BASELINE ASSESSMENT OF THE CULTURAL AND CREATIVE INDUSTRIES IN THE KATHMANDU VALLEY

About this report synopsis

This document provides a synopsis of the baseline assessment of the cultural and creative industries in the Kathmandu Valley from the perspective of the International Labour Organization (ILO). The study has greatly benefited from the invaluable contributions and support of UNESCO, the ILO, the British Council, and the FCA Nepal Country Office.

International Labour Organization

Baseline Assessment of Cultural and Creative Industries (CCI) in Kathmandu Valley

SYNOPSIS

1. Background

The Cultural and Creative Industries (CCI) are increasingly recognized worldwide as engines of economic growth, employment, and social inclusion. Globally, CCIs contribute 3.1% of GDP and 6.2% of total employment, with creative services exports reaching USD 1.4 trillion in 2022. They are also pivotal to advancing the ILO's just transition principles, promoting sustainability, decent jobs, and inclusive participation.

This baseline assessment, conducted in 2025, focuses on the Kathmandu Valley, the epicentre of Nepal's creative economy, encompassing Kathmandu, Lalitpur, and Bhaktapur. The Valley hosts a vibrant CCI ecosystem across seven UNESCO-defined sub-sectors: **Crafts and Folk Art, Design, Film, Gastronomy, Literature, Media Arts, and Music**. These sectors are deeply rooted in centuries-old cultural heritage but are simultaneously being reshaped by a youth-driven demographic, digital transformation, and global market influences.

The assessment was carried out jointly by ILO **UNESCO and the Finn Church Aid (FCA)**, bringing together UNESCO's cultural mandate and the ILO's mandate on labour and employment issues. Through this collaboration, the ILO specifically sought to:

- Examine **labour markets and decent work** in CCIs, with a focus on informality, skills, wages, gender equity, and social protection coverage;
- Identify opportunities to **create more and decent jobs embedding just transition principles**, by supporting greener production, circular business models, and sustainable enterprises;
- Generate evidence to inform **policy dialogue and programmatic action**, ensuring CCIs contribute not only to cultural preservation and economic diversification but also to decent job creation and resilience.

As Nepal prepares to graduate from Least Developed Country (LDC) status in 2026, the CCI presents a critical opportunity for economic diversification, sustainable job creation, and the preservation of intangible cultural heritage. This synopsis, prepared from an ILO perspective, distils the key findings related to labour markets, working conditions, and opportunities for fostering **decent work** within Nepal's creative economy.

2. Methodology

The baseline assessment applied a mixed-methods approach, combining quantitative and qualitative tools to ensure a comprehensive understanding of the CCI ecosystem across Kathmandu, Lalitpur, and Bhaktapur municipalities.

- **Quantitative Survey:** A stratified random sampling approach was applied to ensure balanced representation across the seven CCI sub-sectors and the three municipalities. The survey collected responses from 959 participants (316 female, 636 males, 2 identifying as other, and 5 preferring not to disclose). On average, about 45 respondents were drawn from each sub-sector within each municipality. Participants were categorized as entrepreneurs (54%), practitioners (36%), and workers/employees (26%), with 61% of the total sample representing youth aged 18–25. In terms of education, most respondents (37%) had completed undergraduate studies, followed by 29% with postgraduate qualifications, while only a small proportion reported either lower level of schooling (SLC/SEE, basic literacy, or no formal education).

  Categorization of Respondents: Respondents were categorized into three primary groups to understand the value chain:

  - **Entrepreneurs** (54% of respondents): Business owners, studio/gallery owners, production companies.
  - **Practitioners** (36%): Individual artists, freelancers, artisans, performers.
  - **Workers/Employees** (26%): Individuals in operational, administrative, or support roles.

- **Qualitative Methods:**
  - **Key Informant Interviews (KIIs):** Conducted with sector experts, entrepreneurs, government officials, and educators to gain in-depth insights.
  - **Focus Group Discussions (FGDs):** Seven FGDs (one per sub-sector) facilitated collaborative dialogue on trends, barriers, and opportunities.

3. Key Findings

3.1 Informality and Formalization

Informality is a defining and pervasive characteristic of Nepal's CCI sector, with profound implications for workers' rights and social protection.

