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The dynamics of employment, the labour market and the economy in Nepal

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Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization, and*[1] which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work[2], in the Employment Policy Convention, 1964 (No. 122), and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.[3]

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.[4]

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

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[1] See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

[2] See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

[3] See http://www.ilo.org/gea. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work, "Vision" document*, ILO, 2006.

[4] See http://www.ilo.org/employment.

Foreword

There are many ports of entry to understanding how countries arrive at and sustain growth for the well-being of their populations, or, conversely, how they fail to do so. Shagun Khare's and Anja Slany's paper explores the entry point of employment, and through an "employment diagnostic analysis" endeavors to explain the pronounced deficit in productive employment in Nepal. In the run-up to the fourth conference of Least Developed Countries in Istanbul, May 2011, the paper offers a timely contribution to the analysis of a problem afflicting most LDCs – work of an unproductive nature that leaves millions in poverty.

Beset over a decade by a bloody civil conflict, there has been a return to peace, but only much slower progress toward political stability. Unsurprisingly, economic growth has been a casualty of this strife and instability. Yet it has also been a cause of the same. The low rate of growth and its pattern, the predominantly poor and rural nature of the economy, the high level of illiteracy, the several impediments to structural transformation, and, in fact, the deindustrialization of the economy are reflected in the high level of underemployment and working poverty, and constitute a strong motivation for the outbound migration of the Nepalese workers.

Providing adequate opportunity at home for the productive employment of the young Nepalese workforce has to be the centerpiece of macroeconomic policy in Nepal, a country that considerably trails its neighbours in South Asia in terms of output and productivity growth. The policy need implies inter alia a focus on productivity, both on the supply- and demand sides of the labour market. And, in a country where more than three quarters of the workforce live and work in rural areas, it implies a strong focus on agriculture, among other sectors – infrastructure, tourism, hydropower, and others – as policy targets. The employment challenge is a national one, but one also with stark regional differences in a country of vast geographic diversity. There are sharp, sex-based differences in the labour market as well. Women account for half of the labour force, yet they are twice as likely to be illiterate than men, and earn a fraction of what men are paid.

Khare and Slany present the Nepalese labour market in analytical detail in this paper. Further work will explore the specific constraints that will need to be overcome in order to set the country firmly on the path to productive employment.

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1. Introduction

The last two decades have been marked by much political tumult in Nepal, with many constitutional amendments and changes of government. More recently, the transformation of Nepal to a federal republic in 2007-08 has altered the nature of politics in the country – though political instability remains. Economic growth has been slow in comparison with neighbouring countries, with GDP growth under 4.5 per cent p.a. between 2001-02 to 2009-10. Given an expanding population, average income per capita has risen at a sluggish 2 per cent p.a., and is the lowest in South Asia.[5] Though remittances from emigrants have injected resources into the economy, the poverty incidence remains high with 30.8 per cent of the population living under the national poverty line.[6] Since unemployment ranks at only 2.1 per cent, the main contributor to the high poverty figure has been working poverty – the lack of productive employment. The present study offers an employment diagnostic analysis of Nepal. The overall objective is to understand the deficiency of productive employment and to identify critical constraints to inclusive and sustainable growth.

Much of the study has been structured in line with the following stylized formula:[7]

$$\frac{GDP_t}{Population_t} = \frac{WorkingAgePopulation_t}{Population_t} \times \frac{LabourForce_t}{WorkingAgePopulation_t} \times \frac{Employment_t}{LabourForce_t} \times \frac{GDP_t}{Employment_t}$$

Or

$$G_t = S_t \times A_t \times E_t \times P_t$$

In other words, change in GDP per capita is the sum of the changes the following:

1. Age structure, S_t
2. Activity rate, A_t
3. Employment rate,[8] E_t
4. Labour productivity, P_t

[5] Economic Survey 2009-10

[6] Figure for 2003-04, LSS 2003-04

[7] Formula adapted from the World Bank's draft publication "*The role of employment and labour income in shared growth: what to look for and how*", 14 December, 2007. A more detailed explanation of the formula can be found in appendix A.1.

[8] Note that this is not exactly how employment rate is defined, but it expresses the same information.

The first three components of this formula provide a basis for structuring an overview of the main employment and labour market dynamics. This is followed by an analysis of the fourth component that includes the economic structure and the interplay between economic and employment growth and labour productivity, corresponding to the final component of the formula above. The distributional aspects of the economic and labour market developments and the issues of inequality and poverty are also brought into the picture.

Accordingly, the first part of the study considers given factors – those that cannot be changed by us, at least in the short run. It consists of the demographic structure including population, age composition and migration aspects (**§ 2**); and labour force characteristics such as age, sex and location **(§ 3**). One also looks at the nature of unemployment and employment (**§ 4**) disaggregated by sectors, status and formality of work. Subsequently, attention is also paid to the problem of working poverty and labour underutilization (**§ 5**). One then turns to study the qualitative aspects of human capital (**§ 6**) such as education and health. Once a broad understanding of the human resource base has been developed, the opportunities and challenges posed by the economy on the base are considered (**§ 7**). Finally, a brief disaggregation of income growth into the above factors (**§ 8**) is undertaken to consolidate our understanding of the main contributors and suppressors of employment-rich growth.

This study thus aims at coming to a broad understanding of where the challenges to productive employment lie in Nepal in order to aid further policy advice.

2. Demographic structure

2.1 Population

Nepal, at the time of the last Labour Force Survey in 2008, had a population of 23.5 million. The gender distribution of the population was quite balanced with 52.8 per cent women and 47.2 per cent men. Eighty five per cent of the Nepalese population still lived in rural areas.

Population growth had been high, with a per annum increase of 2.11 per cent between 1998-99 and 2008, during which population increased by 4.4 million (**Table 2.1**). Despite the fall in the birth rate from 33.1 births per 1000 population in 2001 to 27.7 in 2008,[9] it remained significantly higher than the death rate of 8.3 – causing an expansion in population. However, this fall in the birth rate did lead to a shrinking in the natural rate of population increase. In 2008, the natural increase of population amounted to 1.94 per cent, lower than the average increase of 2.11 per cent per year over the past ten years.

Table 2.1: Population and percentage distribution of population 1998/99 - 2008

	1998/99		2008		Annual growth rate (1998/99-2008)
	('000)	%	('000)	%	%
Nepal	19'104	100.00	23'544	100.00	2.11
Men	9'385	49.13	11'119	47.23	1.71
Women	9'718	50.87	12'425	52.77	2.49
Urban	2'249	11.77	3'549	15.07	4.67
Rural	16'855	88.23	19'994	84.92	1.72

Source: LFS 1998-99 and 2008

2.2 Age composition of the population

Over the past decade, the age structure of the population has not changed too much: the share of the youth (under 15) has fallen marginally from 41 per cent to 39 per cent. This decrease has been offset by the increase by a percentage point each in the shares of the working age population (15-64) and the old (65 and over).

However, the resilience of the age structure hides some important transformations. The high but falling population rate of growth has three important consequences, two or which can be seen in **Figure 1a** and **1b**. First, there is a young population represented by the population pyramid bulging at the bottom. Second, that the shape of this pyramid is changing – with a falling birth rate; the ‘bulge’ is moving upward.

[9] Nepal in Figures 2008

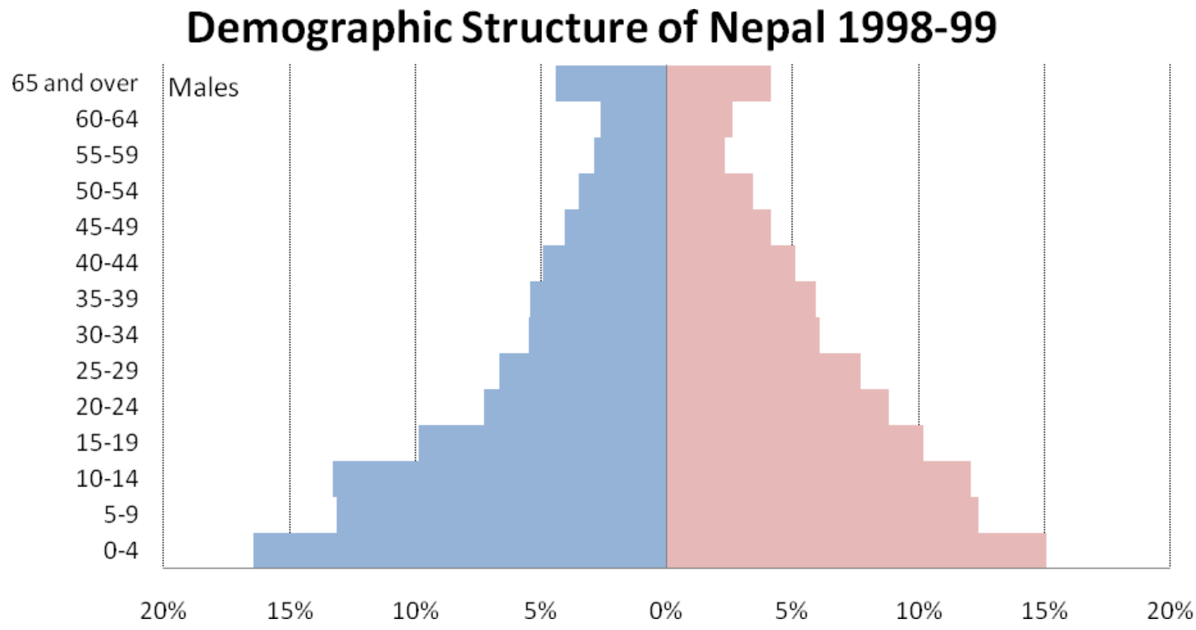


Figure 1a

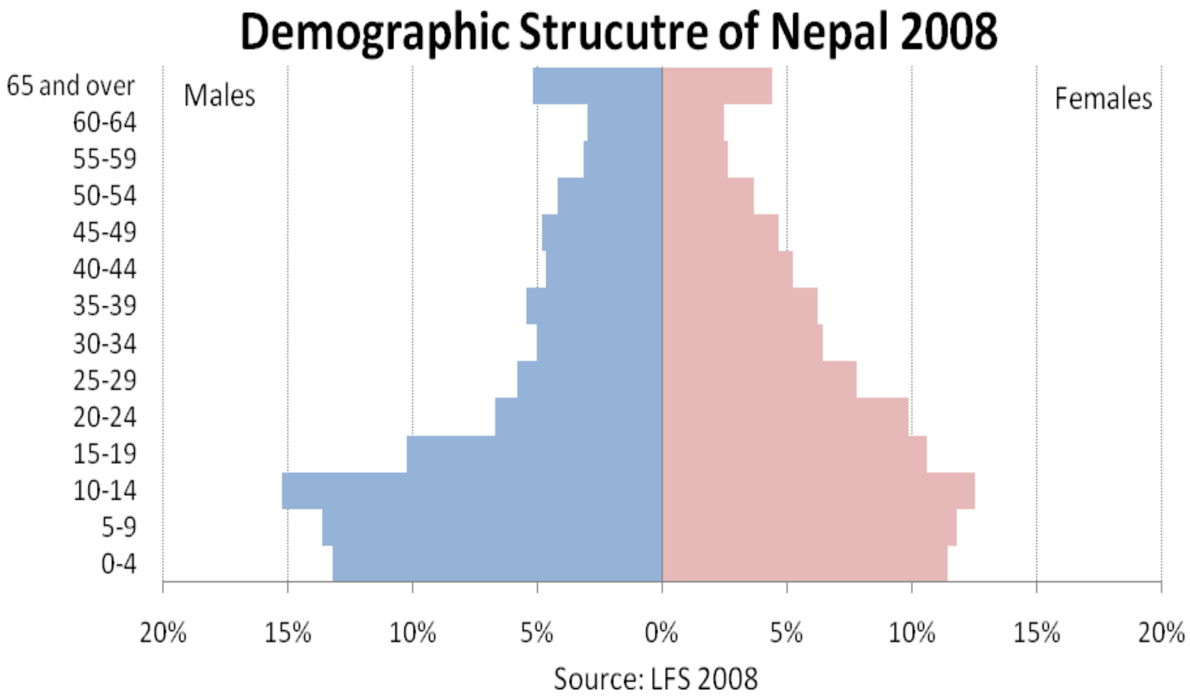


Figure 1b

This implies that within the next 15 years, Nepal is going to reap a large part of its demographic advantage as 38.2 per cent of its present population will enter the working age.[10] If the present trend of a fall in the birth rate continues, within these 15 years Nepal will witness its most favourable ratio of working age to non-working age population.

The third, and related, consequence is for the age-based dependency ratio. It was 0.7 in 1998-99 and has further fallen to 0.63 in 2008.[11] Therefore, each (potentially) productive member of society has a smaller burden to support. As more young Nepalese enter the workforce, this burden will further reduce, provided there is an expansion in productive employment large enough to absorb these workers. A favourable age-based dependency ratio would also potentially imply a more favourable savings rate, leading to higher investment in the economy.

2.3 Migration

Migration has changed the population structure in the past and will continue to do so in the future. Many Nepalese have left the country in search of better economic opportunities. Looking at **Figure 1b**, one can note the 'missing middle' among men, i.e. in the age groups of 20-45. Indeed, their share in the total male population (28 per cent) is quite lower than the corresponding share of females in that age group (36 per cent).

According to the World Bank (The Migration and Remittances Factbook 2011), by 2010, 982,200 (3.3 per cent of total population) Nepalese had emigrated to India, Qatar, Thailand, Saudi Arabia, United States and other countries. The World Bank Report also indentified the emigration rate of tertiary educated people as 5.3 per cent in 2000. However, these numbers seem to be very conservative when one considers the role of remittances in the country. Calculations using LFS 2008 data show that total remitters abroad, i.e. migrants and absentees[12] are around 1.3 million or equal to 5.5 per cent of the population (**Table 2.2**).[13]

In 2008, 30 per cent of all households received financial help from migrants and absentees within Nepal or abroad (23 per cent). Per household remittances from abroad amounted to NRs 80,462 in 2008; which on aggregate meant an equivalent amount of as much as 9 per cent of the GDP in that year.[14] This is, however, a conservative estimate as reported incomes in general tend to be lower than actual incomes. Looking from the perspective of the balance of payments, remittances in 2008 accounted for as high as 21.15

[10] Projection made taking into account infant mortality rate of 79/100 (Nepal in Figures 2008).

[11] Age-based dependency ratio considers the proportion of minors (under 15) to working age population (15+).

[12] Defined as those that have left the country for or are expected to be gone for more than 6 months of a year but are not 'life.time migrants'.

[13] Assuming that each remitter contributes only to one household, total migrants abroad comes to 1.3 million (or about 5.5 per cent of the population). It might be that one migrant remits money to more than one household, but since only 23 per cent or 1.11 million households report that they receive remittances from abroad, this is not the case here.

[14] GDP at factor cost

per cent of GDP.[15] This is line with the 2009 World Bank figure that put remittances as 22.9 per cent of GDP (**A.2.,Table 7**). This figure is the highest in South Asia and the fifth highest in the world.

Table 2.2: Remittances 2008*

Total	
Average remittance in last 12 months by receiving Households (HHs) (NRs)	65'755
Per capita remittance (NRs)	4'042
% of HHs receiving remittances	30
Total estimated HHs in Nepal (1)	4'825'116
Average no. of remittances per receiving HH	1.28
From abroad	
Average remittance in last 12 months by receiving HHs from abroad (NRs)	80'462
Per capita remittance from abroad (NRs)	3'352
% of HHs receiving remittances from abroad (2a)	23
Average no. of remittances among HHs from abroad (3a)	1.16
Total remitters abroad^ = (2a)/100* (1)*(3a)	1'287'341
From within Nepal	
Average remittance in last 12 months by receiving HHs from within Nepal (NRs)	28'976
Per capita remittance from within Nepal (NRs)	690
% of HHs receiving remittances from within Nepal (2b)	12.6
Average no. of remittances among HHs from within Nepal (3b)	1.26
Total remitters in Nepal^ = (2b)/100* (1)*(3b)	766'035

* From migrants and absentees
A remittance is all money received by a HH from a single source – individual or household
^Assuming each remitter contributes to only one HH.

Source: LFS 2008

Recently, IMF in its Article IV consultation on Nepal again pegged this figure at 19.5 per cent of GDP (**Table 2.3**). Moreover, these remittances have grown unrelentingly, even during the crisis years (**Figure 2**). Only in 2009-10 has one witnessed some slowing down of remittance growth.

Table 2.3: Inflow of remittances, 2002-09

	% of GDP			USD bn
	2002	**2005**	**2008**	**2008**
South Asia	5.9	7.0	9.1	72.4
Bangladesh	5.7	7.0	11.0	9.0
India	3.3	3.0	4.2	51.3
Nepal	11.0	13.8	19.5	2.5
Pakistan	4.8	3.9	4.2	7.0
Sri Lanka	4.5	7.1	6.5	2.6
Philippines	9.0	10.8	9.7	16.4

Source: IMF Article IV 2010

[15] Taking ‘worker’s remittances’ as a percentage of GDP at factor cost.

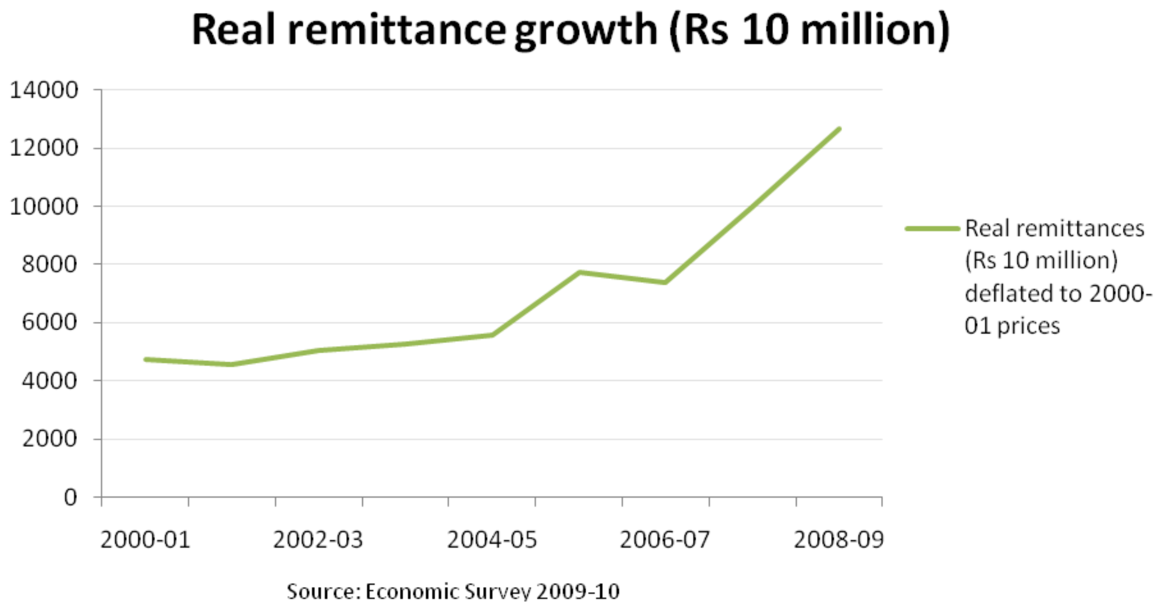


Figure 2

Internal mobility is also high in Nepal. According to LFS 2008, a third of the population consisted of 'life-time migrants' – those that have moved to their current location at some time (**Table 2.4**). However, unlike external migration, the larger part of the internal migrants (69.8 per cent) was composed of women. The main prompting reasons for women's migration were 'marriage' and 'other family reason', which accounted, together, for 91.3 per cent of female migration. These same reasons prompted 45.4 per cent of the male migration (**A.2., Table 10**).[16]

Table 2.4: Distribution of migrants (all ages) by sex and locality 2008

	Migrants ('000)			**Migrants as % of total for each group**		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**
Total	7840	2371	5469	33.3	21.3	44
Urban	1814	818	996	51.1	46.3	55.9
Rural	6026	1553	4473	30.1	16.6	42

Source: LFS 2008

This fact of large migration of women for marriage or other family reasons rather than economic reasons also meant the rural-to-rural migration was the major stream of internal migration (71.6 per cent, **Table 2.5**), followed by rural-to-urban (20.3 per cent). Urban-to-rural and urban-to-urban migrations were marginal, 4.8 per cent and 3.4 per cent respectively.

