage. Excluding youth who transited directly to stable and/or satisfactory employment (60.5 per cent, as shown in figure 4.3), the transition path involved, on average, 1.4 intermediary labour market activities – whether unemployment, employment or inactivity – prior to completing the labour market transition. The time spent in intermediary activities was relatively long at 37.0 months or slightly more than 3 years.

Young Nepalese experienced “only” one spell in unemployment in their transition path; that spell averaged over 1 year (or 16.7 months) in length. The average young transited female spent twice the time in unemployment than the young male (23.2 and 14.5 months, respectively). The unemployment spell corresponded closely with the spell of self-employment. The transited youth experienced an average of one spell in self-employment with an average length of 20.5 months (26.7 months for young females and 18.6 months for young males).

<sup>13</sup> A **short transition** is classified as one in which, before obtaining the current satisfactory/stable job, the young person underwent: (1) a direct transition; or (2) a spell (or cumulative spells) of stable or satisfactory employment with no spell of unemployment or inactivity; or (3) a spell (or cumulative spells) of employment of less than or equal to 1 year with no spell of unemployment or inactivity where the job(s) held is(are) classified as non-satisfactory self- or temporary employment; or (4) a spell of unemployment with or without spells of employment or inactivity of less than or equal to 3 months; or (5) a spell of inactivity of less than or equal to 1 year. A **mid-length transition** is classified as one in which, before obtaining the current satisfactory/stable job, the young person underwent: (1) a spell (or cumulative spells) of non-satisfactory self- or temporary employment of between 1 and 2 years with no spell of unemployment or inactivity; or (2) a spell of unemployment with or without spells of employment or inactivity of between 3 months and 1 year; or (3) a spell of inactivity longer than 1 year. A **lengthy transition** is classified as one in which, before obtaining the current satisfactory/stable job, the young person underwent: (1) a spell (or cumulative spells) of non-satisfactory self- or temporary employment of 2 years or over with no spell of unemployment or inactivity; or (2) a spell of unemployment with or without spells of employment or inactivity of 1 year or over.

**Table 4.5 Indicators on the path of transition for youth who completed their labour market transition**

Indicator	Total	Male	Female
Average length of transition – excluding direct transition	37.0 months	33.3 months	44.4 months
Average length of transition – including direct transition	11.1 months	9.3 months	15.5 months
Average length of transition to stable employment – including direct transition	9.8 months	6.9 months	19.5 months
Average length of transition to satisfactory self- or temporary employment – including direct transition	12.7 months	13.1 months	12 months
Average number of intermediary activities	1.4	1.4	1.3
Average number of unemployment spells	1.0	1.0	1.0
Average length of unemployment spells	16.7 months	14.5 months	23.2 months
Average number of self-employment spells	1.0	1.0	1.0
Average length of self-employment spells	20.5 months	18.6 months	26.7 months

Source: SWTS-Nepal, 2013.

## 5. Creating jobs for young people: the employers' perspective

The Nepalese economy is characterized by the unbalanced proportion of its formal and informal sectors. Most agricultural activities, such as crop cultivation and livestock farming, lie in the informal sector, and most agricultural products are consumed by the producer households themselves. Small manufacturing activities, most retail trading and personal services are carried out by unincorporated household enterprises.

Nevertheless, a recent trend indicates informal sector activities are shifting to the formal sector and many new activities are being operated on a formal and corporate basis. For example, poultry farming, fishery, horticulture and manufacturing activities have been growing and steadily taking the shape of corporate establishments.

This section explores the views of the sample of 412 employers in Nepal included in the LDES. Of these, 290 represent the formal sector from 12 districts, and the remaining 122 represent the informal sector from the 22 districts covered by the SWTS. Of the total respondents, 354 are male and 58 female. Questions from the LDES provide an understanding of the employers' perceptions regarding the issues of labour demand for young people, information on recruitment and training practices, and the problems faced by employers regarding the expected skills and capabilities of young jobseekers and their education level and training.

### 5.1 The characteristics of enterprises

The sample consists of 412 enterprises distributed across 14 sectors. The sector most represented is manufacturing (with 300 enterprises, equivalent to 72.8 per cent of the sample), followed by the accommodation and food services sector (32 enterprises, or 7.8 per cent), wholesale and retail trade (25 enterprises, or 6.1 per cent) and the agriculture, forestry and fishing sector (9 enterprises, or 2.2 per cent). The other sectors represent less than 1 per cent of the sample.

A large majority of enterprises in Nepal are small, private enterprises, usually family-owned and own-account businesses: 60.2 per cent employ 9 or fewer employees, a little more than one-quarter of the sample (26.5 per cent) are medium-sized enterprises with ten to 50 employees, and 13.4 per cent employ more than 50 people. Table 5.1 shows the distribution of enterprises by sector and by number of employees.

With a large proportion of small and informal enterprises, membership in trade unions or employers' organizations remains quite uncommon overall. Within the sample, 27.4 per cent of the businesses belong to one of these associations. Only 7.6 per cent of the small businesses, those with less than five employees, are members of a workers' or employers' organization. Larger companies with 51–100 employees and those with more than 100 employees are more likely to belong to one of these organizations (46.4 per cent and 67.9 per cent, respectively) (table A.7).

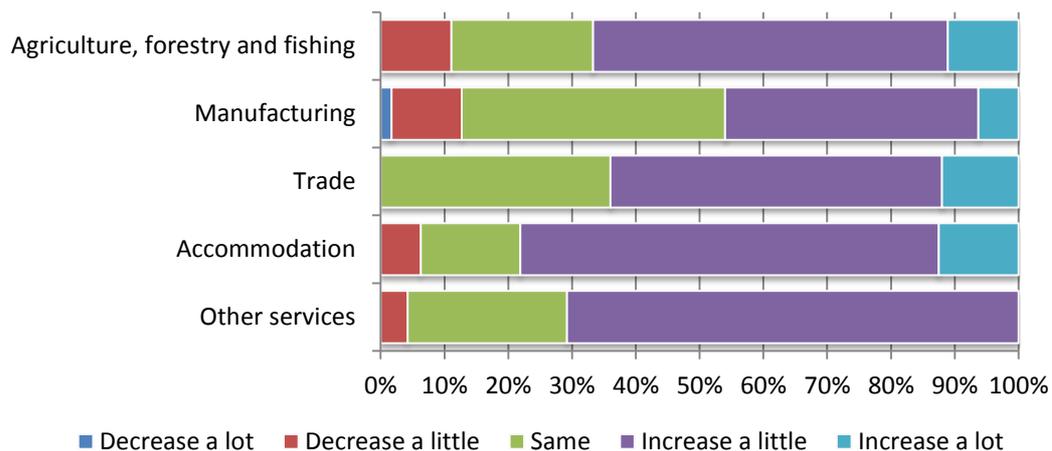
**Table 5.1** Distribution of enterprises by sector and number of employees

Sector	Number of employees (%)					Number of enterprises	% of total enterprises
	Less than 5	5–9	10–50	51–100	Above 100		
Agriculture, forestry & fishing	55.6	11.1	33.3	0.0	0.0	9	2.2
Mining & quarrying	0.0	33.3	66.7	0.0	0.0	3	0.7
Manufacturing	24.3	29.0	30.7	7.7	8.3	300	72.8
Electricity, gas, steam & air conditioning	33.3	0.0	33.3	33.3	0.0	3	0.7
Water supply	50.0	0.0	50.0	0.0	0.0	4	1.0
Construction	25.0	25.0	25.0	25.0	0.0	4	1.0
Wholesale & retail trade	80.0	12.0	8.0	0.0	0.0	25	6.1
Transportation & storage	100.0	0.0	0.0	0.0	0.0	2	0.5
Accommodation & food services	53.1	18.8	18.8	6.3	3.1	32	7.8
Financial & insurance activities	0.0	100.0	0.0	0.0	0.0	1	0.2
Professional, scientific & technical activities	100.0	0.0	0.0	0.0	0.0	1	0.2
Administrative & support services	0.0	0.0	0.0	100.0	0.0	1	0.2
Education	0.0	50.0	0.0	0.0	50.0	2	0.5
Arts & entertainment	100.0	0.0	0.0	0.0	0.0	1	0.2
Other services	87.5	12.5	0.0	0.0	0.0	24	5.8
Total	35.0	25.2	26.5	6.8	6.6	412	100.0

Source: LDES-Nepal, 2013.