- **High Prevalence:** 49% of all CCI practitioners operate without formal registration or status. The rate is highest in **Music (31%)** and **Literature (21%)**, reflecting weak institutional structures and freelance-based work.
- **Long-Term Informality:** A significant portion of informal businesses and practitioners have been operating for over 4 years, indicating that informality is a persistent state, not

just a starting phase. For example, 28% of informal craft practitioners have been active for over a decade.

- **Sectoral Variation:** While 88% of entrepreneurs reported their businesses were registered, informality remains high among workers and practitioners:
    - **Crafts & Folk Art:** 45% of practitioners and 52% of workers are engaged informally.
    - **Design:** 28% of practitioners and 18% of workers are informal.
    - **Film:** 36% of practitioners and 27% of workers are informal. Many small production houses and freelance crews operate without registration due to the project-based and unpredictable nature of their income.
- **Permanent Informality:** A significant portion of informal practitioners and workers have been engaged in their sectors for over four years, indicating that informality is not a transient phase but a persistent condition. This limits their access to finance, public programs, and intellectual property protection.
- **Barriers to Formalization:** Key barriers include complex bureaucratic procedures, a perception of high tax burdens for unpredictable project-based income (especially in Film), and a lack of awareness or perceived benefits from formalization.

Pervasive informality denies workers and enterprises access to social protection, finance, and legal recourse. It undermines decent work principles, fosters unfair competition, and hinders the sector's economic potential and tax base. A one-size-fits-all formalization approach is ineffective; targeted, simplified mechanisms are needed.

3.2 Labour Rights and Occupational Safety & Health (OHS)

Workers across the CCI face significant decent work deficits in including OSH standards, operating in environments with unregulated hours, unsafe conditions, and a near-total absence of social protections.

- **Lack of Employment Contracts:** Verbal agreements and project-based work are the norm, especially in Film, Media Arts, and Design, leading to job insecurity and weak bargaining power.
- **Unsafe Working Conditions:** In crafts (metalwork, woodworking), workers are exposed to dust, heat, and sharp tools without protective equipment. In gastronomy, risks include kitchen fires, slippery floors, and improper waste oil disposal. Artisans in metal and wood workshops reported normalized exposure to occupational hazards without protective gear. Home-based textile workers face ergonomic issues from prolonged sitting. These health risks are accepted as "part of the job" due to a lack of regulation and awareness.
- **Excessive Working Hours:** Long, unregulated hours are the norm. 10-12 hour days are common, with reports of 16-20 hours days in media arts during crunch times. Overtime is typically unpaid.
- **Lack of Basic Protections:** Only 17% of workers in crafts had access to any form of healthcare benefit. In gastronomy, a stark 94% of workers reported having no health insurance.

- **Absence of Grievance Mechanisms:** There are no formal, sector-wide systems for workers to report safety concerns or rights violations, leaving them vulnerable.

The absence of enforced OHS standards and rights frameworks constitute a major decent work deficit. It leads to preventable injuries, worker exploitation, and psychological stress. Promoting safe and healthy working environments is a fundamental principle of the ILO.

3.3 Income, Social Protection, and Job Security

Income instability and a near-total absence of social protection are major concerns, contributing to high levels of dissatisfaction and talent drain.

- **Income Instability:** 53% of all practitioners reported inconsistent income, driven by seasonal demand (crafts, gastronomy) and project-based work (film, media arts). The survey showed 31% of music enterprises were unregistered, Musicians and technicians often work gig-to-gig with no contracts, unpredictable pay, and no coverage to social security, making a sustainable career in music highly challenging
- **Low Wages:** A significant portion of the workforce earns below living wages. In gastronomy, 72% of workers earn less than NPR 20,000 (approx. US$ 143) per month. Dissatisfaction with pay relative to effort was high (e.g., 72% of film practitioners, 57% of craft workers).
- **Gender Pay Gap:** Pronounced disparities exist, with men dominating the highest income brackets.
- **Lack of Social Protection:** Access to social protection (health, life, accident) is extremely rare. Most workers have no safety net for illness, injury, or old age.
- **Dissatisfaction:** 57% of craft practitioners and 72% of film practitioners felt their income was unfair relative to their effort and skill.