[16] Between 'marriage' and 'other family reason', the former contributes to 2.6 per cent of migration among men, while the latter contributes to 42.8 per cent. For women, the former accounts for 67.3 per cent of migration, and the latter 24 per cent.

Interestingly, men were more likely to migrate from villages to cities than women were, while women were more likely to migrate to other villages.

Table 2.5: Internal migrant flows

	Total	Male	Female
Rural to rural	71.6%	57.4%	77.5%
Rural to urban	20.3%	31.2%	15.7%
Urban to rural	4.8%	6.3%	4.1%
Urban to urban	3.4%	5.1%	2.7%
Total	100.0%	100.0%	100.0%

Source: LFS 2008

Village-to-village migration for marriage also implied that 76.9 per cent of migrants currently live in a rural area. However, due to the higher rural-urban migration vis-à-vis urban-rural migration (20.3 per cent as compared to 4.8 per cent); the rural population is younger on average than the urban population, as **Figure 3** demonstrates. This also means that the share of those above 65 years is higher in the countryside than in the cities, as many migrants return to their villages upon retirement from the labour force.

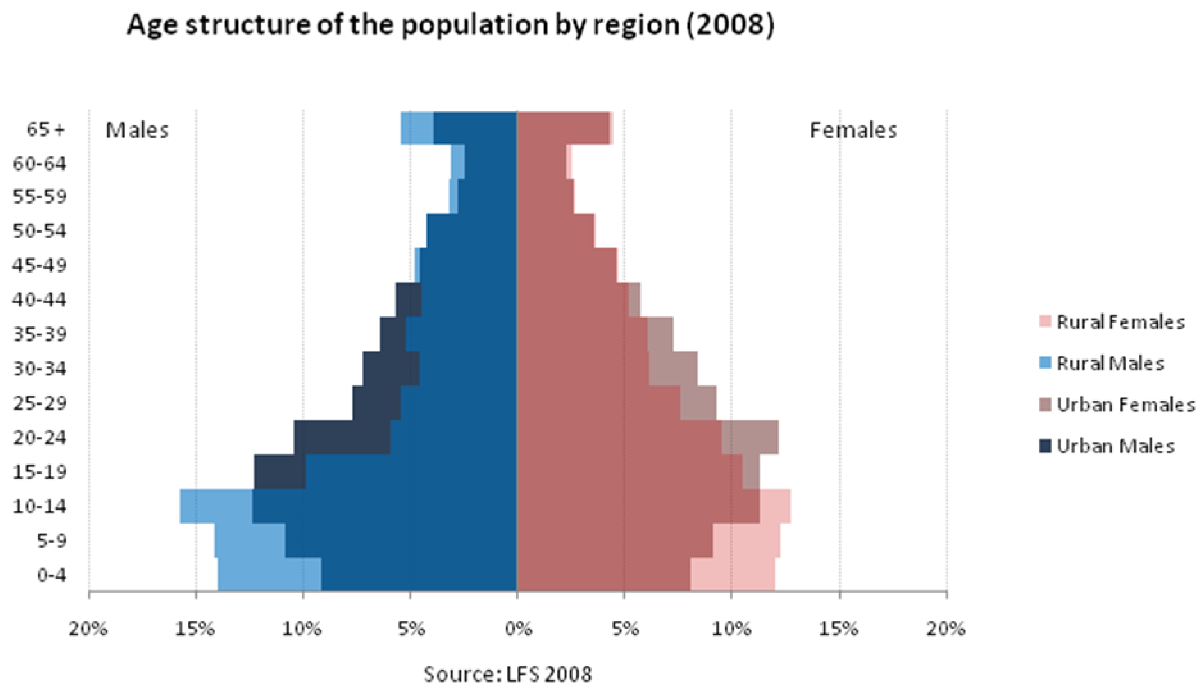


Figure 3

Another pertinent issue when one considers Nepal is immigration. The Migration and Remittances Factbook 2011 reports around 945.9 thousand immigrants in Nepal (3.2 per cent of the population); mostly originating from neighbouring countries - India, Bhutan, China and Pakistan. As data from the LFS 2008 in **Table 2.6** shows, 12.7 per cent of all immigrants were from abroad. Their share of the population was more or less equally distributed among urban and rural areas. Interestingly, most of these immigrants were women (63.4 per cent – **A.2., Table 9**), who have possibly immigrated to Nepal for marriage.

Table 2.6: Distribution of migrants by current and last location, and sex.

	Current location					
	('000)			%		
Last location	**Rural**	**Urban**	**Total**	**Rural**	**Urban**	**Total**
All migrants	6026	1814	7840	76.86	23.14	100
From rural	4900	1388	6288	77.93	22.07	100
From urban	326	233	559	58.32	41.68	100
From outside	799	193	992	80.54	19.46	100
	%					
All migrants	100	100	100			
From rural	81.3	76.5	80.2			
From urban	5.4	12.8	7.1			
From outside	13.3	10.6	12.7			

Source: LFS 2008

2.4 Main findings

For its size, Nepal has a large population that has been growing at a high pace. It is a young country as about 40 per cent of the population is under the age of 15 years. In the coming years, as these young people enter the workforce, new opportunities and challenges will arise for the country.

The Nepalese population is highly mobile, with one-third of residents having migrated from somewhere else, and over a million people having left the country. Most of those who have left the country are men, while most of the foreigners who have entered the country are women – for marriage.

The large diaspora of Nepalese abroad supports the country by remitting as much as 20 per cent of the Nepalese GDP back home. This figure is the highest in the South Asian region and the fifth highest in the world.

3. Labour Force Characteristics

3.1 Working age population

The working age population[17] in 2008 consisted of 14.43 million (**Table 3.1**), which was 61.4 per cent of its total population. The fact that a large proportion of the population is of working age implies that the age-based dependency ratio was quite favourable. This figure was 0.63 in 2008 for Nepal.

This segment of the population increased by 28 per cent over a period of 10 years, from 11.23 million in 1998-99. In 2008, nearly half of them (46 per cent) were in the ages of 25-49 years, while another 30.7 per cent were aged between 15-24 years. The remaining quarter of them were over 50 years old.

Women had a higher share in the working age population than men (56 per cent) vis-à-vis their share in the population as a total (52 per cent), confirming outbound migration in Nepal. Moreover, the urban areas had a slightly larger proportion of working age population (17 per cent) as compared to the population in general (15 per cent), which tells us that those of working age are more likely to migrate to cities than others.

Table 3.1: Working age population 2008, by gender and location

	15-24	25-49	50-64	65+	15+
Working age population (million)	4.43	6.63	2.24	1.13	14.43
Males	1.88	2.85	1.15	0.58	6.45
Females	2.55	3.78	1.09	0.55	7.97
Of working age population:	100%	100%	100%	100%	100%
Males	42%	43%	51%	51%	44%
Females	58%	57%	49%	49%	56%
Working age population (million)	4.43	6.63	2.24	1.13	14.43
Urban	0.82	1.19	0.32	0.15	2.47
Rural	3.61	5.44	1.92	0.98	11.96
Of working age population:	100%	100%	100%	100%	100%
Urban	18%	18%	14%	13%	17%
Rural	82%	82%	86%	87%	83%

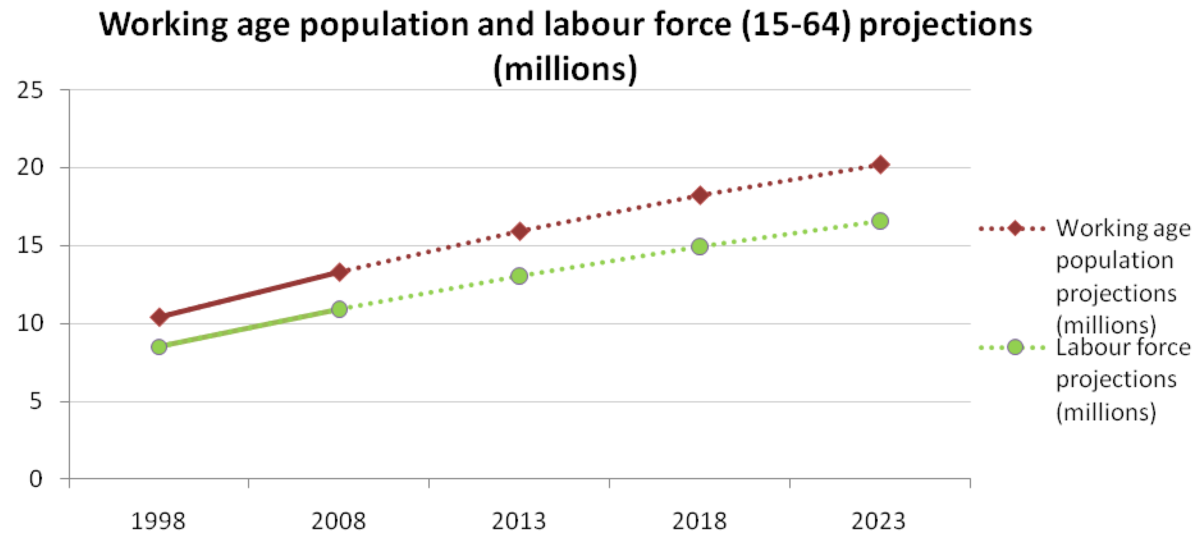
Source: LFS 2008

As Nepal is a relatively young country, as shown in **Figure 1** (and **Table 3.2**); about 40 per cent of its population is under 15 now and will enter the working age in the near future. **Figure 4** projects the growth in the working-age population in the coming 15 years.[18] While having such a large productive base implies 'demographic dividends' in

[17] Those above 15 years of age.

[18] The projection has been made by adding to the present working-age population those who will be 15 by the year, and subtracting those that wil be over 6, for each year. The data is population data

terms of cheap and available labour; it also means a responsibility to provide many more productive jobs each year.



Source: LFS 1998-99, 2008

Figure 4[19,20]

Table 3.2: Working age population and labour force (15-64) projection (millions)

	Working age population	**Labour force**
1998	10.42	8.51
2008	13.30	10.92
2013	*15.91*	*13.06*
2018	*18.21*	*14.95*
2023	*20.06*	*16.47*

Entrants in the labour force:

	Total period	**Per year**
2008-18	4.03	0.403439
2018-23	1.62	0.323146
2008-23	5.55	0.37

Source: LFS 1998-99, 2008

disaggregated by age from the LFS 2008. Infant mortality rates have been taken into account. See **A.2., Table 15**.

[19] These projections have been made taking into account infant mortality rates but disregarding possible deaths among those in the ages above 5 years. However, as the death rate is likely to increase as one gets to old age, in order to have a more accurate projection, working age population has here been considered as 15-64 rather than 15+.

[20] Labour force participation rates have been assumed to be the same for 2013-2023 as in 2008.

3.2 Labour force participation

Of the working age population of 14.4 million in 2008, 11.85 million were actively engaged in the labour force (**Table 3.3**). That is, they were either employed or actively seeking work. These active members amounted to 82.1 per cent of those in the working age. This proportion has not changed over the years. Among different age groups of the working age, people between the ages of 25 and 59 were most active **(Figure 5**). Those between 15-19 years were more inactive than others; followed by those in the ages of 20 and 24 and those above 65 years. One figure worth noting is that activity rates among those in the ages of 10-14 years were quite high, indicating the presence of child labour (**A.2., Table 13**).

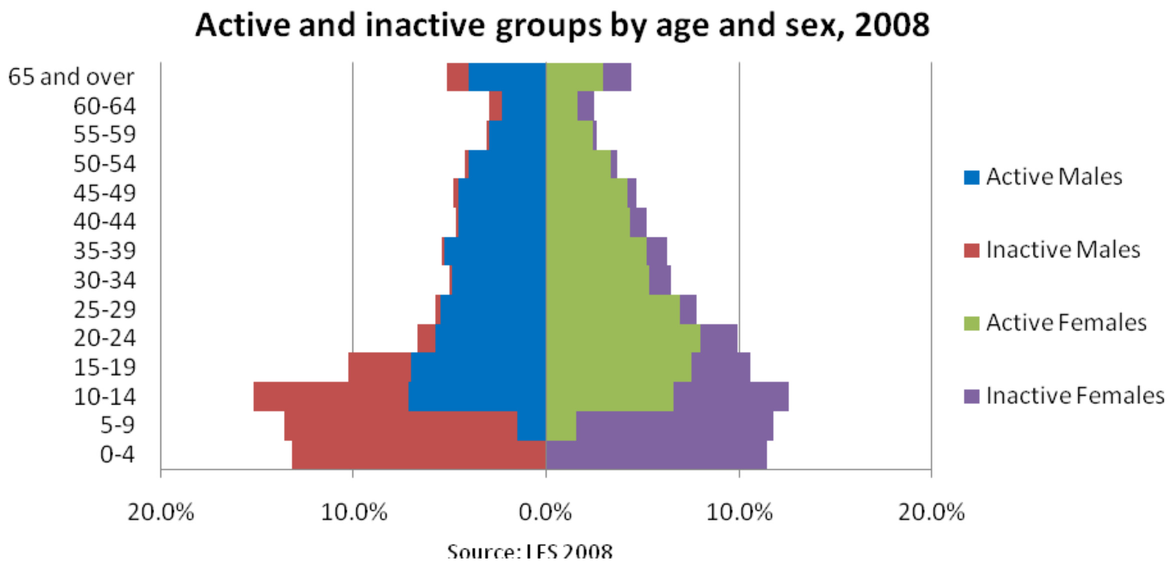


Figure 5

Table 3.3: Summary of the labour force (usual activity status)		
	1998-99	**2008**
(millions)		
Total population	19.10	23.54
Working age population (15+)	11.23	14.42
Labour force 15+	9.18	11.85
Employed	8.89	11.55
Unemployed	0.29	0.30
Inactive	2.06	2.58
%		
Dependency ratio, actual	114.9%	103.8%
Dependency ratio, age based	70.1%	63.2%
Activity rate	81.7%	82.1%
Employment rate	79.1%	80.1%
Unemployment rate	3.1%	2.5%

Source: LFS 1998-99, 2008

Gender differences are apparent when considering the issue. Women were more likely to be inactive than men (**Table 3.4**), especially women in the ages of 25 years onwards – the prime working years (**A.2., Table 16**). It is only until about 20 years that women had higher participation rates than men. This is indicative of gender inequality as when one finds unequal access for women to education when they are young, and employment when they are older.

Table 3.4: Labor Force characteristics by sex in Nepal - usual activity status

Men	1998/99	2008
Total population (million)	9.4	11.1
Working age population 15+	5.4	6.5
Labour force 15+	4.6	5.5
Employed	4.4	5.4
Unemployed	0.2	0.1
Inactive ('000)	0.8	0.9
Activity rate	85.4%	85.6%
Employment rate	82.2%	83.4%
Unemployment rate	3.7%	2.6%

Women	1998/99	2008
Total population (million)	9.7	12.4
Working age population 15+	5.9	8.0
Labour force 15+	4.6	6.3
Employed	4.5	6.2
Unemployed	0.1	0.2
Inactive ('000)	1.3	1.7
Activity rate	78.3%	79.3%
Employment rate	76.4%	77.4%
Unemployment rate	2.5%	2.4%

Source: LFS 1998-99, 2008

Gender inequality can again be noticed in the reasons provided for non-participation. Women were most likely to stay away from the labour market for 'household duties', while men were most likely to withhold for educational purposes (**Figure 6**).

Overall, of those inactive, 31.8 per cent were inactive because of studies, 27.8 per cent because of household duties and 30.4 per cent due to health or old age. Other reasons had a marginal impact on overall activity levels (**A.2., Table 17**). The youth – those between 15 and 29 years – and accounting for over half of the inactive working age population, were mainly absent from the workforce for studies. Sixty per cent of the inactive youth (mainly men) cited this reason, and were entirely responsible for studies being the largest cause for inactivity. Around 26.7 per cent of them also cited household duties as the reason, these were almost exclusively young women.

Old age and sickness was one of the main reason for absence from the workforce (about a third of all inactive persons). Ninety per cent of those above 60 were absent for this reason, which is understandable. It is however worrying that 44 per cent of those between the ages of 45 and 59 years also cited this as the reason for absence.

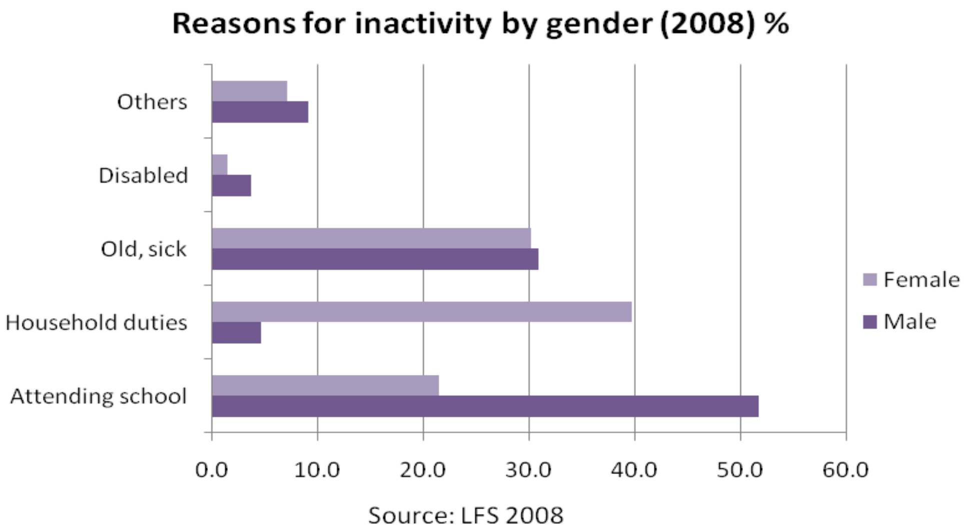


Figure 6

As concerning the impact of location on labour force participation rates, it is seen that rural areas had a much higher activity rate than urban areas (86.8 as compared to 67.3 per cent, **A.2., Table 18**). This is probably due to the fact that those in urban areas earn higher wages (so they can afford to be unemployed) and enjoy more opportunities for education and training, while those in rural areas are dependent on agriculture and their own manpower rather than education. While all age groups display this rural-urban divide, it is especially stark for the youth (15-24) and those above 60 years of age.

The future for Nepal shows a continuous and high increase of the labour force (**Figure 4**). Assuming the same labour participation rates as in 2008, by 2023 there will be 16.47 million people active in the ages of 15-64. This is over 50 per cent larger than the labour force in 2008. This implies a great deal for policy makers who must ensure for each year that the 377,000 new entrants on average to the labour force have opportunities for productive employment, as well as that these new entrants are prepared to take advantage of those jobs (**A.2., Table 19**). This challenge takes on more immediacy if one considers that the number of entrants in the coming few years are more concentrated in the beginning (400,000 p.a. from 2008-18 and 323,000 p.a. from 2018-23).

3.3 Main findings

The working age population of Nepal is a young one – three-fourth of them are under the age of 50 years. In the next 15 years, about 40 per cent of the population will enter the working age, expanding the productive base of the economy considerably.

To take advantage of the possible ‘demographic dividends’, opportunities must be created for these entrants. It is estimated that within the period of 2008-18, 400,000 new workers will join the labour force *each year*. This means a need of 400,000 new jobs per year.

Progress too needs to be made on the qualitative aspects of the Nepalese labour force. Data shows us gender inequalities in the decision to work. While most men were absent from the labour force for education, women stayed back due to household duties. Furthermore, 30 per cent of those who chose not to participate did so because they were either ill or too old. This is too large a figure considering that those above 65 years constituted only 8 per cent of the working age.

4. Unemployment and Employment

4.1 Unemployment

The unemployment rate in Nepal by usual activity status[21] was a mere 2.5 per cent in 2008. While there has been an improvement in the rate over the 1998-99 level when it was 3.1 per cent (**Table 3.3**), the actual number of unemployed have risen from 178,000 to 253,000.