Figure 5.1 reveals that employers in Nepal are optimistic, some very optimistic, about the future of their enterprises. The enterprises surveyed in the manufacturing sector are the least optimistic, with 46.0 per cent expecting growth in the following 12 months and a further 41.3 per cent expecting their businesses to remain constant. Over three-quarters (78.1 per cent) of enterprises in the accommodation and food services sector expect their business to grow (either slightly or significantly), while approximately two-thirds (66.7 per cent) in the agriculture, forestry and fishing sector expect growth.

**Figure 5.1 Employers' perception of growth over the next 12 months by selected sector**



Note: Only sectors with nine or more respondents are included. See table A.8 for full details.

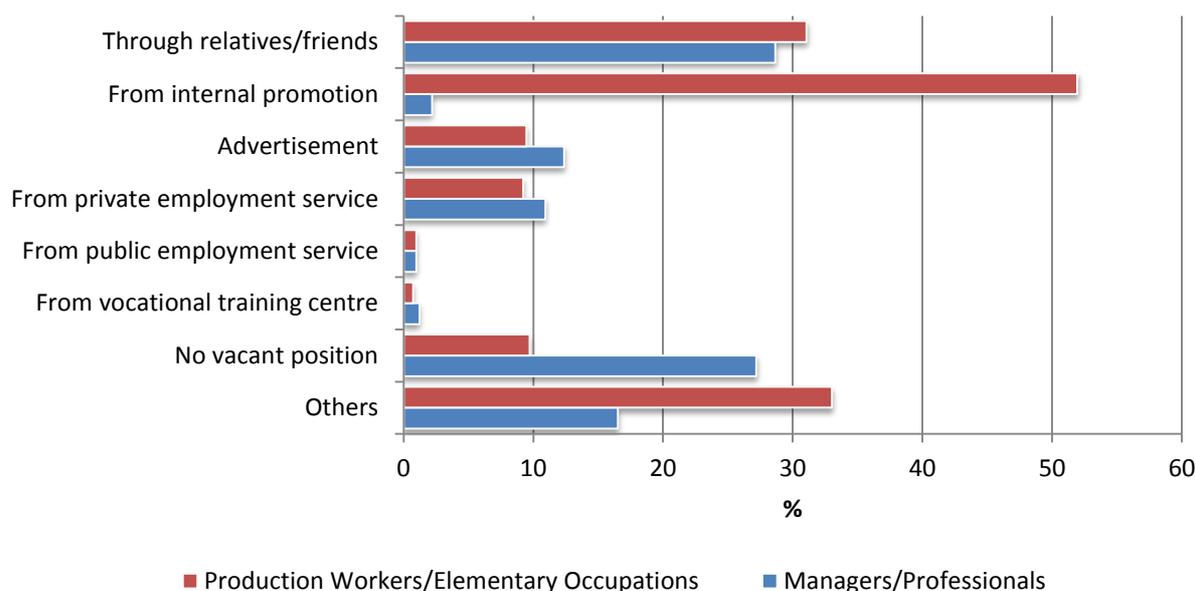
Source: LDES-Nepal, 2013.

## 5.2 The recruitment of workers

The extent of youth unemployment in Nepal is such that enterprises looking for new employees have a great deal of choice, although finding the right person with the right skills and competencies may prove difficult. The survey conveys the methods used by enterprises to fill vacant positions for managers and professionals, and for production workers and those employed in elementary occupations. Importantly, it also provides information about employer recruitment in terms of age and sex of new workers, thus offering an idea of the employability of young Nepalese.

Figure 5.2 shows the recruitment methods employers use for two main categories of workers: managers and professionals on the one hand, and production and elementary occupation workers on the other. Each enterprise in the sample gave one answer for each category.

**Figure 5.2 Employers' recruitment methods to fill vacancies by occupation category**



Source: LDES-Nepal, 2013.

Although a significant number of responses fall in the “Other” recruitment method category (cited by 33.0 per cent of employers recruiting production and elementary occupation workers, and 16.5 per cent of those recruiting managers and professionals), the data show that networks of relatives and friends are very important in the hiring process, which is consistent with the important number of informal enterprises in Nepal. Internal promotion was cited by 51.9 per cent of businesses as a significant recruitment channel for production and elementary occupation workers. This could reflect an interesting trend of promoting apprentices to the position of production worker and full-fledged employee. Around 10 per cent of enterprises name advertisement and private employment agencies as recruitment vehicles for both professionals and production workers. Very telling is that businesses show virtually no interest in public employment services and vocational training centres for recruiting purposes. This is clearly an area for improvement and where public policies could have a measurable impact.

**Table 5.2 Employers’ preferred hiring age by selected sector and occupation category (%)**

Sector*	Managers/Professionals			Production workers/Elementary occupations			
	15–29	Over 29	No age priority	Under 15	15–29	Over 29	No age priority
Agriculture, forestry & fishing	11.1	88.9	0.0	0.0	55.6	33.3	11.1
Manufacturing	20.3	63.7	16.0	0.0	70.7	16.0	13.3
Wholesale & retail trade	20.0	28.0	52.0	4.0	52.0	8.0	36.0
Accommodation & food services	25.0	40.6	34.4	6.3	56.3	3.1	34.4
Other services	29.2	50.0	20.8	0.0	70.8	4.2	25.0
Total‡	21.1	59.1	19.9	0.7	68.5	13.6	17.2

Source: LDES-Nepal, 2013.

Employers were asked to express their preferences regarding age and sex when hiring new staff, the results of which appear in tables 5.2 and 5.3, respectively. Table 5.2 shows that when hiring managers/professionals, 59.1 per cent of employers prefer candidates over 29 years of age, i.e. adults, not young jobseekers. Only 21.1 per cent of employers prefer hiring youth aged 15–29. The remaining 19.9 per cent of respondents indicated they do not give importance to age in the recruitment process. For production and elementary occupation workers, 68.5 per cent of employers indicated they prefer young workers aged 15–29. A further 17.2 per cent responded they give no importance to age. Only 13.6 per cent prefer recruiting people over the age of 29. The category of under 15 year-olds was added because it was deemed noteworthy that 4.0 per cent of employers in the wholesale and retail trade, and 6.3 per cent in the accommodation and food services sector consider children aged under 15 to be their first choice for recruitment.

**Table 5.3 Employers’ preferred hiring sex by selected sector and occupation category (%)**

Sector*	Managers/Professionals			Production workers/Elementary occupations		
	Female worker	Male worker	No sex priority	Female worker	Male worker	No sex priority
Agriculture, forestry & fishing	11.1	77.8	11.1	11.1	77.8	11.1
Manufacturing	4.7	54.3	41.0	5.7	58.3	36.0
Wholesale & retail trade	8.0	40.0	52.0	12.0	52.0	36.0
Accommodation & food services	0.0	46.9	53.1	21.9	25.0	53.1
Other services	20.8	62.5	16.7	20.8	70.8	8.3
Total‡	5.3	53.3	41.4	8.0	55.9	36.1

\*Only sectors with nine or more respondents are included. ‡ The Totals include all respondents.

Source: LDES-Nepal, 2013.

Overall, therefore, the pattern emerging from the data is of labour segmentation on the basis of age, but not always at the expense of youth: employers prefer older workers for managerial positions, where experience and maturity are assets, but younger workers for production or manual labour positions, where a less experienced and therefore cheaper labour force is sufficient. In addition, small informal businesses do not necessarily require highly-skilled workers and young workers can provide an affordable, if not exploitable, workforce. In other words, there is no obvious discrimination against young people, a factor that is somewhat confirmed by the fact that employers have a rather positive view of young people's aspirations (table 5.4).

The cause for concern, however, is that with a high share of youth in post-secondary education and so few employers considering hiring youth for managerial positions, many young educated people must settle for jobs for which they are overqualified. In general, employers should be informed of the ability of young people to hold positions of responsibility, for instance by public employment services.

In the choice of sex of the person to hire, on the other hand, discrimination does seem to be a factor. As table 5.3 shows, there is a gap between males and females in terms of hiring preference, but one that needs to be nuanced, as a significant number of survey respondents indicated they do not have a preference regarding the sex of applicants (41.4 per cent for managerial and professional positions, and 36.1 per cent for production and elementary occupation positions). The difference stands out when a preference is explicitly indicated: 53.3 per cent and 55.9 per cent of employers had rather recruit male workers in managerial/professional posts and production/elementary occupation jobs, respectively, while only 5.3 per cent and 8.0 per cent, respectively, had rather recruit female candidates for these positions.