The lack of decent income and social protection violates the core of decent work, pushing creative workers into precariousness. This economic vulnerability is a primary driver of labour migration and discourages long-term career commitment, threatening the sector's sustainability.

3.4 Skills Development and Youth Engagement

While the CCI is overwhelmingly youth-driven (84% of respondents under 45 years), a mismatch exists between available skills training and market needs, and poor working conditions are fuelling a significant brain drain.

- **Youth Dominance:** 84% of survey respondents were under the age of 45 years, with 26% aged 18-25. The sector is a major source of employment for young Nepalis and indicates strong youth engagement driven by passion and digital fluency.
- **Digital Adoption:** Youth are leveraging digital tools for innovation, learning, and market access. 92% of respondents cited digital tools as vital for their work.
- **Skills Gaps & Brain Drain:** Despite high engagement, the sector faces a talent drain.
    - **Perception as "Side Hustle":** CCI work is often seen as unstable, pushing youth to opt for labour migration seeking opportunities abroad due to better pay, job security, and career growth, representing a direct loss of high-value skills for Nepal.

- **Skills Training Mismatch:** Existing occupational skills training programs are often short-term and fragmented, failing to provide the combination of technical, entrepreneurial, and digital skills needed for decent livelihoods.
- **Retention Crisis:** Enterprises report high turnover, as young creatives use CCI jobs as a temporary stopgap while awaiting opportunities abroad.

Engaging youth is a strength, but failure to provide decent work and clear career pathways results in a loss of human capital. Aligning skills development with market demands and improving job quality are essential to harness the demographic dividend and foster a vibrant creative economy.

3.5 Gender and Social Inclusion

Despite women's significant participation, deep-rooted structural inequalities and discrimination limit their access to leadership roles, fair pay, and safe working environments. Other marginalized groups (LGBTQI+, Dalits, indigenous peoples) face even greater barriers.

- **Underrepresentation:** Only 33% of survey respondents were female. Their representation declines sharply in older age cohorts and in leadership/entrepreneurial roles (only 25% of entrepreneurs are women).
- **Sectoral Segregation:** Women are often concentrated in lower-value, home-based roles (e.g., weaving, embroidery in Crafts; serving in Gastronomy), while men dominate technical, supervisory, and commercially strategic positions. While women form the backbone of textiles and felt production, men typically control loom repair, dyeing, quality control, and export coordination—the higher-value and commercial aspects of the business. Women's labour often remains underpaid and under-recognized.
- **Barriers to Entry:** Women face mobility restrictions, unequal care responsibilities, safety concerns (especially in field-based work like Film), and scepticism towards women-led businesses.
- **LGBTQI+ Inclusion:** Gender-diverse communities face stereotyping in content (e.g., typecasting in Film) and subtle forms of exclusion and discrimination in workplaces.

Gender inequality and social exclusion are major barriers to a fair and thriving creative economy. Promoting equal opportunity and safe, inclusive workplaces is not only a rights-based imperative but also crucial for unlocking the full innovative and economic potential of the CCI.

3.6 Policy and Institutional Gaps

The CCI sector suffers from a lack of recognition and supportive policy frameworks.

- **Lack of Awareness:** 61% of Crafts sector respondents were unaware of government policies related to their field, a trend reflected across sub-sectors.
- **No Dedicated CCI Policy:** There is no overarching national policy or strategy for the CCI. Support is fragmented across various ministries (Culture, Industry, Tourism, Labour) without effective coordination. The Film Development Board (FDB) exists, but filmmakers report little support in accessing international markets, securing visas for festivals, or navigating bureaucratic permit processes, highlighting a gap between institutional mandate and effective implementation.

- **Weak Intellectual Property Right (IPR) Enforcement:** Although copyright laws exist, enforcement is weak. Designers, filmmakers, and writers reported rampant plagiarism and imitation with little legal recourse, disincentivizing innovation.
- **Insufficient Data:** The absence of reliable, disaggregated data on the CCI workforce, its economic contribution, and enterprise distribution hinders evidence-based policy planning and resource allocation.