Unemployment is more of an urban phenomenon. The urban unemployment rate was a high 7.5 per cent in 2008 by the relaxed definition for current unemployment (as compared to 1.2 per cent in rural areas, **Table 4.1**).[22] Moreover, there seem to be barriers to entering the labour force in urban areas, as the unemployment rate for youth in cities was even worse – 13.0 per cent for those in the ages of 15-24 and 11.8 per cent for those in the ages of 25-29. This barrier to entering the labour market is corroborated by the data that 47 per cent of the unemployed had never worked before (LFS 2008).

There was equality among genders on the whole, but women had a higher unemployment rate than men in the cities, and a lower rate in the villages.

Table 4.1: Current unemployment rates* by sex, age group and locality 1998-99 and 2008 (%)

1998-99									
Age Group	**Nepal**			**Urban**			**Rural**		
	Both sexes	**Men**	**Women**	**Both Sexes**	**Men**	**Women**	**Both Sexes**	**Men**	**Women**
15-19	2.4	3.3	1.5	9.8	9.2	10.4	1.7	2.7	0.7
20-24	3.6	4.7	2.8	13.9	13.2	14.8	2.2	3.3	1.4
25-29	2.6	2.6	2.5	9.6	5.7	14.5	1.6	2.1	1.1
30-44	1.6	1.5	1.7	5.8	4	8.2	1	1	0.9
45-59	0.7	0.8	0.5	3.3	3.3	3.2	0.4	0.4	0.3
60+	0.5	0.3	0.8	1.2	1.4	0.9	0.4	0.2	0.8
Total	**1.8**	**2**	**1.7**	**7.4**	**5.9**	**9.4**	**1.2**	**1.5**	**0.9**
2008									
Age Group	**Nepal**			**Urban**			**Rural**		
	Both sexes	**Men**	**Women**	**Both Sexes**	**Men**	**Women**	**Both Sexes**	**Men**	**Women**
15-19	2.9	3.4	2.4	11.3	10.8	11.9	2	2.4	1.6
20-24	4.2	5.3	3.4	14.2	13.7	14.6	2.3	3.2	1.7
25-29	3.8	4.1	3.6	11.8	9.3	14.7	2.3	2.7	1.9
30-44	1.7	1.8	1.7	5.5	4.5	6.7	1	1.1	0.9
45-59	0.6	0.7	0.5	2.5	2.6	2.4	0.3	0.4	0.3
60+	0.3	0.5	0.1	1.5	1.6	1.2	0.2	0.3	0
Total	**2.1**	**2.2**	**2**	**7.5**	**6.5**	**8.8**	**1.2**	**1.4**	**1.1**

*Relaxed definition
Source: LFS 1998-99 and 2008

21 Usual activity status takes into account the respondent's economic activities in the past 12 months, while current activity status takes into account only the past one week.

22 Under the relaxed definition, a person who has been unemployed (not even one hour of work in the past one week) needn't have been searching for work to qualify as unemployed.

Most of the unemployment (30.8 per cent) was long term – over two years (T**able 4.2**). Only 4.3 per cent of the unemployed had been so for under a month. Females were more likely to be unemployed for a longer time than males. Unemployment was also more persistent in urban areas than rural areas.

Table 4.2: Duration of unemployment* by sex and location, 2008 (%)

	Total			Urban			Rural		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**
Total unemployed	**100.0**	**50.2**	**49.8**	**100.0**	**48.0**	**52.0**	**100.0**	**52.3**	**47.7**
Less than 1 month	4.3	6.3	2.4	3.2	5.0	1.5	6.3	9.0	3.3
1 month < 3 months	17.0	17.3	16.7	8.8	10.0	7.7	24.2	23.9	26.2
3 months < 6 months	14.6	15.7	13.5	10.4	11.7	9.2	18.8	19.4	18.0
6 months < 1 year	17.8	15.7	19.8	20.8	21.7	20.0	14.8	10.4	18.0
1 year < 2 years	15.4	16.5	14.3	20.8	21.7	20.0	10.2	11.9	8.2
2 years or more	30.8	27.6	34.1	36.0	30.0	41.5	25.8	25.4	26.2

*Relaxed definition - one needn't be looking for work to be considered unemployed.
Source: LFS 2008

4.2 Employment

Eighty per cent of Nepalese of working-age were employed in 2008. Of the remaining 20 per cent, a large majority were inactive – mainly for education or family related reasons. This structure of the working-age population had remained more or less stable over the past ten years.

Majority of the employed were women (**Table 4.3**). Together they constituted 53.1 per cent of all employed. However, the employment rate – or the employment-to-population (15+) ratio – was lower for women than men (78.5 per cent versus 85.5 per cent). This is because women constituted 55.2 per cent of the population above 15 years, which is considerably higher than their average share of the population, which was 52.8 per cent (**Table 2.1**). This again indicates the presence of outbound migration among men, as discussed in previous sections.

Table 4.3: Currently employed, 15+ and employment rates by sex and location, 2008

	Number of employed 15+ (million)			Total population 15+ (million)			Employment rate (%)		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**
Nepal	11.78	5.52	6.26	14.43	6.45	7.97	81.7%	85.5%	78.5%
Urban	1.54	0.86	0.68	2.47	1.20	1.27	62.2%	71.5%	53.4%
Rural	10.24	4.66	5.58	11.96	5.26	6.70	85.7%	88.7%	83.3%

Source: LFS 2008

When considering the distribution of employment across ages (**Table 4.4**), one finds that in 2008, the workers were young as was characteristic of the Nepalese population as a whole. Those under 45 years of age constituted roughly 75 per cent of all workers. Within this group however, one finds employment rates were stronger for those aged over 25 years of age. This is mostly explained by inactivity among the 15-24 year olds due to education and other reasons, but it is also true that the unemployment rate for this age group was the highest – pointing to barriers to entering the labour market.

Table 4.4: Currently employed persons disaggregated by age and sex						
Age group	**Total employed ('000)**			**Total employed (%)**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
5-14	959	1'138	2'096	14.9	15.4	15.2
15-24	1'353	1'859	3'214	21.0	25.2	23.3
25-44	2'168	2'738	4'905	33.7	37.1	35.5
45-59	1'264	1'165	2'430	19.6	15.8	17.6
60+	689	471	1'160	10.7	6.4	8.4
Total 15+	**5'474**	**6'233**	**11'708**	**85.1**	**84.6**	**84.8**
Total (5+)	**6'433**	**7'371**	**13'804**	**100.0**	**100.0**	**100.0**
Child labour as % of total labour[23]				**14.9**	**15.4**	**15.2**
Age group	**Total population ('000)**			**Employment rates (%)**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
5-14	3'200	3'029	6'229	30.0	37.6	33.6
15-24	1'879	2'551	4'430	72.0	72.9	72.6
25-44	2'318	3'198	5'516	93.5	85.6	88.9
45-59	1'348	1'364	2'712	93.8	85.4	89.6
60+	907	860	1'767	76.0	54.8	65.6
Total 15+	**6'452**	**7'973**	**14'425**	**84.8**	**78.2**	**81.2**
Total (5+)	**9'652**	**11'002**	**20'654**	**66.6**	**67.0**	**66.8**

Source: LFS 2008[24]

Sectoral breakup of employment

The picture that emerges when one considers employment in Nepal is that it is overwhelmingly agricultural. Majority of the Nepalese populace lived in villages (87 per cent, **Figure 7**), and most of them derived their livelihood from the land (80.2 per cent, **Table 4.5**). Services was a compelling avenue for urban workers and 50 per cent of them were employed by it in 2008. Industry was still miniscule and was not a viable option for a vast majority. Overall, we see that agriculture employed an overwhelming three-quarter of all Nepalese workers in 2008, and had been 'womanized' with a large majority of female labour. Services supplied around 20 per cent of the jobs and industry only 6.8 per cent.

[23] More on child labour in a separate note.

[24] The figures are slightly different from **Table 4.3** as **Table 4.4** data is taken from the breakdown of current employment by age and activity. Discrepancies exist within the LFS.

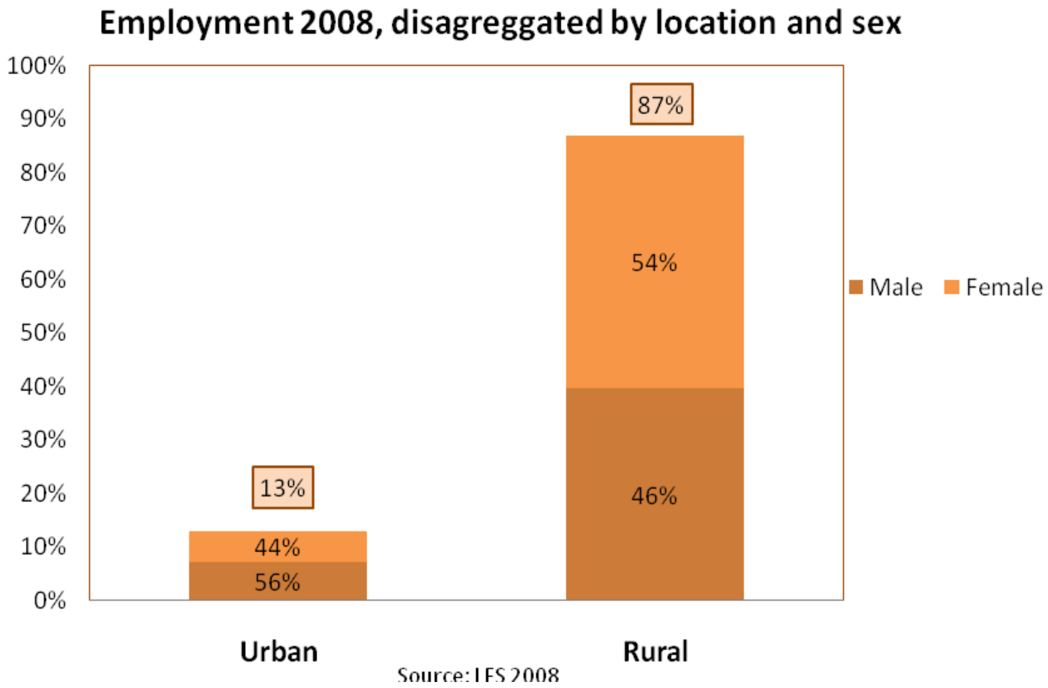


Figure 7

Table 4.5: Sectoral and gender based decomposition of employment, 2008 (%)

Industry	Total			Urban			Rural		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**
Share of males and female in current employment, disaggregated by sector									
Agriculture	100	39.4	60.6	100	34.4	65.6	100	39.7	60.3
Industry	100	61.0	39.1	100	62.2	38.2	100	60.5	39.5
Services	100	70.4	29.6	100	66.9	33.1	100	72.5	27.4
Total*	100	46.8	53.2	100	55.7	44.3	100	45.5	54.5
Share of industries in current employment, disaggregated by sex									
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	100.0	100.0	100	100.0	100.0	100	100	100

* Without extra-territorial organizations
Source: LFS 2008

Turning to the data, we see that agriculture employed an overwhelming three-quarter of all Nepalese workers in 2008 (**Table 4.6**). Services supplied around 20 per cent of the jobs, while industry only employed 6.8 per cent of workers.

Within the sectors, there were large discrepancies across genders and location. More women than men worked in agriculture, while industry and services employed more men than women (**Table 4.5**). These differences were maintained across cities and villages both.

Most rural employment was provided by agriculture (80.2 per cent). Services provided 14.1 per cent of rural jobs while industry was barely an option for rural Nepalese to search for work – only 5.7 per cent of rural employment was provided by it. In urban areas however, services contributed to a significant share of employment – 53.4 per cent. Agriculture provided 32.2 per cent while industry only 14.2 per cent.

Table 4.6: Sectoral composition of employment (%)

	1998-99	2008
Agriculture	78.0	73.9
Industry	5.9	6.8
Services	16.1	19.3
Total	100	100

Source: LFS 1998-99, 2008

Status of employment

Among the 11.8 million employed Nepalese, only about 2 million were paid employees while the rest 9.8 million - 83 per cent - were self-employed, mostly in the informal sector. Paid employment only contributed to 16.9% of total employment, and within paid employment, one observed large gender differences as three quarters of all paid employees were men (**Table 4.7**). There had, however, been some improvements in the employment of women over the levels in 1998-99.

Box 1: A note on child labour

The data in Table 4.4 shows a disturbingly high level of child labour – children under 15 years of age constituted as much as 15.2 per cent of all workers in 2008. When broken down by activities, one finds that most child labour (57.8 per cent) worked in agriculture. Children comprised as much as 20 per cent of total labourers in that sector (A.2.,Table 24). They were also often involved in activities such as fetching water and collecting firewood. These activities were performed as ‘work’ and not as contribution to the household.

One caveat that we must adopt, however, is that the time spent by children under 14 years of age at work was about half that of the adults – child labour spent 12.4 hours a week on the activities, while adults spent 25.6 hours. Certain works, such as fetching water and collecting firewood seemed less detrimental with only half an hour to one hour spent on them a day, but others such as wage jobs (especially in agriculture) were very demanding in terms of time. (Source: LFS 2008)

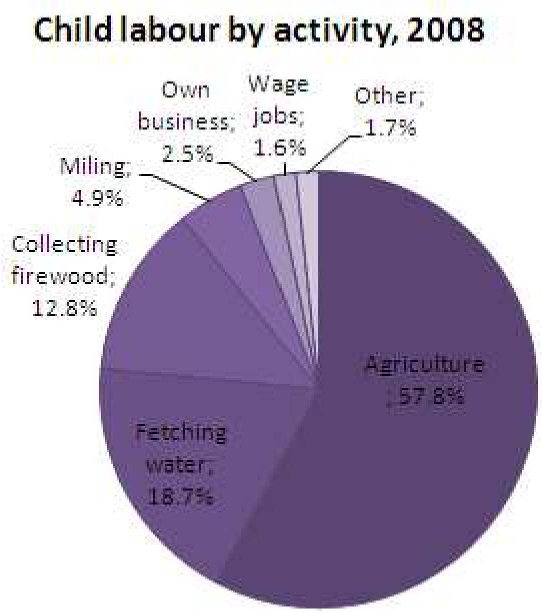


Table 4.7: Paid employment		
	1998/99	**2008**
Paid employees as % of total employed	16	16.9
Of which: Men	75,9	73.9
Women	24.1	26.2
Average monthly income of paid employees (Constant 1995-96 NRs*)	1643	2553
Of which: Men	1832	2854
Women	1049	1697

*Discounted by the urban CPI, see A.2., Table 25
Source:LFS 2008

Another source of gender inequality in paid employment was the wage gap between women and men. In 2008, women earned 60 per cent of men's wages. Again, however, there was a slight trend towards equality – in the past 10 years (1998-99 – 2008), men's wages had risen by 55.7 per cent, while women's had increased by 61.7 per cent.

Informal Employment

Most of the Nepalese economy is informal[25] – an overwhelming 96.2 per cent of all workers worked in the informal sector in 2008 (**Table 4.8**). This is not surprising considering the share of agriculture (and more specifically, small-scale agriculture) in the country, where 99.7 per cent of all workers are informally employed (LFS 2008). Over three-fourths of the informal workers were linked to the primary sector (**A.2., Table 24**). Informal employment was thus more of a rural phenomenon than an urban one. There were more women than men in informal activities and women had a lower chance of finding formal employment than men. Youth and those above 60 years of age were also more likely to be informally engaged in their professions (**A.2., Table 27**).

Table 4.8: Currently employed working population by sex 2008, 15+ ('000)

	Informal sector	Whole economy	Share of informal sector
Total	11'332	11'779	96.2%
Men	5'163	5'519	93.5%
Women	6'169	6'259	98.6%

Source: LFS 1998-99, 2008

Considering the non-agricultural sector, we find that the informal sector employed about 70 per cent of all workers (**Table 4.9**). Over 70 per cent of this was in the sector of services, and the remaining in industry (**A.2., Table 26**). Despite this - owing to the large share of services in the economy - informal employment accounted for 84 per cent of all

[25] The LFS 1998-99 and 2008 do not take registration as a criterion of informality but nature of employment and number of employees (under 10). Only non-agricultural sector is considered in the case of informal employment. It includes all own account workers, "micro-enterprises owned by informal employers who hire one or more employees on a continuing basis", family workers and all kind of jobs not having paid annual leave and/or social security.

employment in the sector, while it contributed to 93.5 per cent of employment in industry. These informal workers were possibly employed in small scale manufacturing and cottage industries.

Table 4.9 Currently employed disagreggated by sector and formality

2008	Total	Male	Female	Total	Male	Female	Total	Male	Female
	('000)			(%)			(%)		
Total	11779	5519	6259	100	100	100	100	47	53
Agriculture	8705	3429	5275	73.9	62.1	84.3	100	39.4	60.6
Non agriculture	3074	2090	984	26.1	37.9	15.7	100	68.0	32.0
Of which:									
Formal	932	711	221	30.3	34.0	22.5	100	76.3	23.7
Informal	2142	1379	763	69.7	66.0	77.5	100	64.4	35.6
Of which:									
Without paid employees	1750	1044	706	81.7	75.7	92.5	100	59.7	40.3
With 1-9 paid employees	392	335	57	18.3	24.3	7.5	100	85.5	14.5
1998-99	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**
	('000)			(%)			(%)		
Total	9463	4736	4727	100	100	100	100	50.0	50.0
Agriculture	7203	3176	4027	76.1	67.1	85.2	100	44.1	55.9
Non agriculture	2260	1561	699	23.9	33.0	14.8	100	69.1	30.9
Of which:									
Formal	603	509	94	26.7	32.6	13.4	100	84.4	15.6
Informal	1657	1052	605	73.3	67.4	86.6	100	63.5	36.5
Of which:									
Without paid employees	1510	923	587	91.1	87.7	97.0	100	61.1	38.9
With 1-9 paid employees	147	129	18	8.9	12.3	3.0	100	87.8	12.2

Source: LFS 1998-99, 2008

Among those informally employed, 81.7 per cent were self-employed or ‘paid employees with informal job conditions’, i.e. no paid leaves or social security contributions by the employer. The remaining 18.3 per cent employed up to nine persons regularly but on similar informal conditions. Roughly 40 per cent of non-agricultural informal labour worked without formal conditions such as paid leave and social security. Another 36.5 per cent were self-employed and 19.8 worked for family. The rest (4 per cent) were employers in the informal sector e.g. private unregistered companies (LFS 2008).

For women, the informal sector was an even more important employer. The chances of finding informal employment as compared to formal employment were higher for women than men.

Though the informal sector has had such a large role in the Nepalese economy, it is heartening to know that the formal sector grew faster than the informal sector over the period 1998-99 to 2008 (**Table 4.10**) in terms of employment. The formal non-agricultural sector grew at 4.45 per cent per year while the informal sector grew at a slower 2.6 per cent. The relatively slower growth of agricultural employment also meant that the share of the formal sector grew from 6 to 8 per cent in overall employment. Even among the informal sector, the small entrepreneurs grew at the fastest rate of over 10 per cent per year over that period. Employment for women in the formal sector grew faster than that for men, as did entrepreneurship among women.

Table 4.10: Rate of growth of types of employment between 1998-99 and 2008 (%) p.a.)			
	Total	**Male**	**Female**
Total	2.21	1.54	2.85
Agriculture	1.91	0.77	2.74
Non agriculture	3.12	2.96	3.48
Of which:			
Formal	4.45	3.40	8.92
Informal	2.60	2.74	2.35
Of which:			
Without regular paid employees	1.49	1.24	1.86
With 1-9 regular paid employees	10.31	10.01	12.22

Source: LFS 1998-99, 2008

4.3 Main findings

Unemployment is rare in Nepal, and it is mostly an urban phenomenon. However, there do exist barriers to entering the labour market for the youth as almost half of those unemployed had never worked before.

There are more women workers in the country than men, mainly due to the emigration of men from the country. Agriculture, which is the main employer in the country, employs double the number of women as men. However, in urban areas where about 70 per cent of employment is in the non-agricultural sector, there are more male workers than female workers.