By sector (among those sectors with sufficient responses to provide a reasonably solid base for analysis), agriculture and "other services" are the most male-biased, which confirms some of the conclusions drawn earlier. A more detailed investigation of employment in the informal sector would be useful to have a better understanding of gender outcomes in employment. However, SWTS data already highlight the imbalances between employment figures for male and female, which are not as marked as in certain other countries but which nevertheless underline that women have more difficulty finding decent employment than men in Nepal.

### **5.3 The perception of youth skills and aspirations**

Employers were asked what they think are the two most important aspects that young people look for when applying for jobs. Their first three answers regarding the main motivation are an "interest to work", to "earn more money" and to "use skills and abilities". As second motivation, employers cite to "use skills and abilities", the "freedom of work" and to "earn more money" (table 5.4). These answers translate a positive work ethic among young Nepalese.

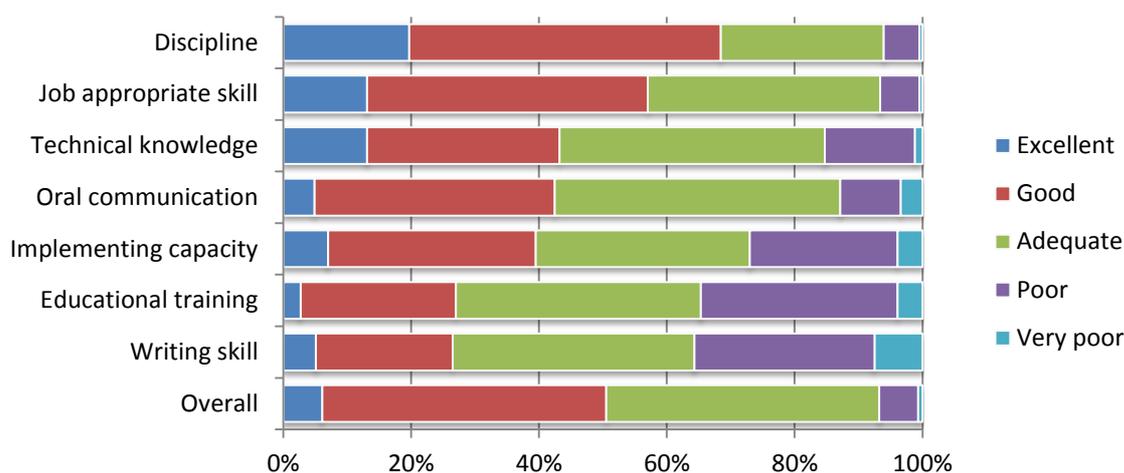
When asked about the level of aptitude of young applicants (figure 5.3), 50.5 per cent of employers responded that, overall, the level is good or excellent. Only 6.1 per cent believe the overall level to be poor or very poor. "Discipline" and "job appropriate skills" are the most highly rated skills, with close to 69 and 57 per cent, respectively, considered good or better. The worst rated elements are writing and educational skills, which receive about 35 per cent of negative opinion. Interestingly, vocational skills (job appropriate skills and technical knowledge) are the most lauded, while general educational training does not receive much support.

**Table 5.4 Employers' perceptions of the most important aspects sought by young people in a job**

Perception	Major aspect		Secondary aspect	
	Number	%	Number	%
Interest to work	175	42.6	39	9.4
Can earn more money	79	19.1	60	14.5
Use skills & abilities	69	16.7	101	24.5
Opportunity of promotion	24	5.8	2	0.5
Freedom of work	23	5.6	67	16.2
Low pressure of work	9	2.2	46	11.1
Job security	7	1.7	14	3.4
Family-friendly working environment	7	1.7	31	7.7
Role in decision-making	3	0.7	8	1.9
High level work	2	0.5	7	1.7
Opportunity of travelling	1	0.2	2	0.5
Enough holiday	0	0.0	16	3.9
Other	13	3.1	19	4.6
Total	412	100.0	412	100.0

Source: LDES-Nepal, 2013.

**Figure 5.3 Assessment of young job applicants' skills levels by employers**



Source: LDES-Nepal, 2013.

## 5.4 On-the-job training and work experience

In Nepal as in other countries, employers seek to recruit the most suitable and skilled workers for their business. And also in Nepal as in other countries, employers tend to express the opinion that the national education system does not necessarily provide the skills they are looking for. A wide gap exists between what the labour market requires and the subjects taught in schools, universities, trade schools and even in the technical and vocational centres of the Council for Technical Education and Vocational Training (CTEVT).

Employers are therefore wary of recruiting young workers, which makes it very difficult for first-time jobseekers to acquire the much sought-after work experience. This explains why young people's transition from school to work takes so long and continues to increase. Yet the employers surveyed indicated that education/training and work experience are the two most important characteristics they require from those applying for manager/professional positions (46.1 per cent and 38.4 per cent, respectively) (table A.12).

In the production worker/elementary occupation category, 66.5 per cent of employers indicated the main criterion for selection is work experience.

For skills that are hard to find or for specific needs, employers can organize in-house training. The survey asked employers if such training takes place in their business and what the most frequent type of education/training provided is (table 5.5). Just 73 of the 412 respondents (about 18 per cent of the sample) indicated providing training at work. Of these, virtually all respondents (97.3 per cent) confirmed the training was job related.

**Table 5.5 Share of enterprises that provide in-house training by type of training**

Type of training	Number	%
Education/training related to job	71	97.3
Education/training not related to job	2	2.7
Total	73	100.0

Source: LDES-Nepal, 2013.

## 5.5 Labour demand

Enterprises' growth forecast was mostly positive. Table A.8 shows that 7.5 per cent of employers' anticipated significant growth over the following 12 months, while 45.5 per cent perceived only a minor increase and the remaining 47.0 per cent thought business would remain unchanged or decrease. Still, despite expected growth in many enterprises, the expansion of the enterprises' workforce was less optimistic. Only 39.5 per cent of employers expected an increase (significant or slight) in job opportunities. Thirty-six per cent anticipated employment levels to remain unchanged or decrease over the following 12 months and 10.9 per cent expected a decrease.

Looking across sectors, 11.1 per cent of employers in agriculture, forestry and fishing perceived a substantial increase in business volumes while another 55.6 per cent expected only a minor increase. Forecasts were also optimistic in wholesale and retail trade and in the accommodation and food services sector, two additional fields in which young workers tend to gravitate (table 3.13).

Employers were requested to identify the possible vacancies that would open up in their enterprises over the next 2–3 years. Keeping in mind that their responses are perceptions only, the specific occupations they identified are listed in table 5.6. The strongest demand will be in manufacturing-based occupations – precision workers in metals and manufacturing labourers. These occupations, plus the third and fourth most frequently cited – housekeepers and childcarers – are those likely to offer very little in the way of wages and security. Although these elementary occupations will be able to absorb the numerous youth in Nepal who do not stay in education, inequality in the country is likely to grow as the uneducated remain constrained in these jobs while the growing middle classes who are educated will take up the few available “good” jobs.

Higher-skilled professional occupations are conspicuously absent from the list, with the exceptions of manufacturing managers and perhaps process control technicians. With weak demand for professionals, emerging young graduates' prospects of finding suitable work will remain a significant issue for the country, at least in the near future.

### *Hard-to-fill vacancies*

Hard-to-fill vacancies are openings where employers find themselves unable to find persons to hire. The reason could be insufficient quality among the candidates who apply for these posts, relating to inadequate skills, experience, qualifications or poor attitude.

Alternatively, hard-to-fill vacancies can exist as a result of an insufficient number of applicants applying for the vacancy, possibly due to the wages or terms offered for the job. Precision metal workers top the list of hard-to-fill vacancies (14.0 per cent), followed by sweepers and related labourers (6.0 per cent) and bakers and pastry chefs (6.0 per cent). Table 5.7 lists the ten leading hard-to-fill vacancies as identified by the employers surveyed.

**Table 5.6 Vacancies likely to increase in the following 2 to 3 years by specific occupation**

<b>Occupation</b>	<b>%</b>
Precision workers in metal & related materials	13.1
Manufacturing labourers	11.5
Housekeepers & cleaning supervisors	6.2
Childcarers	4.6
Textile, garment & related trades workers	3.8
Sewers, embroiderers & related workers	3.1
Heavy truck & lorry drivers	3.1
Cleaners & helpers in offices	3.1
Cabinetmakers & related workers	3.1
Building frame & related trades workers	2.3
Handpackers	2.3
Manufacturing managers	1.5
Process control technicians	1.5
Hairdressers	1.5
Cashiers & ticket clerks	1.5
Bricklayers	1.5
Shoemakers & related workers	1.5
Sewing-machine operators	1.5

Note: Occupations with results of less than 1.0 per cent are not shown.