A supportive policy and institutional environment are the bedrock of promoting decent work. The current ad-hoc and uncoordinated approach stifles the sector's growth. Policy must be informed by reliable data and developed through social dialogue with workers' and employers' organizations to be effective.

4. Key Challenges

The CCI sector in Kathmandu Valley faces a confluence of interconnected challenges that threaten its sustainability and potential growth:

- **Financial Constraints:** 55% of creative enterprises cite access to finance as a major barrier. High startup costs (e.g., equipment for Music, Design, Film) and a perception of high risk among financial institutions limit investment.
- **Costly Market Access:** Participation in international trade fairs is prohibitively expensive for most micro-enterprises. Lengthy visa procedures further hinder global engagement.
- **Low Domestic Demand:** 40% of enterprises cite low domestic demand for high-quality, authentic creative products, as consumers often prefer cheaper, mass-produced alternatives.
- **Resource Scarcity:** Climate change, urbanization, and overharvesting are making key raw materials (e.g., wool, hemp, *Lokta* paper (eco-friendly Nepali paper), traditional rice varieties for Gastronomy) harder and more expensive to source.
- **Infrastructure Deficit:** A lack of affordable creative hubs, production spaces, studios, and collaborative workspaces forces practitioners to operate from isolated, informal settings.
- **Undervaluation of Creative Work:** The perception of creative work as a non-serious hobby or secondary occupation leads to low pay, informality, and reduced professional motivation.

5. Opportunities

Despite the challenges, the assessment identifies significant opportunities for fostering a vibrant and inclusive creative economy that generates decent work.

- **Formalization and Social Protection:** There is a clear opportunity to design targeted formalization schemes for creative workers, linking them to contributory social protection systems, including health insurance, accident coverage, and pension plans tailored for project-based and intermittent income earners.
- **Skills for the Future:** Developing demand-driven training programs that blend traditional craftsmanship with digital literacy, entrepreneurship, and business

management can enhance employability and create sustainable career pathways for youth.

- **Green and Circular Economy:** Nepal's CCI has inherent strengths in sustainability (e.g., use of natural, biodegradable materials, low-waste production). This aligns with global ethical consumer trends and offers a niche in markets for eco-friendly fashion, handicrafts, and design.
- **Cultural Tourism Linkages:** Integrating CCI with tourism through cultural festivals, artisan experiences, and gastronomy tours can create new revenue streams, diversify income for creators, and promote rural employment beyond Kathmandu Valley.
- **Digital Expansion:** E-commerce and digital platforms can be further leveraged to overcome traditional barriers to market access, enabling creators to reach global audiences directly and reduce dependency on intermediaries.
- **Policy Mainstreaming:** Developing a national CCI strategy and establishing inter-ministerial coordination mechanisms can integrate culture and creativity into education, urban development, trade, and industrial policies.
- **Diaspora Engagement:** The global Nepali diaspora represents a significant market for cultural products and a potential source of investment, knowledge exchange, and international collaboration.

The CCI in the Kathmandu Valley represent a potent, yet underutilized, force for sustainable development and decent work creation in Nepal. The sector is a significant employer, particularly for the country's youth, and is a custodian of rich cultural heritage. However, its potential is severely constrained by pervasive informality, inadequate social protection, poor working conditions, and systemic gender and social inequalities.

Addressing these challenges requires a coordinated, multi-stakeholder approach. The ILO is uniquely positioned to lead this effort by bringing its expertise in labour standards, social dialogue, skills development, and social protection to bear on the specific context of the creative economy.

By fostering an enabling environment that promotes formalization, rights at work, social protection, and social dialogue, Nepal can harness its immense cultural wealth to generate inclusive economic growth, foster innovation, and create fulfilling and decent jobs primarily for youth and women, both within and beyond the Kathmandu Valley.

The transition of the CCI from a largely informal, vulnerable sector to a recognized, protected, and thriving pillar of the economy is not just an economic imperative but a fundamental requirement for achieving social justice and, sustainable and equitable development in Nepal.

Please access the full report here: Baseline Assessment of Cultural and Creative Industries (CCI) report