The informal economy in Nepal is massive. Since agricultural employment is entirely informal, more women work in the informal sector than men. Almost 99 per cent of women workers are vulnerable to the irregularities of the informal sector. However, there is a positive trend as the share of the formal sector has grown over 1998-2008 and formal employment for women has grown faster than that for men.

Only 2 million of the 11.8 million workers in Nepal are paid employees. Men dominate this privileged category of employment with three-fourths of all jobs. Men also earn higher wages – about 1.7 times what women do.

5. Working poverty and underemployment

5.1 Working Poverty

A third of all Nepalese lived in poverty in 2003-04. Despite poor economic growth however, there had been a marked fall in this figure from 41.8 per cent in 1995-96 to 30.8 per cent in 2003-04 (**Table 5.1**). This reduction was possibly aided by large increase in remittances over the same period and an increase in wages (See **§ 5.3**). However, the national poverty line of NRs 7696 an annum is a mere fraction of the international poverty line which is set at US$ 1.25 per day or about NRs 12,900 per year.[26] According to the international poverty line, the 2005 Headcount Poverty Rate of 53 per cent is higher than in India (41.6 per cent) and Bangladesh (49.6 per cent)[27].

Table 5.1. Headcount Poverty Rates by location

	Headcount Poverty Rates			Distribution of the Poor		
	1995/96	**2003/04**	**Change in %**	**1995/96**	**2003/04**	**Change in %**
Urban	21.6	9.6	-12	3.6	4.7	1.1
Rural	43.3	34.6	-8.7	96.4	95.3	-1.1
Total	41.8	30.8	-11	100	100	..

Source: Poverty trends in Nepal 1995-96 – 2003-04

Box 2: A note on inequality

Along with poverty, inequality is also prevalent in Nepal and has in fact increased over the last decade. The income related Gini coefficient rose from 0.38 (1995-96) to 0.47 (2003-04).

The population in urban areas has been relatively better off than those in rural areas. Regional income inequalities also exist within rural areas. For instance, the poverty increase in Rural Eastern Hill compensated the reduction in Rural Western Terai (Poverty Trends in Nepal 1995-96 – 2003-04). Gender inequality exists as women are disadvantaged in terms of education, employment, mobility and access to financial resources. The illiteracy rate of females is 20 percentage points higher than that of males. The number of women who have never attended school is twice as high as that of men. Discrimination among ethnic groups is also a major problem within the society. Furthermore, Nepal's Human Development Index is with 0.53 the lowest in South Asia, ranking 138th out of 169 surveyed countries, the lowest in South Asia except for Afghanistan (HDR 2010).

Between 1995-96 and 2003-04, real per-capita expenditures increased by 43 per cent but with high disparities across regions. Though poverty declined, this resulted in a negative elasticity of poverty reduction of 0.6, whereas 1 per cent growth in per capita expenditure results in 0.6 per cent poverty decline.

Poverty in Nepal is homogenously distributed along all age groups[28] so that 30.8 per cent poverty implies that more-or-less 30.8 per cent of those of working age are poor. Since in developing countries it is usually the poor who are forced to work rather than be absent from the labour force, we can assume that an even greater proportion of the labour force is poor. Moreover, since unemployment is negligible in the country; one can say that most of the poverty comes from *working poverty*. People who work are not able to earn sufficiently to ensure a good life for themselves and their dependents.

Most of the working poverty is concentrated in

[26] Converted with the 2009 conversion rate between a PPP international dollar and NRs

[27] WDI 2010

[28] Employment-led Growth in Nepal 2010

agriculture, as demonstrated in **Table 5.1** (Also, **A.2., Table 28**) where one can see that rural areas are poorer than urban areas on average, and that this divide is widening.

5.2 Underemployment

Working poverty is deeply related to the concept of underemployment as 15 per cent of the labour force is either not working enough or not earning enough (**Table 5.2**). Underemployment[29] implies a lack of productive employment. Productive employment ensures that a person is able to attain his or her productive potential and that he or she can make a decent living. Increasing productive employment is, thus, one way of tackling working poverty. The other part of the solution lies in legislations – laws enforcing maximum hours, minimum wages and social security among other standards are a way to ensure that work is distributed fairly and one earns what one deserves.

Table 5.2: Labour underutilization rate as % of labour force (2008)[30]

Labour underutilization rate as % of labour force	30.0
Men	38.2
Women	22.8
Urban	49.9
Rural	26.9
By type	
Unemployed	2.1
Urban	7.5
Rural	1.2
Time-related underemployment	6.7
Urban	6.3
Rural	6.7
Inadequate earnings	8.1
Urban	10.1
Rural	7.8
Skill Mismatches	13.2
Urban	26.0
Rural	11.1

Source: LFS 2008

Table 5.2 accounts for the various sources of underemployment in the economy. Thirty per cent of Nepalese who were employed in 2008 were underemployed. The problem was much more severe in urban areas than rural areas (nearly half of the urban workforce was underutilized), and among men rather than women.

The main contributors to underemployment were skills mismatches (13.2 per cent of all employed) and inadequate earnings (8.10 per cent). Since earnings of the self-employed were not counted, this figure would tend to be a gross underestimation. About 6.7 per cent of the workforce did not work as many hours as they would have liked to. This group on average worked for 23 hours a week, as against the norm of 40 hours. Furthermore, this figure had increased from 4.1 per cent a decade before (LFS 1998-99). Ninety per cent of time related underemployed were family workers without pay and other self employed (**A.2., Table 29**), mostly employed in subsistence agriculture. Though labour underutilization affected all age groups, it was more severe for those under 45 years of age and most severe for those in the ages of 20-24 years (46 per cent of all labour force in that age group).

Employment-led Growth in Nepal 2010 describes the deficit of productive employment in the country and projects how many productive jobs must be created in order to attain the millennium development goal of halving poverty by 2015. It is estimated that over 3 million new productive jobs would be needed between the current period of 2009

[29] Underemployment is work that is either insufficient in terms of hours worked (visible underemployment) or in wages; or work where there is a skills mismatch. Along with unemployment, they both count as underutilization of labour.

[30] For the definition of labour underutilization see the above footnote.

and 2015 to absorb new entrants as well as to convert previously unproductive jobs to productive jobs, in order to attain the target.

5.3 Wages and income

Considering that insufficient earnings is one of the biggest factors in underemployment, it is worth a look. Real agricultural wages, which tend to be highly correlated with poverty levels,[31] rose over the period 1995-96 to 2003-04 by between 10-46 per cent depending upon the region. This implied a per annum growth rate of between 1.2 and 4.8 per cent which was much higher than the growth in productivity in the sector. Reasons for this could be growing demand due to a rise in remittances, increasing urbanization and inflation (**§ 7.2**). The World Economic Forum 2009 also reported that payments in Nepal are marginally related to worker productivity.[32] In all, income based poverty fell by over 12 percentage points, with urban areas leading the way.[33] Despite this reduction in poverty, inequality increased.

5.4 Main findings

Poverty in Nepal has been on the decline aided by remittance growth and increasing wages. However, at least one-third of Nepalese still live under the poverty line. The main cause of poverty in the country is *working poverty*. Most Nepalese of the working age are employed but they are still unable to earn enough to lift themselves out of poverty. The problem is especially acute in rural areas where most people are involved in subsistence agriculture.

The issue of working poverty is deeply related to the issue of underemployment as people either do not find work for as many hours as they would like to, or are not paid sufficiently. About 15 per cent of the labour force falls into either of these categories. Overall, 30 per cent of the labour force is underutilized in some way or the other. In order to halve poverty by 2015 as determined by the Million Development Goals, it is estimated that 3 million new productive jobs are needed during the ongoing period of 2009 and 2015.

[31] Poverty Trends in Nepal 1995-96 – 2003-04

[32] Pay and productivity Index : 2.9 (where (1 = not related to worker productivity; 7 = strongly related to worker productivity); Rank 125 out of 133

[33] Poverty Trends in Nepal 1995-96 – 2003-04

6. Development of the human resource base

6.1 Education and Skills

Literacy

The human resource base in Nepal is inadequately developed and underutilized. In 1998-99, only half the Nepalese population aged 5 and over were educated (**Table 6.1**). Moreover, there was a wide skew in literacy rates between the sexes – 64.5 per cent for men and 35.8 per cent for women. Over the following years, literacy attainment rates rose and by 2008, 63.2 per cent of the population was educated. This can partially be attributed to the increasing public expenditures on education – amounting to 3.93 per cent of GDP in 2009-10.[34] Though the gender differences remained, they did narrow down slightly. The growth rate for literacy rate among women during this period was 4.02 per cent per year, while it was 1.48 per cent for men (**A.2., Table 32**).

Most of the gains in literacy were in the youth between the ages of 5 and 15 and so in 2008, the literacy rate among those in the working age population (15+) was a lower 55.6 per cent.

Table 6.1: Literacy rates by age and sex

	Literacy rates	
	1998/99	**2008**
5 +	49.8	63.2
5 +, Men	64.5	74.7
5 +, Women	35.8	53.1
15 +	44.5	55.6
15 +, Men	62.3	70.7
15 +, Women	28.2	43.3

Source: LFS 1998-99 and 2008

The urban literacy rate was higher than the rural literacy rate (**Table 6.2**). The urban-rural divide was largest for women and for those in the working age population vis-à-vis the general population. This indicates migration of literate workers from rural to urban regions.

Table 6.2: Literacy rates by sex and location (%)

		Nepal	**Urban (1)**	**Rural (2)**	**Difference Urban-Rural (1-2)**
5+	Male	74.7	88.5	71.9	16.6
	Female	53.1	72.2	49.8	22.4
	Total	63.2	80.6	60.0	20.6
15+	Male	70.7	88.1	66.7	21.4
	Female	43.3	67.0	38.8	28.2
	Total	55.6	77.2	51.1	26.1

Source: LFS 2008

[34] Calculated by figures for spending from the Fiscal Budget 2009-10 and from GDP estimates in National Accounts 2010.

Enrolment levels

As recounted in LSS 2003-04, great progress was made over the eight years from 1995-96 to 2003-04 in the improvement of the net primary enrolment rate from 57 per cent to 72 per cent.[35] More commendable was the 21 percentage point improvement of female primary enrolment from 46 to 67 per cent. However, the primary enrolment rates in Nepal were still found to be lagging behind at those of neighbours such as India (89.8 per cent in 2004), Bhutan (73.6 per cent in 2005) and Bangladesh (87.2 per cent in 2005, WDI 2010). Primary enrolment was different across rural and urban areas, and gender differences were visible in the rural regions (**Table 6.3**).

Table 6.3: Net Enrolment Rates by sex and location (%)

	Primary			Secondary			Tertiary		
	Boys	**Girls**	**Total**	**Boys**	**Girls**	**Total**	**Boys**	**Girls**	**Total**
Urban	84	82	83	38	29	34	14	9	11
Rural	77	65	71	13	11	12	1	0	1
Nepal	**78**	**67**	**72**	**17**	**13**	**15**	**4**	**2**	**3**

Source: LSS 2003-04

Net enrolment in secondary education was an alarmingly low 15 per cent and by this age one witnessed gender differences also in urban areas. Only 3 per cent of all students enrolled into university.

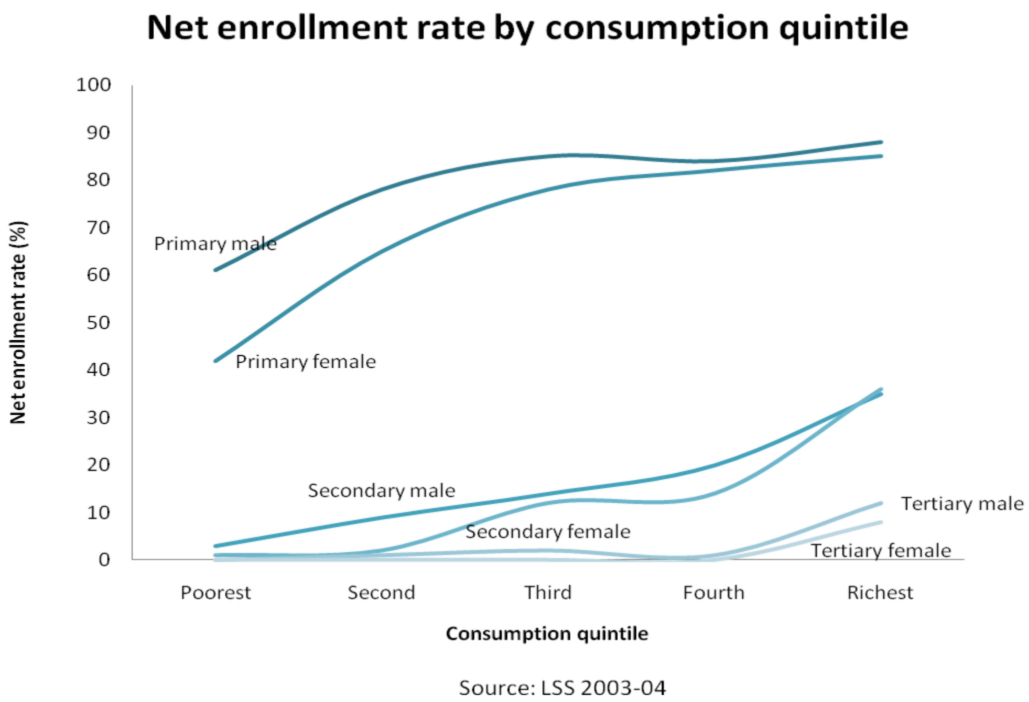


Figure 8

[35] Net primary enrolment rate in primary education is the number of children of official primary school age who are enrolled in primary education as a percentage of the total children of the official school age population (same age group). Total net primary enrolment rate also includes children of primary school age enrolled in secondary education.

LSS 2003-4 data also give us an interesting comparison among enrolment rates across different consumption quintiles (**Figure 8**). We find that across all levels of schooling, enrolment rises quite sharply with a rise in consumption of the family; or in other words, with the income of the family. This is especially true of the poorer families. Gender differences too narrow as incomes rise.

Educational attainment

Only about half (53.3 per cent) of the working age population in 2008 had attended school (**Table 6.4**). Looking at education attainment among those who have received some education (**Table 6.5**); one finds that about one-fifth of them dropped out before even reaching the primary education level. Forty two per cent attained the primary education level while 32.6 per cent attained a secondary education. Only 3.7 per cent went on to attain a university degree.

Table 6.4: Level of education among working age population by sex and location, 2008 (%)

Completed education level	**Total**			**Urban**			**Rural**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Total	100	100	100	100	100	100	100	100	100
Never attended	32.4	58.2	46.7	14.4	35.0	25.0	36.5	62.6	51.1
Less than primary	13.2	8.8	10.7	8.4	7.7	8.0	14.2	9.0	11.3
Primary	16.7	10.9	13.5	13.3	11.3	12.3	17.5	10.8	13.8
Lower secondary	11.2	7.0	8.9	12.1	9.1	10.6	11.0	6.6	8.5
Secondary	17.0	10.4	13.4	26.5	22.1	24.2	14.9	8.2	11.1
Higher secondary	5.4	2.9	4.0	13.2	9.4	11.3	3.6	1.7	2.6
Degree level	3.3	0.9	2.0	11.1	4.2	7.6	1.6	0.3	0.8
Others	0.7	0.8	0.7	0.9	0.9	0.9	0.6	0.7	0.7
Not stated	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Source: LFS 2008

Table 6.5: Distribution of educational attainment among those who attended school, by sex and location, 2008 (%)

Education attainment	**Total**			**Urban**			**Rural**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Attended school	100	100	**100**	100	100	**100**	100	100	**100**
Less than primary	19.5	21.1	**20.2**	9.8	11.9	**10.7**	22.4	24.1	**23.1**
Primary	41.2	42.8	**41.9**	29.7	31.4	**30.5**	44.8	46.6	**45.6**
Secondary	33.2	32.0	**32.6**	46.4	48.5	**47.4**	29.1	26.5	**28.0**
Tertiary	4.9	2.1	**3.7**	13.0	6.5	**10.1**	2.5	0.7	**1.7**
Others + not stated	1.2	2.0	**1.6**	1.2	1.6	**1.4**	1.2	2.2	**1.6**

Source: LFS 2008

Considering gender differences, females were almost twice more likely than males to never attend school. However, interestingly, if they did enter school, they were as probable as their male classmates to go on to attain a primary or secondary education. That is, the distribution of educational attainment as described above was similar across both genders. The differences again cropped up at the tertiary level, where males were more than twice as likely as females to complete university.

Looking at the rural-urban divide, it was twice as likely that a child in rural Nepal would never attend school than a child in urban Nepal. If that child did enter school, he or she was more than twice as likely to drop out before getting a primary education than his or her contemporary in a city. There was almost a 50 per cent chance that he or she would drop out after getting a primary education and only 30 per cent chance that he/she would complete school. His or her contemporary in the city was about 6 times as likely than him/her to go on to get a university degree.

Education and Employment linkages

Among the working age population, 47 per cent have never attended any school or education programs. Merely 13.5 per cent has completed primary school and the share of people with a degree level was a fraction at 2 per cent. Again, there are huge differences between men and women, and urban and rural regions (**A.2., Table 29**).

Skills and Training

Over a million (1030 thousand) Nepalese over 14 years of age or 8.7 per cent of the labour force had received vocational or professional training by 2008 (**A.2., Table 34**). This figure stood at 403 thousand in 1998-99, so there had been a large expanse in the spread of vocational facilities (LFS 1998-99). Training for mathematics and computer skills grew almost ten-fold. About 47.4 per cent of the beneficiaries of training were women. Most of the training was short term and about half of the trained persons had undergone training for between 1-6 months.

6.2 Health

Though Nepal performed better than South Asia as a whole on health related indicators (**Table 6.6**), there was still much scope for improvement.

Infant mortality rates fell quite drastically from 64 per 1000 in 2001 but remained quite high at 48 per 1000 in 2006. A fifth of Nepalese babies were born underweight and about half of all children under five years of age were malnourished. An average Nepalese was expected to live up to 64 years of age (Nepal in Figures 2008). However, HIV prevalence rates were still low at 2.5 per 1000 persons in 2007 (Key Indicators for Asia and the Pacific 2010).

Table 6.6: Comparison of health indicators for Nepal with other countries*

	Nepal	India	Bangla-desh	Bhutan	South Asia	World
Health expenditure per capita, PPP (2005 int'l $)	55.4	109.2	42.2	187.7	97.8	870.8
Health expenditure, private (% of GDP)	3.1	3.0	2.2	0.8	2.9	3.9
Health expenditure, public (% of GDP)	2.0	1.1	1.1	3.3	1.1	5.7
Improved sanitation facilities (% of pop. with access)	31.0	31.0	53.0	65.0	35.7	60.6
Rural	27.0	21.0	52.0	54.0	26.6	45.1
Urban	51.0	54.0	56.0	87.0	56.9	76.5
Improved water source (% of pop. with access)	88.0	88.0	80.0	92.0	86.7	86.8
Rural	87.0	84.0	78.0	88.0	82.9	77.9
Urban	93.0	96.0	85.0	99.0	94.5	95.8
Low-birth weight babies (% of births)	21.2	27.6	21.6	..	27.3	15.3
Malnutrition prevalence, height for age (% of < 5)	49.3	47.9	43.2	..	46.7	34.6
Malnutrition prevalence, weight for age (% of < 5)	38.8	43.5	41.3	..	41.0	22.4
Prevalence of undernourishment (% of pop.)	16.0	21.0	27.0	..	22.1	13.9
Prevalence of wasting (% of < 5)	12.7	20.0	17.5	..	18.4	10.3

*Data is for latest available year since 2005
Source: WDI 2010

Health expenditure – both public and private was low (**Table 6.6**). There was one hospital bed for every 3,800 Nepalese in 2006-07 and one government employed doctor for every 19,380 people (Nepal in Figures 2008).