Source: LDES-Nepal, 2013.

**Table 5.7 Top ten hard-to-fill vacancies identified by employers (%)**

<b>Occupation</b>	<b>%</b>
Precision workers in metal & related materials	14.0
Sweepers & related labourers	6.0
Bakers, pastry cooks & confectionery makers	6.0
Potters, glassmakers & related trades workers	4.0
Sheet-metal workers	4.0
Concrete placers, concrete finishers & related workers	4.0
Heavy truck & lorry drivers	1.4
Street & related service workers	1.4
Blacksmiths, toolmakers & related trades workers	1.4
Building-construction labourers	1.4

Source: LDES-Nepal, 2013.

## 6. Policy implications

### 6.1 Policy framework in Nepal

Nepal is still recovering from the effects of the ten-year civil war that ended in 2006. Since then, no government has lasted more than 2 years, which has curtailed the implementation of clear and effective economic and employment policies. Yet poverty reduction is a national goal, and employment promotion is an important means to reach this goal.

Nepal's legislative framework regarding employment is laid out by the Nepal Labour Act of 1992 and the Labour Regulation Act of 1993. The latest employment and labour policy dates from 2005 and relies on various employment programmes for implementation, including the Karnali Employment Programme, currently in its 2011–13 phase, the Western Uplands Poverty Alleviation Project, and the Connecting Local Initiatives with Local Skills Programme, all coordinated by the Ministry of Cooperatives and Poverty Alleviation and Ministry of Labour and Employment. An employment guarantee act is currently under development.

The Karnali Employment Programme has been in operation since 2006, with the objective of making employment opportunities available to a majority of families in the Karnali zone. In 2010–11, a total of 1,222 small projects to create or build trails and mule tracks, paved roads, toilets, schools, micro-hydroelectric projects were carried out, generating 1.7 million person-day employment opportunities.

The Western Uplands Poverty Alleviation Project concentrates on labour-based infrastructure development (such as irrigation schemes, schools, bridges and health centres), providing access to employment and skills to deprived and poor households. It also plays the role of community building.

The Connecting Local Initiatives with Local Skills Programme has been in operation since 1997, with the assistance of the Swiss Government. In 2010, a total of 13,500 families benefited from various income-generating activities, the market management of goods and commodities, small physical infrastructure development, and the institutionalization of local partner organizations.

Regarding youth, a **National Youth Policy** was adopted in 2010, spearheaded by the Ministry of Youth and Sports. In spite of its name, this National Youth Policy is a white paper on youth issues, providing guidelines for the promotion of youth-friendly measures, including employment promotion measures.

Nevertheless, there is currently a lack of clear vision and policy, making the task of economically lifting the people of Nepal, including its youth, out of poverty very difficult.

### 6.2 Policy implications

Nepal is facing numerous challenges. Although, as shown earlier, poverty levels are decreasing, income disparity is increasing: the Gini index went from 0.41 in the mid-1990s, to 0.34 in 2004, to 0.32 in 2010 (the lower the index, the higher the inequalities). As the ILO Decent Work Country Programme for Nepal notes, this reflects the spatial and social disparities in terms of region, caste, ethnicity and gender in the country. Among the vulnerable groups, such as women, landless agricultural labourers, indigenous people (Janajatis), Dalits, child labourers and bonded labourers (which some estimates put at 200,000), the incidence of poverty is almost double that of the national average.

Challenges regarding employment are no less daunting. As the 2011/12 Economic Survey of Nepal remarks, “employment opportunities could not be created for estimated 400,000 labour forces getting added to labour market every year. Neither the exact number of unemployed skilled, semi-skilled and unemployed labours is identified, nor are studies on these being carried out.” This is precisely where the SWTS survey serves its purpose, seeking to provide data which can in turn serve for evidence-based policy-making.

Hopefully data from this report will be useful to policy-makers. However, not much will change in Nepal if those who are principally concerned are not wholly involved. The youth must be an integral part of any future policies that target them, and the adoption of the National Youth Policy in 2010 definitely sends signals in the right direction.

Policy recommendations stemming from this report’s data have been listed under education, vocational training, gender balance promotion, employment services, employment promotion, vulnerable groups, and social aspects and well-being of youth.

## **1. Education**

Data show that education is an asset because it better prepares young people to deal with difficulties, as confirmed by the lower inactivity levels of educated people. The youth in Nepal have quickly been able to overcome their gap in educational achievements and overtake their parents’ education levels, which has a direct impact on their capacity to stay in the labour force. Yet, the signs are clear that the education system needs drastic improvement: too many youths (almost 30 per cent of drop-outs) are forced out of school for economic reasons, and one in eight youths still hasn’t attained primary-level schooling. In addition, comparing the data of children or teenagers in schools to the demographic share of school-age youth points to serious deficiencies in the system. Finally, the strong presence of youth in higher education may not be justified in view of the labour market. University diplomas may bestow prestige as well as skills, but there evidence shows that they do not give students much advantage in securing jobs, at least not in the national labour market.

Given the importance the population gives to education and to the positive impact it has on youth, it is urgent that the school system be modernized and further opened to all, including those with difficulties to attend. This element is very important in the fight against poverty and child labour.

Regarding higher education, reflection is needed on how to best use the university-level graduates, particularly with a view to minimizing brain drain. Coordination between higher education institutions and enterprises is also called for in order to better match the emerging supply of labour to demand. Setting up Career Councils and involving enterprises in curriculum development is a good example in this regards.

## **2. Vocational training**

Very few young Nepalese are engaged in vocational training. They comprise around 7 per cent of those currently in education and around 5 per cent for those with completed education. Clearly, the prestige of university outshines vocational schooling, even though employers seek youth with applicable skills, especially among production workers.

The image of vocational education must be changed through the reform of curriculums and methodologies. Vocational schools need to modernize and incorporate lifeskills training. Private solutions must be explored, including in-house training, even within informal enterprises, with a view to compensate for the undersized and obsolete network of private centres. The LDES provides a good start to understanding what employers expect from new recruits, but further investigation would be interesting using a sample that is more representative of the actual informal/formal ratio of enterprises. These

surveys can go a long way in establishing the skills acquisition patterns of informal workers and can help create links between such labour market institutions as employment services and informal businesses, with a view to improving information about the skills in demand, vacancies and training opportunities.

### **3. Gender equality promotion**

Women consistently fare worse than men in terms of access to jobs, holding jobs of quality, inactivity, etc. For example, the survey shows that contracts of unlimited duration are the norm for employed youth. However, although almost 59 per cent of women hold this type of contract in cities, which is a good percentage, 75 per cent of men hold them. In terms of hiring preferences, employers usually indicate a preference for male workers or, in the best of cases, no gender preference, but rarely show a preference for hiring women.

By sector, the employment of young women also reveals disadvantageous treatment. For instance, almost 42 per cent of young women and 58 per cent of young men work in public administration, a differential of 16 per cent. Public administration should set the example in hiring women, and policies or regulations could be put in place to redress the situation. Sectors such as wholesale, hotels and restaurants, which employ many people, could with little effort drastically improve women's access to employment. It can be calculated from the survey data that increasing the female share of employment within that sector by just 1 per cent would create around 4,500 jobs. This would have to be considered within a context of global growth (in order not to create a displacement effect diminishing male employment), but such an initiative could have far-reaching effects.

### **4. Employment services**

Employment services exist in Nepal, both for the national market and for the emigration of Nepalese workers. Obviously, the survey did not target the latter although it would no doubt prove interesting to gather more information about their practices. Employment services for the national market, on the other hand, have been shown repeatedly to fail in their provision of services, at least in terms of attracting young person to utilize the services for job placement. The SWTS found that 16.3 per cent of young jobseekers turned to employment centres as a job search method but only 1.0 per cent of employed youth reported acquiring their current job through an employment centre. Employment services, at least public employment services, need a complete overhaul to re-establish priorities, their mission and means of action. As Nepal is a large country, it is not feasible to quickly establish a national network of agencies, but selected zones could set up pilot programmes to start providing basic services on the basis of identified priorities. These priorities could include providing information about jobs in demand (for instance by organizing job fairs or issuing leaflets), working with vocational centres to provide apprenticeship positions in enterprises (formal or not), introducing mentoring programmes, providing basic training on soft skills, placing career counsellors at schools or universities, etc. Still, the significant challenge remains how to increase the viability of public employment services when the dependency on informal job search methods is so embedded in the national culture.

