Preface

This book makes a compelling case for increased policy coherence in favour of a comprehensive and balanced package of labour market reforms for Nepal.

In the last decade Nepal has experienced profound political instability and an insurgency that claimed thousands of lives. In the last two years peace has been restored but the political environment remains precarious. In 2001, economic growth in Nepal slowed dramatically. Since then the economy has not recovered the momentum that characterized the 1990s when the non-agriculture sector of the economy experienced relatively rapid growth.

Over the last five years several international organizations have focused attention on so-called labour market rigidities when explaining this prolonged recession. The evidence supporting this diagnosis is limited and relies largely on labour market indicators from the World Bank report *Doing Business*.

This book examines the rhetoric and evidence concerning labour market rigidities in Nepal. It provides a comprehensive review of the Nepalese labour market over the last twenty years, examining the impact of historical, political and employment relations developments on the working environment. The book presents both objective evidence concerning the relationship between labour market developments and broad economic trends as well as the subjective views of employers, workers, and trade union leaders on labour legislation and the functioning of the labour market.

Based on these diverse sources the author concludes that the key labour market constraint to increased investment and faster growth in Nepal is the adversary nature of employment relations and the propensity of both employers and trade unions to adopt a winner-takes-all approach when in a position of power. Important adjustments to the labour legislation, the establishment of new labour market institutions and comprehensive social security reforms are proposed, which will help reduce reliance on strikes, lockouts and other disruptions to production as a first resort. These reforms can also contribute to a more fair and flexible labour market, which is a necessary but far from sufficient condition for faster economic growth.

The issues addressed here are relevant to many countries. Debates concerning the relationship between labour market rigidities, investment, growth and decent work are high on the agenda in most regions of the world. This subject also dominates much of the discourse between the ILO and other international institutions. This book provides insights that can help make these discussions more productive and evidence based.

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