6.3 Main findings

Though Nepal is one of the healthiest countries in South Asia with healthy children and low HIV prevalence, the human resource of Nepal is still underdeveloped and underutilized with regard to education. Little over half of the working age population is literate. Though progress has been made in this area over the past decade, the situation remains grim. Of the half of the working age population that attended school, only 42 per cent attained primary education and only 3.7 per cent a university degree.

Women and people living in rural areas are particularly disadvantaged in this respect. A girl is only half as likely as a boy to attend school. A child in the village is also only half as likely as a child in the city to attend school – and twice as likely to drop out within the first few years.

Vocational training has, however, been on the rise, especially in mathematics and computer skills. Since 1998-99 until 2008, 627 thousand Nepalese or 5.3 per cent of the 2008 labour force gained vocational training. Almost half of the trainees were women.

7. Macroeconomic Structure

While the human capital is underdeveloped (**§ 5**), when one considers the high underutilization of already present human resources it seems that the lack of opportunities for utilization of those resources is a critical constraint as well.[36] That is, it is the structural problems that have been hindering growth which are the main limitation. We turn to some of these in this section.[37] In the 1990s, Nepal followed the path of liberalization with important reforms such as deregulation of trade, industry and finance, privatization of enterprises, and a sharp reduction of import tariffs. Despite this, economic growth and structural transformation has remained slow.

7.1 Growth

GDP grew at an average of 3.9 per cent per annum since 2002 (**Figure 9**). This rate was considerably lower than that of other South Asian economies over the same period (**A.2., Table 36**). Given a large population growth rate, this implied that per capita income grew even more slowly, at 2 per cent an annum. ADB-ILO 2009 argued that at a constant growth rate Nepal would need an additional 36 years to double their per capita GDP and 31 years to arrive at Bangladesh's level. Longstanding structural problems are often cited as the cause for this lackluster growth – poor energy supply and infrastructure, a lacking business climate and political instability.

GDP growth has also been relatively volatile - in the pre-crisis year of 2007-08, one witnessed a peak GDP growth rate of 5.8 per cent. The crisis brought this growth rate down again, but it remains above the pre-crisis growth levels.

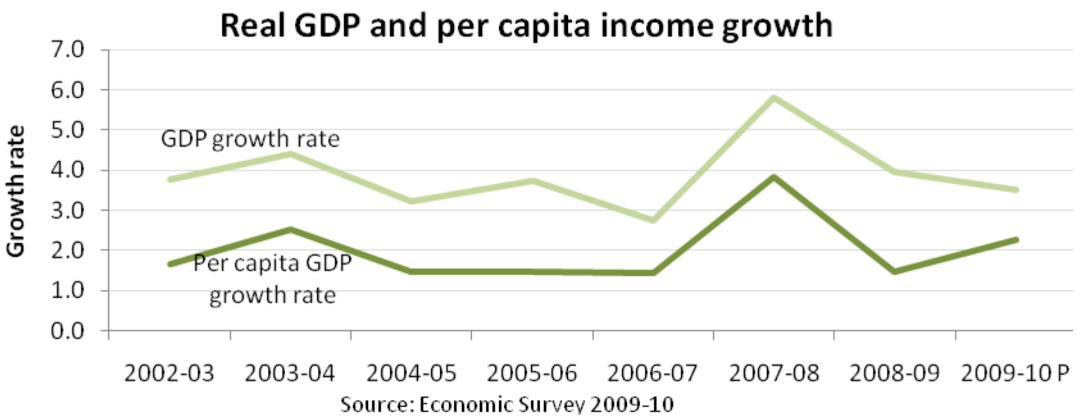
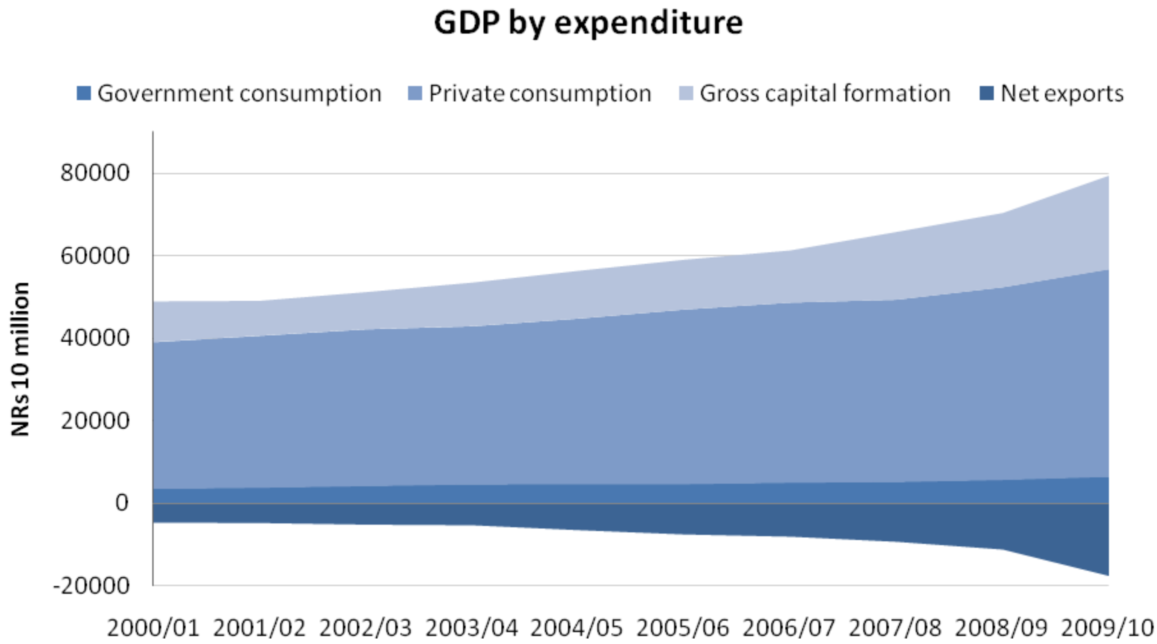
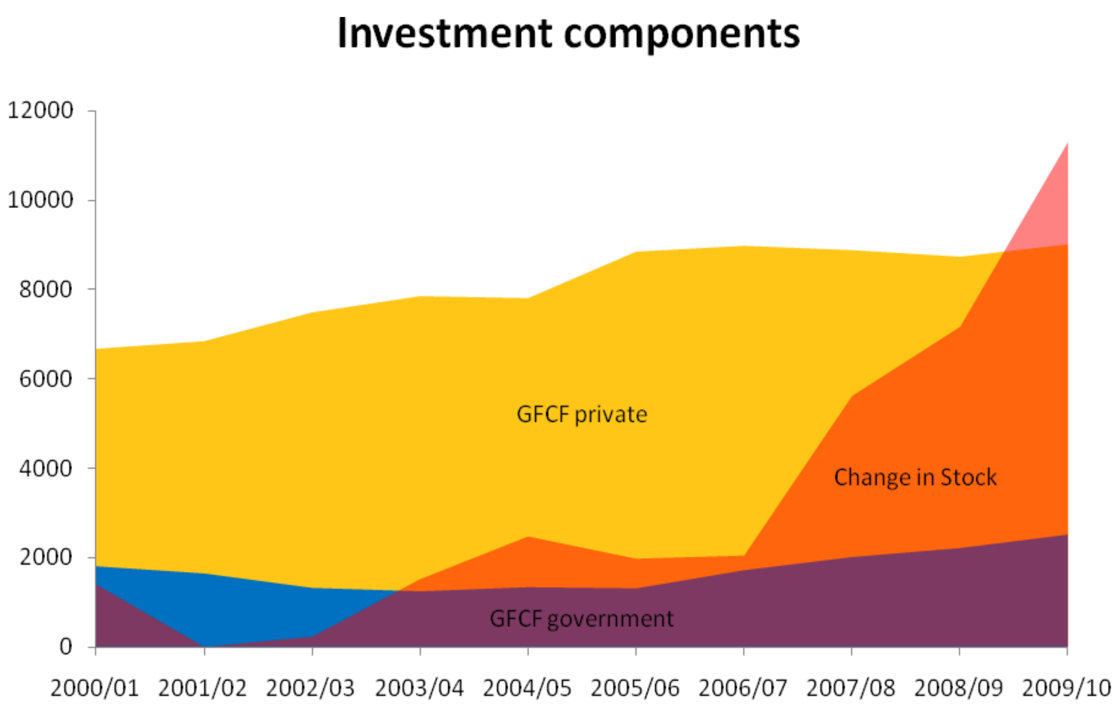


Figure 9

[36] Unemployment rate for higher-educated workers is quite high, indicating that the supply is larger than demand. Moreover, ADB-ILO 2009 finds that Nepal's enterprise structure does not depend on a highly educated workforce and that returns to education are not disproportionately high which would not have been the case had an educated workforce been a constraint to growth.

[37] For a detailed analysis on these constraints to growth and investment, see ADB-ILO 2009 and Nepal Country Profile 2009.





Source: Economic Survey 2009-10

Figure 10[38]

When one considers what has been driving growth, the emerging results are not very encouraging. Private consumption accounted for the largest share - 80 per cent - of GDP in

[38] GFCF stands for 'gross fixed capital formation'.

2009-10 but it grew the slowest at 3.5 per cent an annum over 2000-01 to 2009-10 (**Figure 10**). This slow growth in domestic demand has been despite the increasing injection of remittances (**Figure 2**) in the economy. Some of these remittances were absorbed by growth in imports (5.3 per cent), while others are possibly reflected in the residual term which has shown an exponential rise.

Gross capital formation had a high growth rate of 8.7 per cent an annum. However, this has mainly been due to growth in stocks (23.3 per cent) rather than fixed capital formation (3.1 per cent, **A.2., Table 37**). Both government and private fixed investment grew much slower than stocks. This implies that actual investment in terms of production capacity in the economy has been quite low, and low real investment has kept growth prospects low.[39]

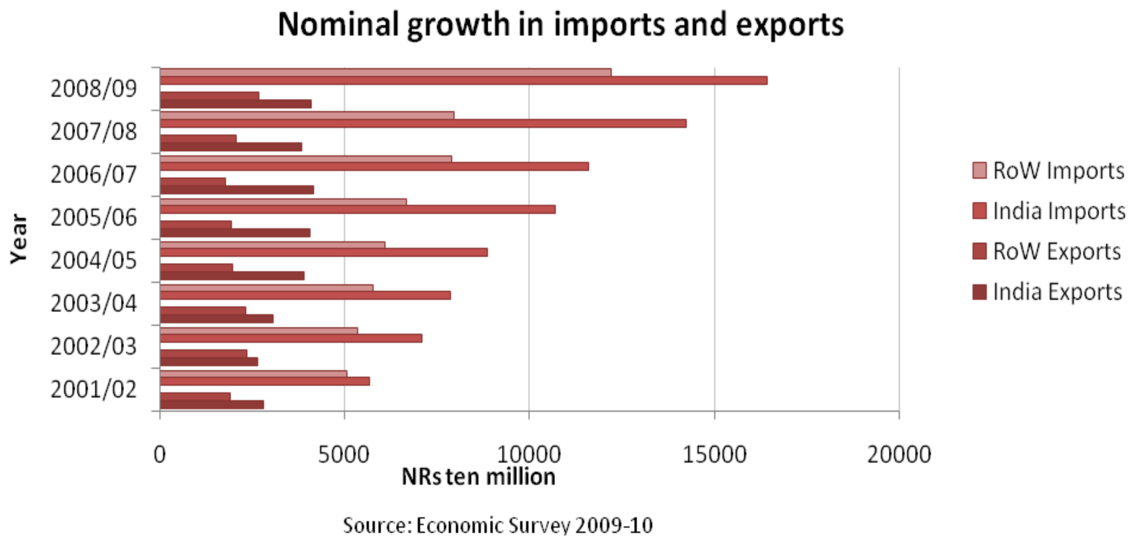


Figure 11[40]

Despite an increasing degree of integration in the world economy via several regional trade agreements such as the Nepal-India Trade Agreement of 2009[41] and membership to the WTO in 2004, export earnings fluctuated a lot over the past decade and actually fell overall (**Figure 11**). On the other hand, imports consistently rose so that the trade balance fell to -22.17 per cent of GDP in 2008-09 (Economic Survey 2009-10). Exports today account for only 12.38 per cent and imports as much as 34.55 per cent of GDP. It seems

[39] The exponential growth of stocks also indicates an error in estimation. If it were purely inventories of materials, then there would be fluctuations in the value as estimates of future sales might be more or less than actual sales. Consistent and large growth in the item is not credible. In fact, the stock component in Nepalese national accounts is used as a residual item to balance the expenditure and income side. One may infer that the noninvestment data and anomalies included under this item are accumulating each year. This further implies either an erroneous method of computing national accounts or the increasing presence of another expenditure item that does not fit into other main categories.

[40] RoW stands for ‘Rest of the world’.

[41] Aimed to stabilize trading provisions and to develop tariff free facilities to export primary goods. “India will exempt the additional tariff levied on Nepalese products” (Ministry of Commerce and Supplies, 2010) and both agreed to implement an Intergovernmental Committee.

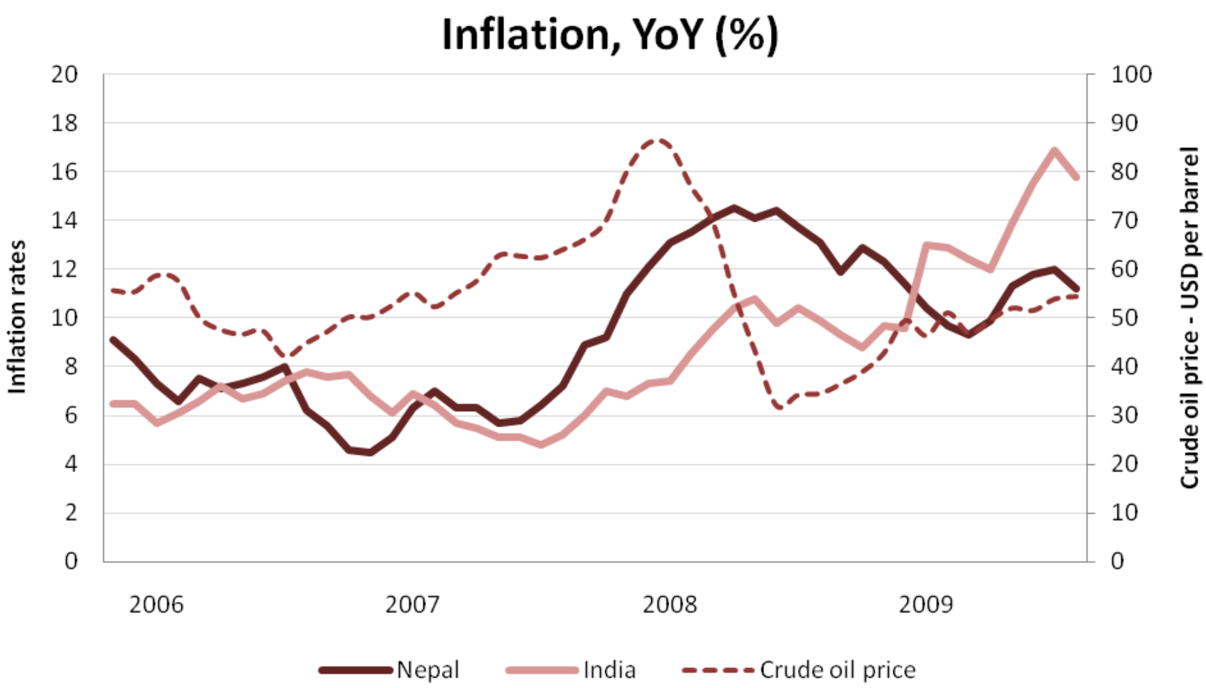
that the only export of Nepal that has really taken off during this time of increasing liberalization has been labour!

The recent crisis has brought about a further worsening in the export balance as lower international demand and an appreciating rupee have led to a further fall in export demand. Imports have increased during the crisis, on the other hand, as remittances have continued to rise.

7.2 Macroeconomic fundamentals

The Nepalese rupee is pegged to the Indian rupee (1.60 NRs = 1 INR) so that Nepal imports inflation into the country. Inflation was historically single-digit in Nepal due to this peg and a prudent fiscal policy, but with rising food and oil prices, inflation had been on the rise since early 2007 (**Figure 12**). Moreover, for a period of two years between 2007 and 2009, inflation in Nepal was higher than inflation in India (due to loose monetary policy), indicating a loss of competitiveness of exports vis-à-vis its main trade partner.

The Nepalese government has maintained fiscal moderation despite the political transition and the national debt had been reduced until about 2005. Since then, the deficit as percentage of GDP has risen, partly due to an expansionary fiscal policy during the crisis.



Note: The inflation rates for India and crude oil are for a period beginning 15 days prior to the same for Nepal.
Source: Economic Survey 2009-10, MOSPI and ECB

Figure 12

Though the trade balance has been worsening (Economic Survey 2009-10), the current account deficit has been under check due to the large inflow of remittances. As reported in IMF Article IV 2010 “By the end of 2008/09, remittances at 21 per cent of GDP were three times exports and covered two thirds of imports. Remittances have sustained consumption and to a lesser extent investment. Over 80 per cent of remittances come from the Gulf countries (GCCs) and Malaysia: migrants are employed mainly as construction workers, security guards, drivers and cooks, etc. Estimates of the number of migrants to India vary widely, but remittances from India are less than 15 per cent of the total”. With a slowing growth of remittances in 2009-10 and a further decline in exports, the current account is expected to shift to a GDP deficit for the first time in years.

Remittances have also fuelled an asset price boom as there was rapid credit growth and proliferation of institutions such as in real estate. In 2009, domestic credit expanded by an astounding 26.6 per cent.[42] The IMF finds that Nepalese banks are vulnerable to liquidity crunches like the recent one and to a deterioration in the quality of assets. According to the IMF, banks overextended themselves and credit-to-deposit ratios climbed to nearly 90 per cent by January 2010.

7.3 Sectoral composition and productivity

More than half of the Nepalese GDP came from services in 2009 while agriculture contributed to 36 per cent of it. Industry only constituted 7.6 per cent of the economy. Structural transition away from agriculture towards other sectors has been slow and the structural breakup of the economy has almost remained stagnant over the past 10 years (**Figure 13a**).