### **5. Employment promotion**

The survey established the presence of fertile ground to promote decent work in Nepal. In spite of widespread informal practices, the country offers higher and broader access to benefits than Cambodia, which shares certain common socio-economic features with Nepal. The aspects below should be prioritized with a view to promoting employment creation, keeping in mind that the informal sector is pervasive in Nepal and that objectives should be set for its gradual formalization. The following three areas are relevant to employment promotion:

- **Access to work**

Contrary to the rest of the population, the youth suffer from very, almost surprisingly high rates of unemployment, even when calculated according to the strict definition of unemployment. The rates are surprising because, more often than not, poor developing countries with a large informal economy have low strict unemployment rates: people do whatever they need to earn an income; unemployment is generally not an option for the very poor. Not so in Nepal, where 19.2 per cent of youth are in open unemployment. In addition, women suffer more than men from unemployment. Further data show that many fall into long-term unemployment, so providing these people with access to employment is a matter of urgency. Fortunately, Nepal can benefit greatly from renovated or new infrastructure and, in parallel, has experience with labour intensive programmes. These programmes need to be extended or designed to involve as many unemployed youth as possible.

Access to work also implies access to decent work, including equitable access to wage employment. One injustice highlighted by the SWTS is that men benefit significantly more than women from wage employment: almost half of employed men have a wage job, against just 30 per cent of women. Measures should be taken to ensure that enterprises provide equal opportunities to men and women when formally hiring workers.

- **Self-employment**

Self-employment provides the main professional avenue for youth. Close to 60 per cent of young people are self-employed. In addition, self-employment is the employment category in which the gender gap is the greatest. Over 16 percentage points separate the self-employment rates of men (around 51 per cent) and women (around 68 per cent). Self-employment is often symptomatic of vulnerable employment, especially when engaged in by less-educated people, such as helpers in family businesses. In the absence of available jobs, and because young people appear to indicate the desire to gain financial and personal independence through self-employment, measures supporting and promoting small and micro-businesses should be adopted more widely. A number of tested programmes can provide a whole range of assistance, ranging from administrative to financial support.

- **Agricultural sector**

The agricultural sector and rural areas employ an overwhelming share of people in Nepal including, of course, young Nepalese. Yet this sector is also the least productive. It should be a cause for concern that 32 per cent of employed youth in that sector are teenagers who miss out on educational opportunities. Agriculture should be the focus of ambitious policies aimed at helping agricultural activities move up the value chain. This could have a double impact by revitalizing the sector in the eyes of the youth who may then be less tempted to relocate to the cities, where there is more unemployment, or to other countries, where jobs are often dangerous and unprotected. Many avenues can be explored, for instance taking advantage of the need for green jobs to introduce new technologies and new methodologies in the countryside. These policies should explicitly target women, as they are often engaged in low-productive activities in rural areas.

## **6. Vulnerable groups**

Reducing the vulnerability of Dalits, the Madhesi and Janajatis, deprived and remote groups of people who live in rural and far-flung areas and who are more likely to be poorer than the rest of the population and excluded from mainstream development programmes, should be a priority. It could be useful to include these people, who the SWTS survey was not sufficiently equipped to identify, in the category of long-term unemployed. Long-term unemployed youth make up approximately 27 per cent of all unemployed young people.

They are very likely to suffer long-term consequences from their difficulties in finding their place in the labour market and need to be the specific target of development and employment policies. However it is often difficult to reach these groups, and any policies targeting them will need to combine a complex mix of cultural, social and economic components. Their full consultation, as difficult as it may be, is therefore central to the success of any intervention concerning them.

## **7. Social aspects and well-being of youth**

Comparing the demographic profile of youth revealed by the SWTS with that of the population as a whole shows that a disconcerting number of men are missing, especially in rural areas. Very few official studies about this phenomenon exist, although those available put forward a high incidence of sex-selective abortions. This is an important issue that needs to be recognized, understood and acted upon.

The SWTS also finds that young Nepalese are quickly occupied by family duties: already 20 per cent of people aged 20–24 are heads of households, and over 70 per cent aged 25–29 have a family to sustain. This puts a great deal of pressure on people to complete, perhaps prematurely, their school-to-work transition. It may be worthwhile investigating what assistance young people may require to maximize their opportunities to provide a sufficient and stable income for their families.

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## Annex I. Definitions of labour market statistics

1. The following units are defined according to the standards of the International Conference of Labour Statisticians:
  - a. The **employed** include all persons of 15 years of age or more who during a week of reference:
    - worked for wage or profit (in cash or in kind) for at least one hour;
    - were temporarily absent from work (because of illness, leave, studies, a break of the activity of the firm, for example), but had a formal attachment to their job;
    - performed some work without pay for family gain.
  - b. The **unemployed** (strictly defined) include all persons of 15 years of age or more who meet the following three conditions during the week of reference:
    - They did not work (according to the abovementioned definition);
    - They were actively searching for a job or took concrete action to start their own business;
    - They were available to start work within the two weeks following the reference week.
  - c. Persons neither included in the employed nor in the unemployed category are classified as **not in the labour force (also known as inactive)**.
2. The International Classification of Status in Employment (ICSE) categorizes the employed population on the basis of their explicit or implicit contract of employment, as follows:
  - a. **Employees** (also wage and salaried workers) are all those workers who hold the type of jobs defined as “paid employment jobs”, where the incumbents hold explicit (written or oral) or implicit employment contracts that give them a basic remuneration that is not directly dependent upon the revenue of the unit for which they work.
  - b. **Employers** are those workers who, working on their own account or with one or a few partners, hold the type of jobs defined as “self-employment jobs” (i.e. jobs where the remuneration is directly dependent upon the profits derived from the goods and services produced) and, in this capacity, have engaged, on a continuous basis, one or more persons to work for them as employee(s).
  - c. **Own-account workers** are those who, working on their own account or with one or more partners, hold the type of jobs defined as “self-employment jobs” and have not engaged, on a continuous basis, any employees to work for them.
  - d. **Contributing (unpaid) family workers** are those who hold “self-employment jobs” as own-account workers in a market-oriented establishment operated by a related person living in the same household.
3. The employed are also classified by their main **occupation**, in accordance with the International Standard Classification of Occupations (ISCO-08).
4. A **household** is a family or other community of persons living together and jointly spending their income to satisfy the basic necessities of life. The concept of household includes members present in the place where the household resides, as well as individuals who are temporarily absent and living elsewhere, including abroad, for business, education or other, as long as their residence in the foreign country does not exceed 1 year. A person living alone can also qualify as a household (“single household”) if s/he does not already

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belong to another unit. The single household can reside in a separate or shared apartment, considered as an independent unit as long as the household's income is not shared with other residents. Collective households, such as prisons and institutions, and their members are not observed in the Labour Force Survey.

5. **The reporting period**, to which the questions for the economic activity are related, is the week before the week of interview (52 reporting weeks throughout the year).
6. The following units are also defined within the SWTS analysis but are outside the scope of those defined within the international framework of labour market statistics mentioned in item 1 above:
  - a. **Relaxed unemployment** – a person without work and available to work (relaxing the jobseeking criteria of item 1b above).
  - b. **Labour underutilization rate** – the sum of shares of youth in irregular employment, unemployed (relaxed definition) and youth neither in the labour force nor in education/training (inactive non-students) as a percentage of the youth population.
  - c. **Regular employment** – the sum of employees with a contract (oral or written) of 12 months or more in duration and employers; the indicators are therefore a mix of information on status in employment and contract situations.
  - d. **Satisfactory employment** – based on self-assessment of the jobholder; implies a job that respondents consider to “fit” to their desired employment path at that moment in time.
  - e. **Stable employment** – employees with a contract (oral or written) of 12 months or more in duration.
  - f. **Temporary employment** – employees with a contract (oral or written) of less than 12 months in duration.

## Annex II. Additional statistical tables

**Table A.1 Young heads of households by age group and sex**

Age group	Total		Male		Female	
	Number	%	Number	%	Number	%
Youth head of household						
15–19	21 839	9.0	15 243	8.9	6 596	9.4
20–24	49 282	20.3	32 496	18.9	16 786	23.8
25–29	171 329	70.7	124 173	72.2	47 156	66.9
Youth not head of household						
15–19	3 191 172	45.0	1 716 177	45.0	1 474 995	45.0
20–24	2 205 706	31.1	1 150 534	30.2	1 055 172	32.2
25–29	1 687 129	23.8	942 785	24.7	744 344	22.7
Total	7 084 007	100.0	3 809 497	100.0	3 274 511	100.0

Source: SWTS-Nepal, 2013.

**Table A.2 Primary life goals of youth by activity status and sex, age group and area of residence**

Characteristic	Current activity status	Being successful at work (%)	Making a contribution to society (%)	Having lots of money (%)	Having a good family life (%)	Total (number)
Female	Employed	16.8	10.5	18.1	54.6	1 118 540
	Unemployed	31.7	16.5	11.2	40.7	319 059
	Inactive	23.4	23.7	11.8	41.1	1 907 449
Male	Employed	15.7	11.4	32.2	40.8	1 705 624
	Unemployed	37.0	10.1	24.0	29.0	351 885
	Inactive	25.0	17.2	28.0	29.8	1 923 900
15–19	Employed	21.0	11.9	25.9	41.1	677 327
	Unemployed	31.3	11.0	21.5	36.2	225 568
	Inactive	27.0	22.0	19.9	31.1	2 310 116
20–24	Employed	17.9	10.7	26.3	45.1	919 426
	Unemployed	34.7	15.2	17.5	32.6	272 959
	Inactive	22.8	20.3	21.4	35.5	1 062 603
25–29	Employed	12.0	10.8	27.2	50.0	1 227 411
	Unemployed	38.1	12.5	13.8	35.6	172 417
	Inactive	13.3	12.9	17.1	56.7	458 630
Rural	Employed	13.2	11.3	27.5	47.9	2 384 667
	Unemployed	35.8	13.0	18.1	33.2	503 637
	Inactive	20.5	21.4	21.5	36.7	2 938 505
Urban	Employed	31.8	9.6	21.5	37.0	439 497
	Unemployed	30.5	13.3	17.4	38.8	167 307
	Inactive	36.4	17.3	15.0	31.3	892 844
Total	Employed	16.1	11.0	26.6	46.3	2 824 164
	Unemployed	34.5	13.1	17.9	34.6	670 944
	Inactive	24.2	20.4	20.0	35.4	3 831 350

Source: SWTS-Nepal, 2013.

**Table A.3 Youth employment by economic sector and sex**

Sector	Total		Male		Female	
	Number	%	Number	%	Number	%
Agriculture	1 272 742	45.2	683 147	40.1	588 595	53.0
Industry	397 897	14.1	295 854	17.4	102 043	9.2
Services	1 144 169	40.6	724 154	42.5	420 015	37.8
Total	2 814 808	100.0	1 703 155	100.0	1 110 653	100.0

Source: SWTS-Nepal, 2013.

**Table A.4 Young wage and salaried workers by access to benefits/entitlements and sex**

Benefits/entitlements	Total		Male		Female	
	Number	%	Number	%	Number	%
Transport or transport allowance	238 734	20.8	176 436	21.7	62 298	18.6
Meals or meal allowance	397 230	34.6	300 525	37.0	96 705	28.8
Annual paid leave (holiday time)	465 231	40.6	308 559	38.0	156 672	46.7
Paid sick leave	430 483	37.5	289 965	35.7	140 519	41.9
Pension/old-age insurance	95 771	8.4	74 409	9.2	21 362	6.4
Severance/end-of-service payment	201 981	17.6	141 771	17.5	60 210	18.0
Overtime pay	390 389	34.0	289 723	35.7	100 665	30.0
Medical insurance coverage	210 855	18.4	150 394	18.5	60 461	18.0
Bonus/reward for good performance	231 443	20.2	150 789	18.6	80 655	24.1
Social security contribution	94 361	8.2	72 937	9.0	21 424	6.4
Educational or training courses	345 085	30.1	225 805	27.8	119 280	35.6
Occupational safety/protective equipment or clothing	250 898	21.9	161 953	20.0	88 946	26.5
Childcare facilities	73 023	6.4	54 258	6.7	18 765	5.6
Maternity/paternity leave	269 329	23.5	148 589	18.3	120 740	36.0
Total wage/salaried workers	1 146 741		811 433		335 308	

Source: SWTS-Nepal, 2013.

**Table A.5 Self-employed youth by opinion of main obstacle to finding work and sex and area of residence**

Obstacle	Total		Male		Female		Rural		Urban	
	Number	%	Number	%	Number	%	Number	%	Number	%
None	241 291	9.5	155 360	10.0	85 930	8.7	191 201	9.0	50 090	12.3
Requirements for job higher than education/training received	474 940	18.7	266 243	17.2	208 696	21.0	404 670	19.0	70 269	17.3
Not enough work experience	462 858	18.2	296 738	19.2	166 120	16.7	372 225	17.5	90 633	22.3

Not enough jobs available & do not know where or how to seek work	877 051	34.5	515 039	33.3	362 012	36.5	757 297	35.5	119 755	29.4
Considered too young or sex, discriminatory prejudices	66 278	2.6	45 481	2.9	20 796	2.1	63 809	3.0	2 469	0.6
Poor working conditions, low wages	144 292	5.7	112 821	7.3	31 471	3.2	113 776	5.3	30 516	7.5
Other	272 357	10.7	154 387	10.0	117 970	11.9	228 859	10.7	43 498	10.7
Total	2 539 066	100.0	1 546 070	100.0	992 996	100.0	2 131 836	100.0	407 230	100.0

Source: SWTS-Nepal, 2013.

**Table A.6 Youth by reason for setting up own business and sex, age group and area of residence**

Reason	Sex (%)		Age group (%)			Area of residence (%)	
	Male	Female	15–19	20–24	25–29	Rural	Urban
Could not find a wage job	14.5	10.0	9.7	6.2	16.1	13.8	9.7
Greater independence	34.5	28.5	20.3	36.6	32.9	32.9	31.2
More flexible hours of work	12.8	17.0	9.5	22.6	11.6	14.6	11.3
Higher income level	24.9	16.7	21.7	15.9	24.8	20.6	30.7
Required by the family	12.7	25.4	38.8	15.4	14.0	17.3	13.2
Other	0.7	2.3	0.0	3.2	0.6	0.6	3.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (number)	340 095	151 259	45 079	119 518	326 744	406 062	85 292

Source: SWTS-Nepal, 2013.

**Table A.7 Enterprises belonging to a trade union or employers' organization by number of employees**

Number	Member of trade union or employer association (%)	Member of trade union or employer association (number)	Number of enterprises
Less than 5	7.6	11	144
5–9	21.2	22	104
10–50	44.0	48	109
51–100	46.4	13	28
Above 100	67.9	19	27
Total	27.4	113	412

Source: LDES-Nepal, 2013.

**Table A.8 Employers' perception of growth over the next 12 months by sector**

Sector	Increase a lot (%)	Increase a little (%)	Same (constant, %)	Decrease a little (%)	Decrease a lot (%)	Number of enterprises
Agriculture, forestry & fishing	11.1	55.6	22.2	11.1	0.0	9
Mining & quarrying	0.0	33.3	0.0	66.7	0.0	3
Manufacturing	6.3	39.7	41.3	11.0	1.7	300
Electricity, gas, steam & air conditioning	0.0	100.0	0.0	0.0	0.0	3
Water supply	25.0	50.0	0.0	25.0	0.0	4
Construction	25.0	50.0	25.0	0.0	0.0	4
Wholesale & retail trade	12.0	52.0	36.0	0.0	0.0	25
Transportation & storage	0.0	50.0	50.0	0.0	0.0	2
Accommodation & food services	12.5	65.6	15.6	6.3	0.0	32
Financial & insurance activities	100.0	0.0	0.0	0.0	0.0	1
Professional, scientific & technical activities	0.0	100.0	0.0	0.0	0.0	1
Administrative & support services	0.0	100.0	0.0	0.0	0.0	1
Education	100.0	0.0	0.0	0.0	0.0	2
Arts & entertainment	0.0	100.0	0.0	0.0	0.0	1
Other services	0.0	70.8	25.0	4.2	0.0	24
Total	7.5	45.5	36.1	9.7	1.2	412

Source: LDES-Nepal, 2013.