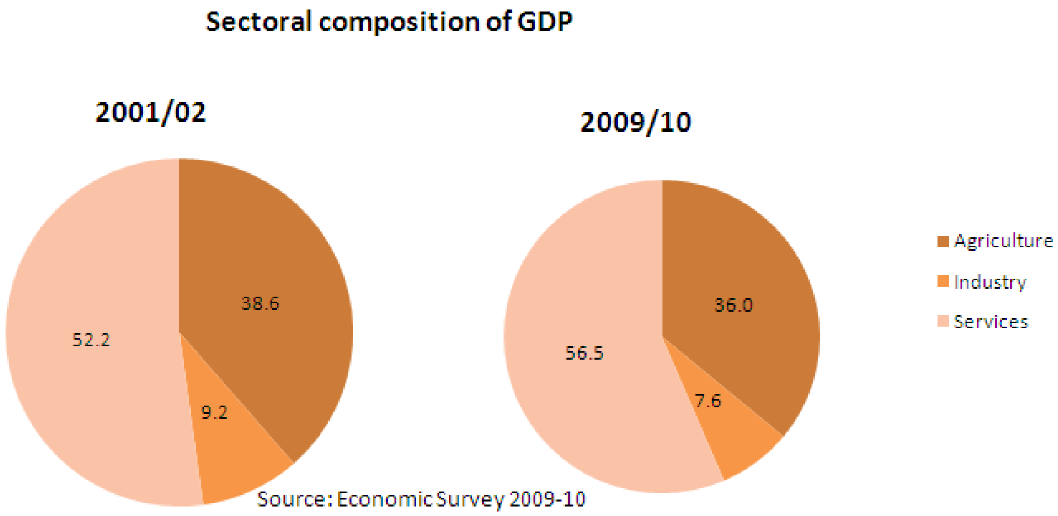
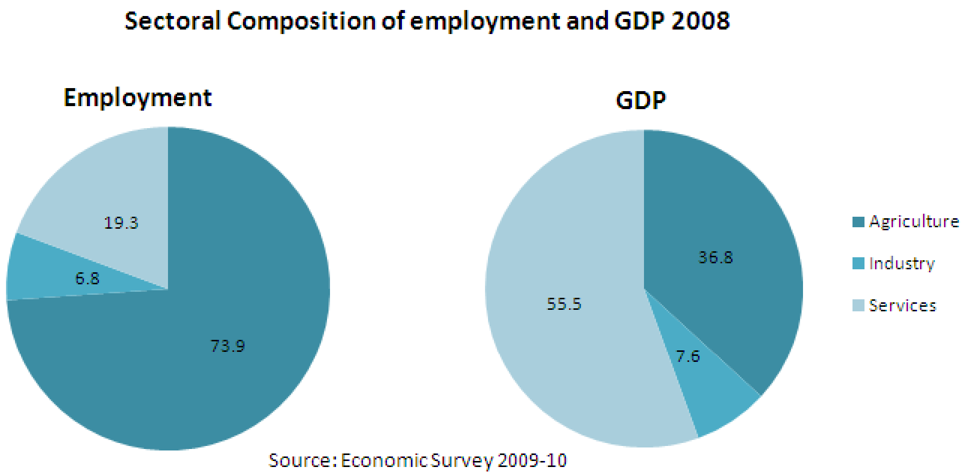


Figure 13a



[42] Economic Survey 2009-10

Figure 13b

Moreover, whatever shift there has been, has not been one from agriculture towards industry, but instead towards services which have grown the fastest. Industry has stagnated (**A.2., Table 43**). Agriculture, though monsoon dependent and thus capricious in output, has grown at an average of 3.05 per year over the last decade (**A.2., Table 44**). The main growth generator – services, has grown at 5 per cent a year and this growth has also been the most stable. Industry has been dismal in performance, growing at just under 2 per cent an annum in the pre-crisis years (2001-07) and at 0.43 per cent per year since. It was the only sector in Nepal to really be affected by the crisis, affected by reduced export demand.

The lack of a strong structural transition has also meant that those engaged in low-productivity sectors like agriculture are not being moved towards more productive ones. Indeed, the mismatch between employment and productivity is a fixture in the Nepalese set-up (**Figure 13b**). On one hand, 74 per cent of people work in agriculture, but only produce 37 per cent of output, while on the other hand, 19.3 per cent of Nepalese work in services and produce as much as 55.5 per cent of output! This implies great inequalities among workers in agriculture and those in services.

Table 7.1: Sectoral breakdown of GDP and employment and productivity

Industry	Share of employ-ment 2008 (%)	Share of GDP 2008-09 (%)	Annual real growth		Employ-ment elasticity	Productivity	
			Employ-ment 1998-2008	Production* 2000/01-2008/09		'000 NRs 2008-09	Change 2000-01 - 2008-09
Agriculture	**73.9**	**35.5**	**1.67**	**3.28**	**0.51**	**23'158**	**1.6**
Agriculture, fishing	73.9	35.5	1.67	3.23	0.52	23'158	1.6
Industry	**6.8**	**7.3**	**3.61**	**0.44**	**8.22**	**52'079**	**-3.1**
Mining and quarrying	0.2	0.4	12.93	4.23	3.06	93'741	-7.7
Manufacturing	6.6	6.9	3.41	0.23	14.59	50'624	-3.1
Services	**19.3**	**57.2**	**4.14**	**4.42**	**0.94**	**142'426**	**0.3**
Electricity, gas and	0.9	2.3	2.64	6.77	0.39	120'037	4.0
Construction	3.2	5.9	0.89	3.36	0.27	88'673	2.4
Trade: wholesale, retail	5.9	12.5	5.43	0.17	31.25	102'464	-5.0
Hotels and restaurants	1.7	1.6	5.62	0.94	6.01	46'258	-4.4
Transport, storage	1.7	9.1	3.90	6.47	0.60	262'034	2.5
Financial intermediation	0.3	4.3	5.35	9.97	0.54	765'691	4.4
Real estate, renting	0.6	8.2	8.30	3.47	2.39	652'711	-4.5
Public administration	0.9	1.8	4.53	8.29	0.55	91'734	3.6
Education	2.4	6.4	5.68	9.69	0.59	127'716	3.8
Health care	0.7	1.5	8.52	8.97	0.95	107'896	0.4
Other	0.8	3.6	5.68	6.01	0.94	207'778	0.3
Private household	0.3	..	-5.48	..	..	..	..
Total/average	**100.0**	**100.0**	**2.22**	**3.67**	**0.61**	**48'188**	**1.4**

*Growth for production is considered for slightly different years as employment as there was no continuity between 1998-2008 in the GDP deflator used.

Source: LFS 1998-99, 2008 and Economic Survey 2009-10

Productivity

When one looks at a more detailed break-up of employment elasticity and productivity (**Table 7.1**), one finds that most of the employment gains were in services where employment grew almost as much as production. The gains were mostly in the subsectors of trade, hotels and restaurants, education and transport and storage. Of these, the largest contributor was trade (37 per cent of all gains) – with an employment elasticity as high as 31.25 - which means people were most likely absorbed in low-level services such as street vending and other last-resort activities that people are forced into out of need rather than want. Hotels and restaurants and real estate and renting too had elasticities of employment above one indicating increases in employment at the expense of productivity. Despite this, productivity in services remained the highest – much higher than agriculture or industry.

There were some gains in employment in industry, but entirely at the expense of productivity and efficiency. Productivity fell by 3.1 per cent per annum during the last decade. While output in the sector remained stagnant, employment grew at 3.61 per year. This was mainly due to manufacturing rather than mining and quarrying, as it constituted most of the industrial sector. However, productivity in industry was still about double of agriculture and so this shift of labour from agriculture to industry was welcome in creating more income equality. In agriculture, increases in output could be equally attributed to increases in employment and productivity as the employment elasticity was 0.51

Overall, total employment growth averaged 2.22 per cent per year between 1998-99 and 2008, while the GDP during the same period grew at 3.67 per cent implying a health overall employment elasticity of 0.61 – every additional unit of output was composed of 60 per cent productivity gains and 40 per cent employment gains. Most of the productivity gains in the economy were in agriculture where growth was not at the cost of productivity and where most of the jobs are.

7.4 Main findings

Economic growth has been low in Nepal, despite liberalization and economic reforms. Both private consumption and fixed investment grew at dismal rates. Export earnings fell overall during the past decade, while imports rose unceasingly. Though the trade balance has been falling, remittances have maintained the current account balance. Remittances have also fuelled an asset price boom in the country.

Though the government has maintained fiscal prudence, inflation has been high. Most of it was imported from India or driven by food and oil prices.

Services is the largest economic sector, contributing to over half the GDP. Agriculture too is large, while industry holds only a single-digit share. Structural transformation from agriculture to non-agriculture sectors has been slow and there is a productivity-mismatch in the country as the majority of people are engaged in agriculture while it produces only a third of GDP.

Overall, over the past decade, a 1 per cent growth in GDP led to a 0.6 per cent increase in employment. This is a healthy employment elasticity overall as economic growth has meant both increases in employment and in efficiency. However, this figure is mainly contributed by agriculture that had a healthy growth pattern. Employment growth in other sectors – especially manufacturing and trade – was at the expense of productivity.

8. Disaggregation of growth

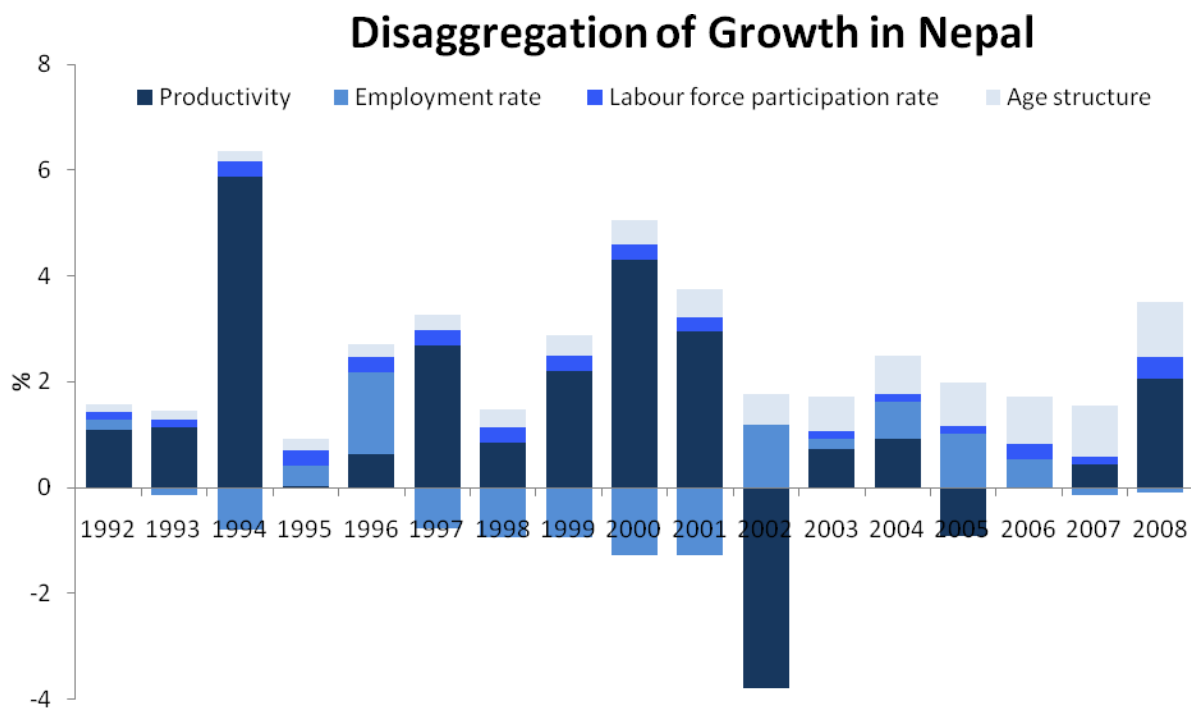
In the introduction, the equation for decomposition of growth from a labour perspective was presented. The results for Nepalese growth over 1998-99 to 2008 are presented in **Table 8.1.** Over the decade, GDP per capita grew by 30 per cent. Most of this – 78 per cent – came from gains in productivity which grew by over 23 per cent. The other big contributor was the age structure (14 per cent of total GDP per capita growth) wherein an improvement in the ratio of working age population to total population increased income per capita. Labour force participation and employment rate improvements were miniscule and did not have a big role in economic progress.

Table 8.1: Disaggregation of growth between 1998-99 and 2008

		1998-99	2008	Growth (%)
1	GDP per capita, '000 NRs *	18,542	24,105	29.99
2	Age structure, ratio	0.59	0.61	4.19
3	Labour force participation, ratio	0.82	0.82	0.55
4	Employment rate, ratio	0.97	0.98	0.64
5	Productivity, '000 NRs *	39,850	49,139	23.30
6	Sum 2-6			28.67 (Error = 1.32)

*base year 2000-01

Source: LFS 1998-99, 2008, Economic Survey 2002-03, 2009-10



Source:WDI 2010

Figure 14

This trend is likely to continue into the future as the age structure will become more favourable while there remains no real scope for gains in labour force participation or employment rates. Productivity gains – the largest driver of growth – will determine the magnitude of future economic progress. This is the most effective policy instrument available as it is the only point that one can influence. A word of caution though is that this 'black box' that contains many factors such as external shocks, inflationary pressures, new technologies and in fact real productivity improvement; is very volatile. **Figure 14** presents this volatility using yearly data from the World Bank.

Conclusion

Nepal is a populous country with 23.5 million people in 2008. The greater part of them live in rural areas. A large majority are illiterate while only 4 per cent have a university degree. While birth rates have been falling in Nepal, it remains a young country with as much as 40 per cent of its population under the age of 15 years. These young people are going to enter the workforce within these next 15 years, resulting in the most favourable dependency ratio the country has ever seen.

However, of the 400,000 new entrants who join the labour market every year, most can only look forward to a career in subsistence agriculture with abysmal and insecure incomes. Others will be absorbed into low-level trade and manufacturing. About a third of the labour force will not be utilized to their maximum productive capacity. And at least a third of all workers will not even earn enough to pull themselves above the national poverty line, while over half of them will fall under the international poverty level of US$ 1.25 a day.

Many will leave the country and work abroad, contributing to the wealth of other countries, but they will send some of it home. These remittances, which amount to as much as 20 per cent of Nepalese GDP (5th highest in the world and highest within South Asia), will fund domestic expenditure and investment and save their families from falling below the poverty line.

This dismal picture would be harsher for that half of the labour force which are women. They will be twice more likely to be illiterate than men, and three times less likely to hold a lucrative paid jobs in the formal sector. They can expect to be paid a fraction of what men will earn. Over 4 out of 5 women will be employed in agriculture and all 5 of them will be vulnerable to the indiscretion of the informal sector.

This is the prospect for an average young person in the country. It isn't a bright one and concerted effort is required to change it for the better. Employment and labour market policies will have to play a prime role in this. As the country will witness an unprecedented rise in the number of workers in the country, an equal number of opportunities will have to created for them to dynamically contribute to the future. Basic education will have to be provided to all; man or woman, while higher education and technical skills needs to be imparted to prepare the labour force for the coming needs.

Employment will also be a key platform for encouraging greater gender equality. First, at school - where one is prepared for work - and second, at the workplace itself, women must be encouraged to realize their potential. Special policies and programmes are needed to encourage them, as by excluding them one not only excludes the most vulnerable, but also the majority of Nepalese workers.

Employment will in addition, have to play a central role in efforts to mitigate poverty in Nepal and to guarantee a better life for Nepalese people. Underemployment has to be tackled to ensure people are able to apply their full effort for an improved future. Though remittances have contributed to mitigating poverty, labour migration is not a sustainable solution. Large-scale migration as witnessed by Nepal is a sign that the economy has thus far failed to provide adequate productive opportunities to its people.

Employment will furthermore be of fundamental importance to economic policies in coming years. Economic growth so far has been wanting in the rate of growth as well as quality – inequalities have increased as the structure of the economy has remained unchanged. The shift from low-productivity to high-productivity activities must also be accompanied by a shift of people from low-productivity sectors to high-productivity sectors. This is especially true of agriculture that employs most of the population and where dismal productivity levels translate into dismal incomes for farmers. While encouraging growth, one must ensure that growth is not at the expense of productivity. Focusing on those sectors where growth will be both sustainable and shared by all is going to be the key policy challenge.

This study has attempted to bring to focus the many issues involving this key concern of employment in Nepal. An effort has been to paint a picture of the situation and the challenges that lie ahead of us. Next one must assess the key causes and constraints that lie behind these outcomes, and opportunities for the future.

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A.1. Decomposition of GDP growth from labour perspective

GDP per capita can be expressed as:

$$\frac{GDP_t}{Population_t} = \frac{WorkingAgePopulation_t}{Population} * \frac{LabourForce_t}{WorkingAgePopulation_t} * \frac{Employment_t}{LabourForce_t} * \frac{GDP_t}{Employment_t}$$

Or

$$G_t = S_t * A_t * E_t * P_t$$

If we take log differences, this will show us that change in GDP per capita is a summation of change in the following:

Age structure, S_t

Activity rate, A_t

Employment rate, E_t

Labour productivity, P_t

The reason for this follows:

When we take log differences, we do the following:

$$G_t = S_t * A_t * E_t * P_t$$

Taking logs,

$$\log G_t = \log S_t + \log A_t + \log E_t + \log P_t$$

We can represent this by

$$g_t = s_t + a_t + e_t + p_t$$

We have the same for the period $t - 1$,

$$g_{t-1} = s_{t-1} + a_{t-1} + e_{t-1} + p_{t-1}$$

So we can subtract the above two equations to get log differences,

$$g_t - g_{t-1} = s_t - s_{t-1} + a_t - a_{t-1} + e_t - e_{t-1} + p_t - p_{t-1}$$

And we know that

$$g_t - g_{t-1} = \log G_t - \log G_{t-1} = \log\left\{\frac{G_t}{G_{t-1}}\right\}$$

$$= \log\left\{\frac{G_t}{G_{t-1}} - 1 + 1\right\}$$

$$= \log\left\{\frac{G_t - G_{t-1}}{G_{t-1}} + 1\right\}$$

$$\cong \frac{G_t - G_{t-1}}{G_{t-1}}$$

If we do the same for all the other terms in the equation in 2., we get that,

$$\frac{G_t - G_{t-1}}{G_{t-1}} = \frac{S_t - S_{t-1}}{S_{t-1}} + \frac{A_t - A_{t-1}}{A_{t-1}} + \frac{E_t - E_{t-1}}{E_{t-1}} + \frac{P_t - P_{t-1}}{P_{t-1}}$$

Or that change in GDP per capita is a sum of change in labour productivity, employment, labour force participation/activity rate and age structure.

What this means for organisation of data

When we study growth from a labour perspective, we can take this accounting identity into account and study statistics in the following order:

Change in the age structure , which is $\frac{S_t - S_{t-1}}{S_{t-1}}$

Change in the activity rate, which is $\frac{A_t - A_{t-1}}{A_{t-1}}$

Change in employment levels, which is $\frac{E_t - E_{t-1}}{E_{t-1}}$

Change in labour productivity, which is $\frac{P_t - P_{t-1}}{P_{t-1}}$

Change in GDP per capita $\frac{G_t - G_{t-1}}{G_{t-1}}$ and the above variables' relative contribution to it.

A.2. Tables

Table 1: Per Capita Income		
	PCI, 2000	PCI growth rate
2001-02	18'682	
2002-03	18'990	1.6%
2003-04	19'467	2.5%
2004-05	19'754	1.5%
2005-06	20'043	1.5%
2006-07	20'332	1.4%
2007-08	21'108	3.8%
2008-09	21'416	1.5%
2009-10 P	21'905	2.3%

Source: Economic Survey 2009-10, Ministry of Finance; P = provisional

Table 2: Share of age groups by gender

	1998-99			2009		
	Males	Females	Total	Males	Females	Total
Share of 0-14	43%	40%	41%	42%	36%	39%
Share of 15-64	53%	56%	55%	53%	60%	56%
Share of 65+	4%	4%	4%	4%	4%	5%

Source: LFS 1998-99, 2008

Table 3: Age based dependency ratio	
1998	0.70
2008	0.63

Assuming dependents to be in the age groups 0-14 and 65+
Source: LFS 1998-99, 2008

Table 4:Age structure of the population by sex

	1998-99			2008		
Age group	Males	Females	Total	Males	Females	Total
('000)						
0-4	1'544	1'467	3'011	1'467	1'424	2'891
5-9	1'233	1'204	2'437	1'510	1'468	2'978
10-14	1'247	1'176	2'423	1'690	1'561	3'251
15-19	927	990	1'917	1'138	1'320	2'458
20-24	681	858	1'539	741	1'231	1'972
25-29	627	749	1'376	642	969	1'611
30-34	514	590	1'104	557	802	1'359
35-39	509	574	1'083	601	777	1'378
40-44	463	497	960	518	650	1'168
45-49	383	401	784	534	580	1'114
50-54	327	334	661	467	456	923
55-59	270	225	495	347	328	675
60-64	246	252	498	332	308	640
65 +	415	401	816	575	552	1'127
All	9'386	9'718	9'104	11'119	12'426	23'545
% shares						
0-4	16%	15%	16%	13%	11%	12%
5-9	13%	12%	13%	14%	12%	13%
10-14	13%	12%	13%	15%	13%	14%
15-19	10%	10%	10%	10%	11%	10%
20-24	7%	9%	8%	7%	10%	8%
25-29	7%	8%	7%	6%	8%	7%
30-34	5%	6%	6%	5%	6%	6%
35-39	5%	6%	6%	5%	6%	6%
40-44	5%	5%	5%	5%	5%	5%
45-49	4%	4%	4%	5%	5%	5%
50-54	3%	3%	3%	4%	4%	4%
55-59	3%	2%	3%	3%	3%	3%
60-64	3%	3%	3%	3%	2%	3%
65 +	4%	4%	4%	5%	4%	5%
All	100%	100%	100%	100%	100%	100%

Source: LFS 1998-99, 2008

Table 5: Table: Remittance Inflows in South Asia

(US$ million)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010e**
Nepal	111	147	678	771	823	1'212	1'453	1'734	2'727	2'986	3'513
India	12'883	14'273	15'736	20'999	18'750	22'125	28'334	37'217	49'941	49'256	55'000
Bangladesh	1'968	2'105	2'858	3'192	3'584	4'315	5'428	6'562	8'941	10'523	11'050
Pakistan	1'075	1'461	3'554	3'964	3'945	4'280	5'121	5'998	7'039	8'720	9'407
Sri Lanka	1'166	1'185	1'309	1'438	1'590	1'991	2'185	2'527	2'947	3'363	3'612
Remittance growth (%)											
Nepal		31.83	361.6	13.65	6.68	47.31	19.92	19.31	57.29	9.48	17.66
India		10.79	10.25	33.45	-10.71	18	28.06	31.35	34.19	-1.37	11.66
Bangladesh		6.96	35.8	11.67	12.29	20.39	25.8	20.91	36.24	17.7	5.01
Pakistan		35.91	143.26	11.54	-0.48	8.49	19.65	17.13	17.36	23.88	7.88
Sri Lanka		1.64	10.47	9.83	10.56	25.24	9.75	15.65	16.65	14.09	7.4

Source: Migration and Remittances Factbook 2011

Table 6: Distribution of migrants (all ages) by sex and locality 2008

	Migrants ('000)			**Migrants as % of total for each group**		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**
Urban	1814	818	996	51.1	46.3	55.9
Rural	6026	1553	4473	30.1	16.6	42

Source: LFS Nepal 2008, CBS

Table 7: Remittances as a share of GDP, 2009 (%)

Nepal	22.9%
India	3.9%
Bangladesh	11.8%
Pakistan	6.0%
Sri Lanka	7.9%

Source: Migration and Remittances Factbook 2011

Table 8: Growth in remittances			
	Worker's remittances (NRs 10 million)	**GDP deflator**	**Real growth in remittances**
2000-01	4721.61	100	4721.61
2001-02	4753.63	103.9	4575.2
2002-03	5420.33	107.1	5061.0
2003-04	5858.76	111.6	5249.8
2004-05	6554.12	118	5554.3
2005-06	9768.85	126.2	7740.8
2006-07	10014.48	135.4	7396.2
2007-08	14268.27	142.9	9984.8
2008-09	20969.85	165.5	12670.6

Source: Economic Survey 2009-10

Table 9: Distribution of migrants by current and last location, and sex.