**Table A.9 Employers' preferred hiring age by sector and occupation category**

Sector	Managers/Professionals (%)			Production workers/Elementary occupations (%)			Number of enterprises	
	15-29	Over 29	No age priority	Under 15	15-29	Over 29		No age priority
Agriculture, forestry & fishing	11.1	88.9	0.0	0.0	55.6	33.3	11.1	9
Mining & quarrying	33.3	66.7	0.0	0.0	66.7	33.3	0.0	3
Manufacturing	20.3	63.7	16.0	0.0	70.7	16.0	13.3	300
Electricity, gas, steam & air conditioning	33.3	66.7	0.0	0.0	66.7	0.0	33.3	3
Water supply	0.0	50.0	50.0	0.0	50.0	0.0	50.0	4
Construction	50.0	50.0	0.0	0.0	100.0	0.0	0.0	4
Wholesale & retail trade	20.0	28.0	52.0	4.0	52.0	8.0	36.0	25
Transportation & storage	0.0	50.0	50.0	0.0	100.0	0.0	0.0	2
Accommodation & food services	25.0	40.6	34.4	6.3	56.3	3.1	34.4	32
Financial & insurance activities	100.0	0.0	0.0	0.0	100.0	0.0	0.0	1
Professional, scientific & technical activities	0.0	100.0	0.0	0.0	0.0	0.0	100.0	1

Administrative & support services	0.0	100.0	0.0	0.0	100.0	0.0	0.0	1
Education	0.0	50.0	50.0	0.0	50.0	0.0	50.0	2
Arts & entertainment	0.0	0.0	100.0	0.0	100.0	0.0	0.0	1
Other services	29.2	50.0	20.8	0.0	70.8	4.2	25.0	24
Total	21.1	59.1	19.9	0.7	68.5	13.6	17.2	412

Source: LDES-Nepal, 2013.

**Table A.10 Employers' preferred level of education when hiring for manager or professional occupations**

Sector	Education level (%)							Number of enterprises
	Primary	Secondary vocational	Secondary	Higher vocational	University	Postgraduate	No education	
Agriculture, forestry & fishing	11.1	0.0	44.4	22.2	11.1	11.1	0.0	9
Mining & quarrying	33.3	33.3	0.0	0.0	0.0	0.0	33.3	3
Manufacturing	3.3	9.7	11.0	19.7	46.0	4.3	6.0	300
Electricity, gas, steam & air conditioning	0.0	0.0	0.0	33.3	66.7	0.0	0.0	3
Water supply	0.0	0.0	0.0	25.0	75.0	0.0	0.0	4
Construction	0.0	75.0	0.0	0.0	25.0	0.0	0.0	4
Wholesale & retail trade	4.0	8.0	28.0	16.0	12.0	4.0	28.0	25
Transportation & storage	50.0	0.0	0.0	0.0	50.0	0.0	0.0	2
Accommodation & food services	0.0	18.8	6.3	25.0	21.9	6.3	21.9	32
Financial & insurance activities	0.0	100.0	0.0	0.0	0.0	0.0	0.0	1
Professional, scientific & technical activities	0.0	100.0	0.0	0.0	0.0	0.0	0.0	1
Administrative & support services	0.0	100.0	0.0	0.0	0.0	0.0	0.0	1
Education	0.0	0.0	0.0	0.0	50.0	50.0	0.0	2
Arts & entertainment	0.0	0.0	0.0	100.0	0.0	0.0	0.0	1
Other services	4.2	20.8	12.5	16.7	12.5	0.0	33.3	24
Total	3.6	11.9	11.9	19.4	38.8	4.3	10.0	412

Source: LDES-Nepal, 2013.

**Table A.11 Employers' preferred level of education when hiring for production or elementary occupations**

Sector	Education level (%)							Number of enterprises
	Primary	Tech. (secondary)	Secondary	Tech. (10+2)	Bachelor	Master	No edu.	
Agriculture, forestry & fishing	22.2	33.3	22.2	0.0	0.0	0.0	22.2	9
Mining & quarrying	0.0	0.0	0.0	0.0	0.0	0.0	100.0	3
Manufacturing	31.3	18.3	4.0	21.3	0.3	0.3	24.3	300
Electricity, gas, steam & air conditioning	33.3	0.0	33.3	0.0	0.0	0.0	33.3	3
Water supply	50.0	25.0	0.0	25.0	0.0	0.0	0.0	4
Construction	25.0	25.0	25.0	25.0	0.0	0.0	0.0	4
Wholesale & retail trade	36.0	16.0	16.0	4.0	8.0	0.0	20.0	25
Transportation & storage	100.0	0.0	0.0	0.0	0.0	0.0	0.0	2
Accommodation & food services	53.1	15.6	9.4	3.1	0.0	0.0	18.8	32
Financial & insurance activities	0.0	100.0	0.0	0.0	0.0	0.0	0.0	1
Professional, scientific & technical activities	0.0	100.0	0.0	0.0	0.0	0.0	0.0	1
Administrative & support services	100.0	0.0	0.0	0.0	0.0	0.0	0.0	1
Education	0.0	0.0	0.0	50.0	50.0	0.0	0.0	2
Arts & entertainment	0.0	100.0	0.0	0.0	0.0	0.0	0.0	1
Other services	33.3	20.8	12.5	4.2	0.0	0.0	29.2	24

Source: LDES-Nepal, 2013.

**Table A.12 Most important characteristics and skills enterprises require for recruitment by occupation category**

Characteristic	Manager/professional		Production workers/Elementary occupations	
	Number	%	Number	%
Sex	4	1.0	3	0.7
Age	12	2.9	10	2.4
Education/Training	190	46.1	30	7.3
Marital status	21	5.1	33	8.0
Work experience	158	38.4	274	66.5
Caste/Ethnic base	3	0.7	4	1.0
Behaviour	9	2.2	13	3.2
Presence of worker	4	1.0	24	5.8
Hope of worker	1	0.2	15	3.6
Other	10	2.4	6	1.5
Total	412	100.0	412	100.0

Source: LDES-Nepal, 2013.

## Annex III. Sampling methodology

### 1.1 The school-to-work transition survey (SWTS) in Nepal

To take into consideration the differences between the urban and rural areas, the country was first divided into six parts: three each for the two areas. Rural Nepal includes the rural Mountain, rural Hill and rural Terai regions. Urban centres include those in the urban Hills and urban Terai regions and the urban centres in the Kathmandu Valley comprise the third urban region. The sampling was carried out independently in all the regions using a multi-stage sampling plan. Details on the geographical coverage are provided in table A.13.

**Table A.13 Sample districts and municipalities by region**

Region	Study domains	Total households	No. of districts	No. of sample districts	No. of municipalities	No. of sampled municipalities	No. of sample PSUs	No. of sampled households
Rural Mountain	Eastern	207 072	6	2	0	0	4	80
	Western	157 048	10	2	0	0	4	80
Rural Hill	Eastern	918 445	17	3	0	0	21	420
	Western	1 007 288	22	3	0	0	23	460
Rural Terai	Eastern	647 515	5	3	0	0	15	300
	Central	713 454	7	3	0	0	16	320
Kathmandu Valley	Western	743 322	8	3	0	0	17	340
	Valley	366 255	3*	3*	5	3	18	360
Urban Hill	Eastern	78 052	0	0	9	2	4	80
	Western	164 390	0	0	13	2	8	160
Urban Terai	Eastern	152 501	0	0	10	2	7	140
	Central	112 256	0	0	8	2	6	120
	Western	159 704	0	0	11	3	8	160
<b>Total</b>		<b>5 427 302</b>	<b>75</b>	<b>22</b>	<b>56</b>	<b>14</b>	<b>151</b>	<b>3 020</b>

Note \* The urban areas of the three Kathmandu Valley districts - Kathmandu, Lalitpur and Bhaktapur - have been considered an urban valley region. The rural areas of the three Valley districts are included in the eastern hill domain of the rural Hill region.

PSUs = primary sampling units.

#### *Youth sample*

A three-stage stratified sample plan was established to cover a statistically determined sample size of 3,020 households covering 4,092 youth aged 15–29. The sample selection was carried out as follows.

**First stage of selection:** Two sample districts were selected from each of the rural domains in the Mountain region that comprises 16 districts. Three sample districts were chosen from each of the two domains in the rural Hill region covering the rural areas in 39 districts from east to west. Similarly, three districts were included in the sample from each of the three domains in the rural Terai region that comprises 20 districts in all (see table A.13 for the details). The three districts in Kathmandu Valley were included in the urban Valley region.

Three municipalities (Kathmandu, Lalitpur and Bhaktapur) were included in the first stage of selection. Similarly the selected municipalities from each of the sample Hill/Terai

districts mentioned earlier comprised the first-stage sample for the other two urban regions – urban Hill and urban Terai. The selected municipalities are listed in table A.14 below.

**Table A.14 Selected districts and municipalities by region and domain**

Region	Study domains	District 1	District 2	District 3	Municipality 1	Municipality 2	Municipality 3
Rural Mountain	Eastern	Taplejung	Dolakha				
	Western	Bajhang	Jumla				
Rural Hill	Eastern	Dhankuta	Udayapur	Kavrepalanchok			
	Western	Pyuthan	Kaski	Dadeldhura			
Rural Terai	Eastern	Morang	Sunsari	Saptari			
	Central	Chitawan	Mahottari	Parsa			
	Western	Kanchanpur	Rupandehi	Banke			
Kathmandu Valley	Valley	Kathmandu	Lalitpur	Bhaktapur	Kathmandu	Lalitpur	Bhaktapur
Urban Hill	Eastern				Dhankuta	Banepa	
	Western				Pokhara	Amargadhi	
Urban Terai	Eastern				Biratnagar	Rajbiraj	
	Central				Birjung	Bharatpur	
	Western				Siddh Nagar	Nepaljung	Bhimdutta

**Second stage of selection:** A total of 51 primary sampling units (PSUs) were allocated to urban areas and 100 PSUs were allocated to rural areas (table A.15). The requisite number of PSUs was selected from each of the chosen district/municipalities of the first stage of selection using the Probability Proportional to Size (PPS) selection method, taking the number of households in the ward as a measure of size.

**Table A.15 Allocation of PSU by region**

Region	Households (number)	Households (%)	Number of PSUs
Rural Mountain	364 120	8.3	8
Rural Hill	1 925 733	43.8	44
Rural Terai	2 104 291	47.9	48
Total Rural	4 394 144	100.0	100
Kathmandu Valley	366 255	35.5	18
Urban Hill	242 442	23.5	12
Urban Terai	424 461	41.1	21
Total Urban	1 033 158	100.0	51
Total	5 427 302		151

**Third stage of selection:** The selection of wards in the second stage was followed by the listing and selection of 20 households from each of the selected PSUs (wards) in the urban and rural regions using a systematic random sampling procedure, arriving at a total of 3,020 households from 151 PSUs. The number of sampled households and youth is given in table A.16.

**Table A.16 Sample size by rural/urban locality and district**

District	Rural PSUs	Urban PSUs	Total PSUs
Taplejung	2	0	2
Dolakha	2	0	2
Bajhang	2	0	2
Jumla	2	0	2
Dhankuta	5	2	7
Udayapur	7	0	7
Kavrepalanchok	9	2	11
Kathmandu	0	13	13
Lalitpur	0	3	3
Bhaktapur	0	2	2
Pyuthan	9	0	9
Kaski	9	6	15
Dadeldhura	5	2	7
Morang	7	5	12
Sunsari	4	0	4
Saptari	4	2	6
Chitawan	5	4	9
Mahottari	7	0	7
Parsa	4	2	6
Kanchanpur	4	2	6
Rupandehi	8	4	12
Banke	5	2	7
<b>Total</b>	<b>100</b>	<b>51</b>	<b>151</b>

## 1.2 The labour demand enterprise survey (LDES) in Nepal

The sample size of employers was set at one employer per ten youth in the sample. Since the original youth sample size was 4,092, the employer sample size corresponds to about one-tenth of this number. In all, 412 employers were surveyed.

The employers' survey design concentrated on the non-agricultural sector with 279 formal employers and 131 informal employers. This allocated sample size was further divided in proportion to the sample households in different regions in the youth sample design (table A.17).

**Table A.17 Allocation of the employer sample size by region and type of industry**

Region	Number of sample PSUs	Total industries	Informal industries	Formal industries
Rural	100	271	87	185
Urban	51	139	44	94
Total	151	410	131	279

### *Formal employers' survey design*

Both the urban centres and the rural industrial areas selected for the SWTS were included in the sample areas for the LDES. A total of 94 formal industries were allocated to urban areas and another 185 were allocated to the rural industrial areas (table A.18).

**Table A.18 Allocation of the employer sample size by district (formal industries)**

District	Number of industries	Sample size	Urban sample	Rural sample
Kathmandu	497	61	21	40
Morang	302	37	12	24
Parsa	227	28	9	18
Rupandehi	226	28	9	18
Sunsari	224	27	9	18
Lalitpur	195	24	8	16
Kaski	147	18	6	12
Bhaktapur	137	17	6	11
Chitwan	103	13	4	8
Kanchanpur	103	13	4	8
Banke	97	12	4	8
Kavre	21	3	1	2
Total	2 279	279	94	185

### *Informal employers' survey design*

Nepal does not have reliable data on the size and location of economic units in the informal sector. Informal units are owned and controlled by households and most likely have a low number of employees. This posed a serious problem when designing the comprehensive framework to initiate a scientific sampling approach. Two labour force surveys (1998–99 and 2008) attempted to capture informal activities. But no specific informal sector survey has yet been carried out to capture all the aspects of informal activity in Nepal. However, efforts were made to identify all such activities in the survey areas (both rural and urban) visited by the field survey team. A total of 125 informal units were included in the sample (table A.19).

**Table A.19 Allocation of the employer sample size by region (informal industries)**

Region	Districts	Sample size of informal industries	Region	Municipalities	Sample size of informal industries
Rural Mountain	Taplejung	2			
	Dolakha	2			
	Bajhang	1			
	Jumla	2			
	Sub-total	7			
Rural Hill	Dhankuta	7		Dhankuta	2
	Udayapur	8			
	Kavrepalanchok	9		Banepa	2
	Pyuthan	10	Urban Hill		
	Kaski	10		Pokhara	4
	Dadeldhura	11		Amargadhi	2

	Sub-total	38		Sub-total	10
	Kathmandu			Kathmandu	12
	Lalitpur		Kathmandu	Lalitpur	2
	Bhaktapur		u Valley	Bhaktapur	2
				Sub-total	16
	Morang	12		Biratnagar	4
	Sunsari	13			
	Saptari	14		Rajbiraj	2
	Chitawan	15		Bharatpur	3
Rural Terai	Mahottari	15	Urban		
	Parsa	16	Terai	Birgunj	2
	Kanchanpur	17		Bhimdutta	2
	Rupandehi	18		Siddharth Nagar	3
	Banke	19		Nepaljung	2
	Sub-total	42		Sub-total	18
	Total	87		Total	44

### 1.3 Data-collection procedures

The supervisors and enumerators involved in data collection received one week of intensive training by the Work4Youth team members and the project staff at CEDA. The main objective of the training was to provide information on the purpose of the study, on each question, on consistency checking and on the coding process of the responses. It also included both thematic and practical aspects. The thematic aspects focused on the content and significance of the survey. The technical aspects concentrated on how to consistently complete the questionnaire, how to approach the households and respondents to create a friendly environment and how to make sure the information provided by the respondent is valid and reliable. The training was provided by key research team members and relevant specialists, using a variety of methodologies including lectures, group discussions, questions and answers, demonstration interviews, role-play and field practices.

#### *Field-data collection*

Altogether, nine teams carried out the fieldwork in different parts of the country. Each team was assigned particular areas to conduct interviews. The division of teams was decided by the workload and travelling time required. Each team was expected to cover 17 PSUs on average and consisted of a supervisor and two interviewers. A separate team was assigned to Kathmandu Valley to undertake only urban interviews, due to the expected large sample in that area. Proper care was taken to keep interviews to a manageable length to be able to complete them in 20 households. Each surveyor was assigned to conduct three to four interviews per day. The questionnaire was designed to last a maximum of one-and-a-half hours, including introductory talks and the interview, to avoid irritation on the part of the respondent and to ensure correct reporting. During the fieldwork, the supervisor was given a lead role in sampling households and assigning households to the enumerators. Extensive supervision of the fieldwork took place to ensure the quality of the field survey work.

#### *Data processing*

The data were entered directly from the questionnaires. Before entering the data, all completed questionnaires were thoroughly checked. The data entry was conducted by trained CEDA personnel. The data were initially entered in CxPro format, which was converted to SPSS software for statistical analysis.



This report presents the highlights of the 2013 School-to-work Transition Survey (SWTS) and Labour Demand Enterprise Survey (LDES) run together with the Centre for Economic Development and Administration (CEDA) within the framework of the ILO Work4Youth Project. This Project is a five-year partnership between the ILO and The MasterCard Foundation that aims to promote decent work opportunities for young men and women through knowledge and action. The W4Y Publication Series is designed to disseminate data and analyses from the SWTS administered by the ILO in 28 countries covering five regions of the world. The SWTS is a unique survey instrument that generates relevant labour market information on young people aged 15 to 29 years. The survey captures longitudinal information on transitions within the labour market, thus providing evidence of the increasingly tentative and indirect paths to decent and productive employment that today's young men and women face.

The W4Y Publications Series covers national reports, with main survey findings and details on current national policy interventions in the area of youth employment, and regional synthesis reports that highlight regional patterns in youth labour market transitions and distinctions in national policy frameworks.

# Work4Youth



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