	Current location					
	('000)			**%**		
All migrants	Rural	Urban	Total	Rural	Urban	Total
All migrants	6026	1814	7840	76.86	23.14	100.00
From urban	326	233	559	58.32	41.68	100.00
From rural	4900	1388	6288	77.93	22.07	100.00
From outside	799	193	993	80.46	19.44	100.00
Female	**('000)**			**%**		
Female migrants	4473	996	5469	81.79	18.21	100.00
From urban	200	130	330	60.61	39.39	100.00
From rural	3748	762	4509	83.12	16.90	100.00
From outside	525	104	630	83.33	16.51	100.00
Male	**('000)**			**%**		
Male migrants	1553	818	2371	65.50	34.50	100.00
From urban	126	103	229	55.02	44.98	100.00
From rural	1153	626	1779	64.81	35.19	100.00
From outside	274	89	363	75.48	24.52	100.00

Source: LFS 2008

Table 10: Reasons for migration (internal)

	('000)			**%**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
All Nepal						
Reason for last migration						
Marriage	62	3683	3745	2.61	67.34	47.77
Other family reason	1014	1315	2329	42.77	24.04	29.71
Study/Training	189	108	297	7.97	1.97	3.79
Looking for work	213	50	263	8.98	0.91	3.35
Easier lifestyle	415	207	622	17.50	3.78	7.93
Others	478	106	583	20.16	1.94	7.44
Total Nepal	2371	5469	7840	100.00	100.00	100.00
Currently located in urban area						
Marriage	9	371	380	1.10	37.25	20.95
Other family reason	269	425	694	32.93	42.67	38.26
Study/Training	135	75	210	16.52	7.53	11.58
Looking for work	100	25	125	12.24	2.51	6.89
Easier lifestyle	95	60	155	11.63	6.02	8.54
Others	209	40	249	25.58	4.02	13.73
Total urban	817	996	1814	100.00	100.00	100.00
Currently located in rural area						
Marriage	53	3312	3365	3.41	74.04	55.84
Other family reason	745	889	1634	47.97	19.87	27.12
Study/Training	54	33	87	3.48	0.74	1.44
Looking for work	113	25	138	7.28	0.56	2.29
Easier lifestyle	320	147	467	20.61	3.29	7.75
Others	268	65	333	17.26	1.45	5.53
Total rural	1553	4473	6026	100.00	100.00	100.00

Source: LFS 2008

Table 11: Internal migrant flows

Rural to rural	71.6%
Rural to urban	20.3%
Urban to rural	4.8%
Urban to urban	3.4%
Total	100.0%

Source: LFS 2008

Table 12: Internal migrant flows by sex

	Male	Female
Rural to rural	57.4%	77.5%
Rural to urban	31.2%	15.7%
Urban to rural	6.3%	4.1%
Urban to urban	5.1%	2.7%
Total	100.0%	100.0%

Source: LFS 2008

Table 13: Working age population, diaggregated by age and sex

	1998-99			2'008		
	Males	**Females**	**Total**	**Males**	**Females**	**Total**
Distribution of population by age						
('000)						
0-14	4'024	3'847	**7'871**	4'667	4'453	**9'120**
15-64	**4'947**	**5'470**	**10'417**	5'877	7'421	13'298
65+	415	401	**816**	575	552	**1'127**
All	9'386	9'718	**19'104**	11'119	12'426	**23'545**
%						
0-14	43%	40%	**41%**	42%	36%	**39%**
15-64	53%	56%	**55%**	53%	60%	**56%**
65+	4%	4%	**4%**	5%	4%	**5%**
All	100%	100%	**100%**	100%	100%	**100%**
Within working age population (15+)						
('000)						
15-24	1'608	1'848	**3'456**	1'879	2'551	**4'430**
25-49	2'496	2'811	**5'307**	2'852	3'778	**6'630**
25 -34	1'141	1'339	**2'480**	1'199	1'771	**2'970**
35-49	1'355	1'472	**2'827**	1'653	2'007	**3'660**
50-64	843	811	**1'654**	1'146	1'092	**2'238**
65+	415	401	816	575	552	1'127
15+	**7'858**	**8'682**	**16'540**	**9'304**	**11'751**	**21'055**
%						
15-24	20%	21%	**21%**	20%	22%	**21%**
25-49	32%	32%	**32%**	31%	32%	**31%**
25 -34	15%	15%	**15%**	13%	15%	**14%**
35-49	17%	17%	**17%**	18%	17%	**17%**
50-64	11%	9%	**10%**	12%	9%	**11%**
65+	5%	5%	**5%**	**6%**	**5%**	**5%**
15+%	100%	100%	**100%**	100%	100%	**100%**

Source: LFS 1998-99, 2008

Table 14: Working age population, disaggregated by age and

	1998-99			2008		
	Urban	**Rural**	**Total**	**Urban**	**Rural**	**Total**
Distribution of population by age (‘000)						
0-14	819	7'051	**7'870**	1'082	8'039	9'121
15-64	1'341	9'077	**10'418**	2'324	10'975	13'299
65+	90	726	**816**	145	982	1'127
All	2'250	16'854	**19'104**	3'551	19'996	23'547
%						
0-14	36%	42%	**41%**	30%	40%	**39%**
15-64	60%	54%	**55%**	65%	55%	**56%**
65+	4%	4%	**4%**	4%	5%	**5%**
All	100%	100%	**100%**	100%	100%	**100%**
Within working age population (15+) (‘000)						
15-24	462	2'995	**3'457**	819	3'611	**4'430**
25-49	704	4'604	**5'308**	1'188	5'443	**6'631**
25 -34	351	2'129	**2'480**	580	2'392	**2'972**
35-49	353	2'475	**2'828**	608	3'051	**3'659**
50-64	175	1'478	**1'653**	317	1'921	**2'238**
65+	90	726	**816**	pation	982	**1'127**
15+	**2'135**	**4'407**	**16'542**	**3'657**	**7'400**	**21'057**
%						
15-24	22%	21%	**21%**	22%	**21%**	**21%**
25-49	33%	32%	**32%**	32%	31%	**31%**
25 -34	16%	15%	**15%**	16%	14%	**14%**
35-49	17%	17%	**17%**	17%	18%	**17%**
50-64	8%	10%	**10%**	9%	11%	**11%**
65+	4%	5%	**5%**	4%	6%	**5%**
15+	100%	100%	100%	100%	100%	100%

Source: LFS 1998-99, 2008

Table 15: Working age population (15-64) projection (millions)

1998	10.42
2008	13.30
2013	*15.91*
2018	*18.21*
2023	*20.18*

Source: LFS 1998-99, 2008

Table 16: Labour Force Participation Rate of the population by sex, age (in percentage) - 2008

Age group	Total	Men	Women
All	68.5	68.5	68.5
05-09	13.4	11.2	15.6
10-14	52.7	47.2	58.7
15-19	71.2	68.7	73.4
20-24	80.9	86.3	77.7
25-29	88.6	94.9	84.4
30-44	82.9	97.4	89.5
45-59	90.7	95.3	86.1
60+	66.4	77.1	55.1

Source: LFS Nepal 2008, CBS

Table 17: Reasons for current inactivity, by age and sex

Reasons for inactivity	All	15-29	30-44	45-59	60+
Both sexes					
Total (thousands)	2303	1214	261	243	585
Total	100.0	100.0	100.0	100.0	100.0
Attending school (%)	31.8	60.1	1.0	0.0	0.0
Household duties (%)	27.8	26.7	70.6	41.1	5.4
Old, sick (%)	30.4	2.7	13.7	43.9	90.1
Disabled (%)	2.2	1.6	3.9	4.0	2.1
Others (%)	7.8	9.0	10.8	11.0	2.5
Male					
Total (thousands)	783	474	40	63	206
Total	100.0	100.0	100.0	100.0	100.0
Attending school (%)	51.7	85.3	1.6	0.0	0.0
Household duties (%)	4.6	3.4	17.7	14.1	1.7
Old, sick (%)	30.9	3	33.3	46.1	89.9
Disabled (%)	3.7	2.2	14.5	9.1	3.3
Others (%)	9.1	6	32.9	30.7	5
Female					
Total (thousands)	1520	740	221	180	379
Total	100.0	100.0	100.0	100.0	100.0
Attending school (%)	21.5	43.9	0.9	0	0
Household duties (%)	39.7	41.6	80.1	50.5	7.4
Old, sick (%)	30.2	2.4	10.1	43.1	90.1
Disabled (%)	1.5	1.2	2	2.28	1.4
Others (%)	7.1	10.9	6.8	4.12	1.1

Source: LFS 2008

Table 18: Participation in the labour force by locality, 2008

Age	*15-24*	*25-49*	*50-59*	*60+*	*Total*
Working age population (‘000)	4,430	6,630	1,598	1,766	14,424
Urban	818	1,188	233	229	2,468
Rural	3,611	5,443	1,365	1,538	11,957
In labour force ('000)	3,345	6,086	1,428	1,173	12,032
Urban	423	961	173	104	1,661
Rural	2,922	5,126	1,255	1,070	10,373
Activity rate (%)	**75.5**	**91.8**	**89.4**	**66.4**	**83.4**
Urban	52	81	74	45	67.3
Rural	81	94	92	70	86.8

Source: LFS Nepal 2008, CBS

Table 19: Current unemployment by sex and location

	1998-99	2008
Number of currently unemployed, 15+ ('000)	104	157
Male	72	89
Female	32	68
Urban	48	83
Rural	56	74
Unemployment rate, current basis, 15+ (%)	1.1	1.3
Male	1.5	1.6
Female	0.7	1.1
Urban	4.5	5
Rural	0.7	0.7
Youth (15-24) unemployment rate, current basis (%)	2.4	3.5
Male	3.3	4.2
Female	1.7	2.9
Urban	7.6	13
Rural	1.6	2.1

Source: LFS 2008

Table 20: Break-up of employment by location and sex (%)			
	Total	Male	Female
Nepal	100%	100%	100%
Urban	13%	15%	11%
Rural	87%	85%	89%
	Total	Male	Female
Nepal	100%	47%	53%
Urban	100%	56%	44%
Rural	100%	46%	54%

Source: LFS 2008

Table 21: Duration of unemployment* by sex and location, 2008 (%)

('000)	Total			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
	253	**127**	**126**	**125**	**60**	**65**	**128**	**67**	**61**
Less than 1 month	11	8	3	4	3	1	8	6	2
1 month < 3 months	43	22	21	11	6	5	31	16	16
3 months < 6 months	37	20	17	13	7	6	24	13	11
6 months < 1 year	45	20	25	26	13	13	19	7	11
1 year < 2 years	39	21	18	26	13	13	13	8	5
2 years or more	78	35	43	45	18	27	33	17	16

*Relaxed definition - one needn't be looking for work to be considered unemployed.

Source: LFS 2008

Table 22: Current employment by main industry and sex 2008, 15+ ('000)									
Industry	**Total**			**Urban**			**Rural**		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**
Agriculture	**8704**	**3429**	**5275**	**494**	**170**	**324**	**8210**	**3259**	**4951**
Agriculture and forestry	8701	3427	5274	494	170	324	8207	3257	4950
Fishing	3	2	1	0	0	0	3	2	1
Industry	**800**	**488**	**313**	**217**	**135**	**83**	**583**	**353**	**230**
Mining and quarrying	27	19	8	3	2	1	24	17	7
Manufacturing	773	469	305	214	133	82	559	336	223
Services	**2269**	**1598**	**672**	**822**	**550**	**272**	**1448**	**1050**	**397**
Electricity, gas and water	109	39	70	32	13	19	77	27	51
Construction	367	326	41	75	65	10	292	261	31
Wholesale trade, retail trade	692	447	245	264	169	95	428	278	150
Hotels and restaurants	197	94	103	93	46	47	104	47	56
Transport, storage and comm.	198	191	8	65	61	4	133	130	4
Financial intermediation	32	22	10	20	14	6	12	9	3
Real estate, renting	71	57	13	36	29	7	35	29	6
Public administ. and defence	109	96	13	54	48	6	55	48	6
Education	285	189	96	88	50	38	198	139	58
Health care and social work	77	46	31	30	17	13	47	29	18
Other comm. and social act.	99	77	23	44	31	13	55	46	9
Private household	33	14	19	21	7	14	12	7	5
Extra-territorial organization	5	4	1	2	1	1	3	3	0
Total	**11779**	**5519**	**6259**	**1535**	**855**	**680**	**10244**	**4664**	**5580**
Total without extra-terr. org.	**11774**	**5515**	**6258**	**1533**	**854**	**679**	**10241**	**4661**	**5580**

Source: LFS 2008

Table 23: Child labour, disaggregated by activity and hours, 2008

Activity	No. of people involved ('000)		Time spent on activity in past 7 days (million hours)		Per person hours over 7 days	
	5-14	**15+**	**5-14**	**15+**	**5-14**	**15+**
Wage jobs in agriculture	20	543	1	21	50.00	38.67
Wage jobs in non-agriculture	27	1576	1	75	37.04	47.59
Own business	76	1502	1	69	13.16	45.94
Agriculture	1731	8734	28	292	16.18	33.43
Milling	146	2385	1	14	6.85	5.87
Handicrafts	9	354	0	5	0.00	14.12
Construction	8	187	0	4	0.00	21.39
Fetching water	561	1952	2	10	3.57	5.12
Collecting firewood	383	2563	3	24	7.83	9.36
Other work	34	434	0	3	0.00	6.91
Total	**2995**	**20230**	**37**	**517**	**12.35**	**25.56**

Source: LFS 2008

Table 24: Informal employment, 2008

	('000)	%
All sectors	11332	100
Male	5163	100
Female	6169	100
Agriculture and fishing	8677	76.6
Male	3412	66.1
Female	5265	85.3
Non agriculture	2655	23.4
Male	1751	33.9
Female	904	14.7

Source: LFS 2008

Table 25: Urban Consumer Price Index

Year	National Urban Consumer Price Index
1995/96	100
1996/97	108.1
1997/98	117.1
1998/99	130.4
1999/2000	134.8
2000/01	138.1
2001/02	142.1
2002/03	148.9
2003/04	154.8
2004/05	161.8
2005/06	174.7
2006/07	185.9
2007/08	200.2
2008/09	226.7

Source: Quarterly Economic Bulletin 2010

Table 26: Currently employed working population in informal sector by gender and main industry 2008

Main Industry	Both sexes		Men		Women	
	('000)	%	('000)	%	('000)	%
Agriculture	8,677	99.7	3,412	99.5	5,265	99.8
Industry	748	93.5	446	91.4	301	96.2
Services	1,907	84	1,304	81.6	604	89.9
Total	11,332	96.2	5,163	93.5	6,169	98.5

Source: LFS 2008

Table 28: Headcount Poverty Rates by main sectors

	1995/96	2003/04	Change in %
Agriculture	43,1	32,9	-10,2
Manufacturing	41,4	31,2	-10,2
Trade	32,2	11,1	-21,1
Services	25,3	14,4	-10,9
Total	41,8	30,8	-11

Source: Poverty Trends in Nepal 1995-96 - 2003-4

Table 27: Informally employed population aged 15+, by sex, age and location

	Total	15-19	20-24	25-29	30-44	45-59	60+
							('000)
Total	11332	1685	1487	1319	3362	2317	1163
Urban	1359	146	203	186	476	248	100
Rural	9973	1536	1284	1133	2886	2069	1063
Male	5163	746	577	543	1443	1164	691
Urban	720	77	102	97	245	136	61
Rural	4443	669	474	446	1198	1028	629
Female	6169	939	910	776	1919	1153	472
Urban	639	68	100	89	231	112	39
Rural	5529	870	810	687	1688	1041	433
							% of currently employed (all industries)
Total	96.2	99.1	97.2	96.0	94.3	94.8	99.4
Urban	88.6	98.0	92.7	90.4	84.4	84.3	97.9
Rural	97.4	99.2	98.0	97.0	96.2	96.3	99.6
Male	93.6	98.8	95.3	92.8	90.0	91.3	99.2
Urban	84.2	97.4	91.6	86.5	78.4	77.7	97.0
Rural	95.3	99.0	96.1	94.3	92.9	93.5	99.4
Female	98.6	99.4	98.5	98.4	97.8	98.7	99.8
Urban	94.0	98.7	93.7	95.0	91.7	94.0	99.3
Rural	99.1	99.4	99.2	98.9	98.7	99.2	99.9

Source: LFS 2008

Table 29: Characteristics of time-related underemployment by sex, employment status, occupation and industry

	All	Men	Women	All	Men	Women
1998/99						
	('000)			**%**		
By employment status	399	261	138	100%	100%	100%
Paid employee	56	40	16	14.0%	15.3%	11.6%
Family worker w/o pay	125	76	76	31.3%	29.1%	55.1%
Other self-employed	191	145	46	47.9%	55.6%	33.3%
By occupation	399	261	138	100%	100%	100%
Subsistence agriculture	258	176	82	64.7%	67.4%	59.4%
Elementary occupation	78	40	38	19.5%	15.3%	27.5%
Other occupations	63	45	18	15.8%	17.2%	13.0%
By Industry	399	261	138	100%	100%	100%
Agriculture, hunting, forestry	300	202	98	75.2%	77.4%	71.0%
Private household workers	34	13	21	8.5%	5.0%	15.2%
Other industry	65	46	19	16.3%	17.6%	13.8%
2008						
By employment status	801	409	391	100%	100%	100%
Paid employee	81	52	30	10.1%	12.7%	7.7%
Family worker w/o pay	374	141	233	46.7%	34.5%	59.6%
Other self-employed	346	217	129	43.2%	53.1%	33.0%
By occupation	801	409	391	100%	100%	100%
Subsistence agriculture	558	290	268	69.7%	70.9%	68.5%
Elementary occupation	112	45	67	14.0%	11.0%	17.1%
Other occupations	131	74	57	16.4%	18.1%	14.6%
By Industry	801	409	391	100%	100%	100%
Agriculture, hunting, forestry	675	336	339	84.3%	82.2%	86.7%
Private household workers	1	0	1	0.1%	0.0%	0.3%
Other industry	125	73	52	15.6%	17.8%	13.3%

Source: LFS 1998-99, 2008

Table 30: Underemployment, as percentage of labour force, by sex, age group and locality 1998/99 and 2008

Age Group	Nepal			Urban			Rural		
	Both sexes	Men	Women	Both Sexes	Men	Women	Both Sexes	Men	Women
1998/99									
15-19	3.8	4.3	3.3	3.7	3.5	4	3.8	4.4	3.2
20-24	5.1	7.2	3.2	6.6	7.1	5.9	4.9	7.3	2.9
25-29	4.7	6.8	2.7	5.1	5.1	5.1	4.7	7.1	2.4
30-44	4.3	5.3	3.3	4.5	4.6	4.4	4.3	5.5	3.1
45-59	4.1	5.4	2.5	4.7	5.1	4.2	4	5.5	2.4
60+	2	3	0.6	3.3	3.5	2.9	1.9	2.9	0.4
Total	4.1	5.4	2.9	4.8	4.9	4.6	4.1	5.5	2.7
2008									
15-19	5.6	5.3	5.8	6.7	6.8	6.4	5.5	5.1	5.8
20-24	8.2	10.6	6.6	6.4	5.7	7.1	8.5	11.9	6.5
25-29	8.1	9.7	6.9	7.4	6	8.9	8.2	10.6	6.6
30-44	7.1	7.3	6.9	6.4	4.4	8.8	7.2	8	6.7
45-59	5.8	6.2	5.3	5.4	4.8	6.2	5.8	6.4	5.2
60+	4.9	6.1	3.1	5.1	5.5	4.4	4.8	6.1	2.9
Total	6.7	7.2	6.1	6.3	5.2	7.6	6.7	7.6	5.9

Source: LFS 1998-99, 2008

Table 31: Level of education among working age population by sex and location, 2008 ('000)

Completed education level	Total			Urban			Rural		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total	6452	7972	14424	1195	1273	2468	5257	6699	11956
Never attended	2090	4642	6732	172	446	618	1918	4196	6114
Less than primary	849	701	1550	100	98	198	749	602	1352
Primary	1077	869	1947	159	144	303	919	725	1644
Lower secondary	722	557	1279	145	116	261	577	441	1018
Secondary	1099	830	1928	317	281	598	782	549	1331
Higher secondary	349	234	583	158	120	279	191	114	305
Degree level	215	71	286	133	54	187	82	17	99
Others	45	60	105	11	12	23	34	48	83
Not stated	7	8	15	1	1	2	6	7	12

Source: LFS 2008

Table 32: Literacy rates by age and sex

	Literacy rates		Growth rate of literacy, p.a.
	1998/99	2008	1998-2008
5 +	49.8	63.2	2.41
5 +, Men	64.5	74.7	1.48
5 +, Women	35.8	53.1	4.02
15 +	44.5	55.6	2.25
15 +, Men	62.3	70.7	1.27
15 +, Women	28.2	43.3	4.38

Source: LFS 1998-99 and 2008

Table 33: Net enrollment rate across different consumption levels by level of schooling and gender, 2003-4, (%)

Consumption quintile	Primary school			Secondary			Tertiary		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Poorest	61	42	51	3	1	2	0	0	0
Second	78	65	72	9	2	6	1	0	0
Third	85	78	81	14	12	13	2	0	1
Fourth	84	82	83	20	14	16	1	0	1
Richest	88	85	87	35	36	35	12	8	10
Total	78	67	72	17	13	15	4	2	3

Source: LSS 2003-04

Table 34: Vocational training by duration of period and sex, 2008

Training period	Total	Male	Female
('000)			
< 1 month	112	59	53
1 < 6 months	517	261	256
6 months < 1 year	278	137	140
1 year +	124	86	39
Total	1030	543	488
(%)			
< 1 month	10.9	10.9	10.9
1 < 6 months	50.2	48.1	52.5
6 months < 1 year	27.0	25.2	28.7
1 year +	12.0	15.8	8.0
Total	100	100	100

Source: LFS 2008

Table 35: GDP and PCI growth rate

	GDP at basic prices	PCI growth rate
2002-03	3.77	1.65
2003-04	4.41	2.51
2004-05	3.23	1.47
2005-06	3.73	1.46
2006-07	2.75	1.44
2007-08	5.80	3.82
2008-09	3.95	1.46
2009-10 P	3.53	2.28
Average	3.90	2.01

Source: Economic Survey 2009-10,
P = provisional

Table 36: Economic growth in neighbouring countries

	GDP growth (annual %)			GDP per capita growth (annual %)		
	Bhutan	**Bangladesh**	**India**	**Bhutan**	**Bangladesh**	**India**
2000	7.5	5.9	4.0	4.5	4.0	2.3
2001	7.0	5.3	5.2	3.8	3.4	3.5
2002	8.9	4.4	3.8	5.5	2.6	2.2
2003	8.6	5.3	8.4	5.3	3.5	6.8
2004	8.0	6.3	8.3	4.9	4.5	6.7
2005	7.0	6.0	9.3	4.3	4.3	7.8
2006	6.4	6.6	9.4	4.1	5.0	7.9
2007	19.7	6.4	9.6	17.6	4.9	8.2
2008	5.0	6.2	5.1	3.3	4.7	3.7
2009	7.4	5.9	7.7	5.8	4.4	6.2
Average	**8.5**	**5.8**	**7.1**	**5.9**	**4.1**	**5.5**

Source: WDI 2010

Table 37: GDP by expenditure, constant prices										
(NRs ten million)										
	2000/01	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
GDP at producer prices	44151.9	44204.8	45948.8	48100.3	49773.9	51448.6	53203.8	56451.7	59193.3	61903
Government	3578.5	3858.6	4265.2	4639.7	4697.3	4732.8	5071.9	5237.8	5746.2	6498.2
Total consumption	39001.7	40538.9	42104.3	42845.2	44695.7	46892.2	48565.7	49284.9	52291.1	56658.6
Private consumption	35423.2	36680.3	37839.1	38205.5	39998.4	42159.4	43493.8	44047.1	46544.9	50160.4
Gross capital formation	9864.9	8480.8	9029.8	10604.7	11608.4	12123.3	12732.7	16503.5	18103	22813.7
GCFC	8475.1	8486.3	8806.9	9094.9	9142.7	10157	10694	10892.2	10945.9	11523.4
GCFC	1806.3	1646.4	1321.8	1245.8	1338.9	1312.1	1718.8	2013.8	2215.2	2516.1
GCFC private	6668.7	6839.8	7485.2	7849.1	7803.8	8844.8	8975.2	8878.3	8730.7	9007.3
Change in Stock	1389.9	-5.5	222.9	1509.8	2465.7	1966.3	2038.6	5611.3	7157	11290.3
Net exports	-4714.7	-4814.8	-5185.3	-5349.5	-6530.2	-7566.9	-8094.5	-9336.7	-	-17569.3
Exports	9961	7651.2	7288.1	8182.8	7934.4	7831.8	7757.8	7814.2	8116.8	6934.5
Imports	14675.7	12466	12473.4	13532.3	14464.6	15398.7	15852.3	17150.9	19317.5	24503.8

% change over previous year											
	2001/02	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**Current weight (2009)**	**Average growth p.a.**
GDP at producer prices	0.1	3.9	4.7	3.5	3.4	3.4	6.1	4.9	4.6	100.0%	3.4%
Government	7.8	10.5	8.8	1.2	0.8	7.2	3.3	9.7	13.1	9.7%	6.1%
Total consumption	3.9	3.9	1.8	4.3	4.9	3.6	1.5	6.1	8.4	88.3%	3.8%
Private consumption	3.5	3.2	1.0	4.7	5.4	3.2	1.3	5.7	7.8	78.6%	3.5%
Gross capital formation	-14.0	6.5	17.4	9.5	4.4	5.0	29.6	9.7	26.0	30.6%	8.7%
GCFC	0.1	3.8	3.3	0.5	11.1	5.3	1.9	0.5	5.3	50.5 (of GCF)	3.1%
GCFC	-8.9	-19.7	-5.7	7.5	-2.0	31.0	17.2	10.0	13.6	21.8 (of GCFC)	3.4%
GCFC private	2.6	9.4	4.9	-0.6	13.3	1.5	-1.1	-1.7	3.2	78.2 (of GCFC)	3.1%
Change in Stock	-100.4	-4152.7	577.3	63.3	-20.3	3.7	175.3	27.5	57.8	49.49 (of GCF)	23.3%
Net exports	2.1	7.7	3.2	22.1	15.9	7.0	15.3	20.0	56.9	-18.9%	14.1%
Exports	-23.2	-4.7	12.3	-3.0	-1.3	-0.9	0.7	3.9	-14.6	-72.5 (of Net exports)	-3.6%
Imports	-15.1	0.1	8.5	6.9	6.5	2.9	8.2	12.6	26.8	172.5 (of Net exports)	5.3%

Source: Economic Survey 2009-10

Table 38: GDP by expenditure (%), 2009

	India	Bangladesh	Bhutan	Nepal
Government consumption	12.3	5.2	22.0	11.1
Private consumption	57.8	80.2	14.6	80.9
Net exports	-4.7	-9.6	9.7	-21.7
Gross capital formation	34.5	24.2	53.9	29.7
GFCF	32.3	24.2	53.6	21.2
GDP	100.0	100.0	100.2	100.0

Source: WDI 2010

Table 39: Detailed breakdown of Nepalese trade

Rs 10 million	**2001/02**		**2002/03**		**2003/04**		**2004/05**		**2005/06**		**2006/07**		**2007/08**		**2008/09**	
	India	RoW	India	RoW	India	RoW	India	RoW	India	RoW	India	RoW	India	RoW	India	RoW
Exports	2796	1899	2643	2350	3078	2313	3892	1979	4071	1952	4173	1765	3856	2071	4101	2669
Imports	5662	5077	7092	5343	7874	5760	8868	6080	10714	6664	11587	7882	14238	7956	16424	12203
Current GDP	45944	45944	49223	49223	53675	53675	58941	58941	65408	65408	72783	72783	81566	81566	99132	99132
As % of GDP	**2001/02**		**2002/03**		**2003/04**		**2004/05**		**2005/06**		**2006/07**		**2007/08**		**2008/09**	
	India	RoW	India	RoW	India	RoW	India	RoW	India	RoW	India	RoW	India	RoW	India	RoW
Exports	6.1	4.1	5.4	4.8	5.7	4.3	6.6	3.4	6.2	3.0	5.7	2.4	4.7	2.5	4.1	2.7
Imports	12.3	11.0	14.4	10.9	14.7	10.7	15.0	10.3	16.4	10.2	15.9	10.8	17.5	9.8	16.6	12.3

Source: Economic Survey 2009-10

Table 40: Inflation, year-on-year (%)

	Nepal					India				
Months	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Jul-Aug	7.3	7.3	6.3	13.1	10.4	..	5.7	6.9	7.4	13
Aug-Sep	8.2	6.6	7	13.5	9.7	..	6.1	6.4	8.5	12.9
Sep-Oct	7.8	7.5	6.3	14.1	9.3	..	6.6	5.7	9.5	12.4
Oct-Nov	8.5	7.1	6.3	14.5	9.9	..	7.2	5.5	10.4	12
Nov-Dec	8.8	7.3	5.7	14.1	11.3	..	6.7	5.1	10.8	13.9
Dec-Jan	7	7.6	5.8	14.4	11.8	..	6.9	5.1	9.8	15.5
Jan-Feb	5.8	8	6.4	13.7	12	..	7.4	4.8	10.4	16.9
Feb-Mar	7.7	6.2	7.2	13.1	11.2	..	7.8	5.2	9.9	15.8
Mar-Apr	7.9	5.6	8.9	11.9	..	..	7.6	6	9.3	14.9
Apr-May	9.1	4.6	9.2	12.9	..	..	7.7	7	8.8	14.4
May-Jun	9.1	4.5	11	12.3	..	6.5	6.8	6.8	9.7	..
Jun-Jul	8.3	5.1	12.1	11.4	..	6.5	6.1	7.3	9.6	..
Annual Average	8.0	6.4	7.7	13.2	10.7	6.5	6.9	6.0	9.5	14.2

Note: The inflation rates for India are for a period beginning 15 days prior to the same for Nepal.
Source: Economic Survey 2009-10 and MOSPI

Table 41: Crude oil prices - USD per barrell

Month	**2006**	**2007**	**2008**	**2009**	**2010**
January		42.2269	62.4387	34.2974	53.9784
February		44.9066	64.0862	34.5613	54.4891
March		47.2648	66.1209	36.5235	
April	50.2325	50.2325	69.8474	39.0474	
May	55.7091	50.2504	80.1039	42.8033	
June	55.4378	52.5685	85.9319	49.5164	
July	58.7493	55.2325	85.2843	46.459	
August	57.794	52.3674	77.0383	51.1313	
September	50.282	55.1692	69.9981	46.9331	
October	47.6976	57.7252	55.2039	49.7654	
November	46.7381	62.8231	43.1188	52.0729	
December	47.4282	62.7599	32.077	51.6425	

Source: European Central Bank

Table 42: Public Finance (Rs 10 million)										
	2000/01	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10P**
GDP at basic prices	41342.9	43039.7	46032.5	50069.9	54848.5	61111.8	67585.9	75526.2	91016	107514.9
Expenditure	7983.51	8007.22	8400.61	8400.61	8944.26	10256.04	11088.92	13360.46	16134.99	21966.19
Receipts	5564.7	5713.16	6756.89	6756.89	7361.44	8451.39	8610.96	10351.29	12794.32	16985.73
Deficit/Surplus	-2418.81	-2294.06	-1643.72	-1643.72	-1582.82	-1804.65	-2477.96	-3009.17	-3340.67	-4980.46
Deficit as % of GDP	-5.85	-5.33	-3.57	-3.28	-2.89	-2.95	-3.67	-3.98	-3.67	-4.63

Source: Economic Survey 2009-10

Table 43: Value added at constant prices (base = 2000-01) by industrial division (in ten million Rs)										
	2000/01	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/2008**	**2008/09**	**2009/10**
Agriculture	**15562.45**	**16042.15**	**16576.13**	**17373.42**	**17981.03**	**18301.49**	**18479.60**	**19555.90**	**20150.00**	**20375.29**
Agriculture and forestry	15378.05	15841.69	16367.65	17139.44	17730.36	18025.97	18195.80	19251.40	19828.20	20036.40
Fishing	184.4	200.46	208.48	233.98	250.67	275.52	283.80	304.50	321.80	338.89
Industry	**4022.61**	**3834.07**	**3841.98**	**3919.43**	**4030.51**	**4124.66**	**4227.40**	**4205.80**	**4166.30**	**4280.58**
Manufacturing	3840.9	3636.40	3637.99	3716.32	3813.59	3889.83	3989.10	3954.50	3913.20	4016.78
Mining and quarrying	181.71	197.67	203.99	203.11	216.92	234.83	238.30	251.30	253.10	263.80
Services	**22960.39**	**22863.77**	**23794.62**	**25189.78**	**26022.96**	**27527.82**	**28805.66**	**30768.54**	**32444.66**	**34170.56**
Electricity gas and water	774.96	863.08	1027.43	1069.25	1111.67	1156.22	1306.50	1320.40	1308.40	1315.33
Construction	2558.54	2722.51	2779.80	2770.11	2850.34	3069.00	3145.30	3304.30	3334.10	3554.90
Wholesale and retail trade	6992.84	6183.68	6323.33	7006.63	6569.36	6809.90	6429.22	6696.22	7090.54	7489.46
Hotels and restaurants	845.9	691.70	705.58	795.49	752.47	800.10	827.81	885.11	911.29	989.13
Transport and communication	3142.46	3405.50	3582.50	3850.85	4098.50	4200.10	4409.43	4822.58	5188.27	5523.17
Financial intermediation	1145.5	1189.21	1208.96	1283.77	1595.70	1984.30	2210.30	2414.23	2450.21	2488.68
Real estate	3526.74	3354.33	3221.18	3153.79	3470.02	3690.00	4124.00	4554.40	4634.25	4859.79
Public administration	528.81	723.65	807.03	801.87	855.10	913.90	926.20	931.90	999.90	1014.90
Education	1737.24	2102.97	2391.34	2513.77	2760.60	2864.00	3073.80	3271.60	3639.90	3876.10
Health care	417.84	448.68	517.14	548.73	610.90	647.00	688.80	747.40	830.80	877.40
Other	1289.56	1178.46	1230.33	1395.52	1348.30	1393.30	1664.30	1820.40	2057.00	2181.70
Total GVA including FISIM	**42545.45**	**42740.00**	**44212.73**	**46482.63**	**48034.50**	**49954.00**	**51512.66**	**54530.24**	**56760.96**	**58853.44**
Financial intermediation indirectly measured	1202.63	1330.85	1242.80	1617.24	1718.00	1910.50	2147.60	2304.29	2470.62	2649.00
GDP at basic prices	**41342.82**	**41409.15**	**42969.93**	**44865.39**	**46316.50**	**48043.50**	**49365.06**	**52225.95**	**54290.34**	**56204.44**

Source: Economic Survey 2009-10

Table 44: Growth of value added at constant prices (base = 2000-01) by industrial division (in ten million Rs)

Industry	Fiscal Year							
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/2008	2008/09	2009/10
Agriculture	**3.33**	**4.81**	**3.50**	**1.78**	**0.97**	**5.82**	**3.04**	**1.12**
Agriculture and forestry	3.32	4.72	3.45	1.67	0.94	5.80	3.00	1.05
Fishing	4.00	12.23	7.13	9.91	3.01	7.29	5.68	5.31
Industry	**0.21**	**2.02**	**2.83**	**2.34**	**2.49**	**-0.51**	**-0.94**	**2.74**
Manufacturing	0.04	2.15	2.62	2.00	2.55	-0.87	-1.04	2.65
Mining and quarrying	3.20	-0.43	6.80	8.26	1.48	5.46	0.72	4.23
Services	**4.05**	**5.45**	**3.70**	**5.92**	**3.85**	**6.66**	**4.97**	**5.27**
Electricity gas and water	19.04	4.07	3.97	4.01	13.00	1.06	-0.91	0.53
Construction	2.10	-0.35	2.90	7.67	2.49	5.06	0.90	6.62
Wholesale and retail trade	2.26	10.81	-6.24	3.66	-5.59	4.15	5.89	5.63
Hotels and restaurants	2.01	12.74	-5.41	6.33	3.46	6.92	2.96	8.54
Transport and communication	5.20	7.49	6.43	2.48	4.98	9.37	7.58	6.45
Financial intermediation	1.66	6.19	24.30	24.35	11.39	9.23	1.49	1.57
Real estate	-3.97	-2.09	10.03	6.34	11.76	10.44	1.75	4.87
Public administration	11.52	-0.64	6.64	6.88	1.35	0.62	7.30	1.50
Education	13.71	5.12	9.82	3.75	7.33	6.44	11.26	6.49
Health care	15.26	6.11	11.33	5.91	6.46	8.51	11.16	5.61
Other communication services	4.40	13.43	-3.38	3.34	19.45	9.38	13.00	6.06
Total GVA including FISIM	**3.45**	**5.13**	**3.34**	**4.00**	**3.12**	**5.86**	**4.09**	**3.69**
Financial intermediation indirectly measured	-6.62	30.13	6.23	11.20	12.41	7.30	7.22	7.22
GDP at basic prices	**3.77**	**4.41**	**3.23**	**3.73**	**2.75**	**5.80**	**3.95**	**3.53**

Source: Economic Survey 2009-10

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