

EXECUTIVE SUMMARY

METHODOLOGY

Nepal Labour Force Survey 2008 (NLFS II) is the second round of a multi topic national labour force survey carried out by Central Bureau of Statistics (CBS) from January to December 2008. As a follow up to the first NLFS of 1998/99 (NLFS I), NLFS II helps not only to update labour force statistics but also to compare changes undergone in labour and labour market conditions in Nepal in the last nine years. The survey adopted two stage stratified sampling scheme, as was done in the previous survey. NLFS II enumerated 15,976 households selected from 799 PSUs in the entire country compared to 14,335 households from 720 PSUs in NLFS I. The country was stratified into 6 strata comprising 3 urban and 3 rural areas in NLFS II, whereas there were only two strata (Urban and rural) in NLFS I.

HOUSEHOLDS CHARACTERISTICS

NLFS II estimates that a large proportion of households about 89.2 percent were reported to be living in their own dwelling units and 9.2 percent in rented dwellings. Majority (68.4 percent) of the households used wood as fuel for cooking. On the other hand, the proportion of households that used Liquefied Petroleum Gas (LPG) was 12.3 percent. Electricity was the main energy source for lighting for 56.1 percent of the households. Around 33.0 percent of the households still use kerosene/oil/gas as the main fuel for lighting. About 45.0 percent of households used piped water and 39.1 percent of household use hand pump/boring water. Only a quarter (25.4 percent) of households has a modern flushing toilet and 23.4 percent have an ordinary toilet. Most of the households (57.9 percent) had radio while 33.2 percent had a television set. Around twenty eight (28.3) percent had a mobile phone, 9.8 percent had a fixed line telephone and 3.1 percent had a computer.

78.4 percent of all households in the country had agriculture land.

DEMOGRAPHY

NLFS II reveals that the total number of households has increased by 29 percent in the decade since NLFS I. But the average size of the household has been decreased from 5.1 to 4.9 persons. Interestingly, NLFS 2008 reveals that the proportion of the population in 0-14 year age group has decreased slightly from 41.3 to 38.7 percent, and in 15-64 year age group the proportion has increased slightly from 54.6 to 56.5 percent. The percentage of the population in the age group 65 yrs and over has remained about the same over the last nine years. The age dependency ratio and sex ratio has been decreased during the same period while the proportion of female headed households has increased from 14 percent to 22 percent.

EDUCATION AND TRAINING

About 63.2 percent Nepalese aged 5 years and over were literate in 2008, while the proportion was 49.8 percent in 1998/99. The increment differs by sex. Literacy rate of males has increased from 64.5 percent to 74.7 percent while female literacy has jumped from 35.8 percent to 53.1 percent. Similarly the overall adult (15 years and above) literacy rate has also increased from 44.5 to 55.6 over the period. There was a substantial increase in the proportions of the adult population who had attended school. In 2008, only 46.7 percent of persons aged 15 years and above had never attended school compared with 60.3 percent in the NLFS 1998/99. By sex, the rates improved from 43.7 percent of males aged 15 years and above never attending school to 32.4 percent in 2008, and for females from 75.4 percent to 58.2 percent. The proportions changed from 36.2 percent of urban residents aged 15 years

and above having never attended school in 1998/99 to 25.0 percent in 2008, and for rural areas, from 63.8 percent to 51.1 percent.

ECONOMIC ACTIVITY

The current labour force participation rate (the proportion of population aged 15 years and above who were currently economically active) decreased marginally from 85.8 percent in 1998/99 to 83.4 percent in 2008. The decline in the current LFPR was more marked in urban areas (from 73.3 percent to 67.3 percent) than in the rural areas. There has been a sharp drop in the proportion of children engaged in economic activity. The proportion of children aged 5 to 14 years who were currently economically active dropped from 40.9 percent in 1998/99 to 33.9 percent in 2008, with a sharp decrease in terms of percentage points in rural areas than in urban areas. In respect of the usual status (based on activities over the last 12 months), the participation rate increased only slightly over the decade for the 15 years and above population and 5 to 14 years population as well as in both urban and rural areas.

EMPLOYMENT

The total number of currently employed persons increased from 9463 thousand in 1998/99 to 11779 thousand in 2008. The employment-to-population ratio declined from 84.3 percent in 1998/99 to 81.7 percent in 2008. On the other hand the proportion of paid employees increased slightly from 16.0 percent in 1998/99 to 16.9 percent in 2008. Moreover based on the classification of industry 73.9 percent people work in the agriculture sector and 26.1 percent are engaged in non-agriculture sector.

Total time spent at work by persons aged 15 and over has gone up to 517 million hours in 2008 from 413 million hours in 1998/99. Encouragingly, total time spent by children in economic activities has declined from 48

million hours in 1998/99 to 38 million hours in 2008.

Among the employed persons, nearly 68 percent worked 40 hours and more, 20 percent 20-39 hours, 11 percent 1-19 hours and an insignificant proportion reported that they did not work in the reference week in 2007/8. While the proportion of the current employed working other hours was: 73, 17, 8 and 2 percent for 40 hours and more, 20-39, 1-19 and zero hours respectively in 1998/99.

Among those working less than 40 hours in the reference week, the percentage of people who did not work more hours due to involuntary reasons increased from 15 percent to 21 percent in between 1998/99 and 2008, whereas due to voluntary reasons it decreased from 83 percent to 79 percent during the same period.

Substantial increases between the two periods can be observed in average monthly earnings. Monthly average income in cash and kind from paid employment in nominal (current price) terms as compared to the previous survey has increased almost two and half times. The same pattern has also been seen in the monthly average earnings of males and females as well. However, the discrepancy in earnings between the males (higher) and females (lower) still remains as before.

TIME-RELATED UNDEREMPLOYMENT AND LABOUR UNDERUTILISATION

The time-related underemployment rate for the population of 15 years and above is 6.7 percent in 2008 as compared to 4.1 percent in 1998/99. The time-related underemployment rate increased for all age groups in between these two survey periods. The time-related underemployment rate was found to be the highest for 20-25 and 25-29 years of age groups (around 8 percent) and the lowest for those aged 60 years and above age group (5 percent) in this survey.

In the 2008 NLFS, 30.0 percent of the total current economically active population was classified as underutilised (49.9 percent in urban areas and 26.9 percent in rural areas). For males, 32.2 percent of the economically active were underutilised and for females, 22.8 percent of the economically active were underutilised. The labour underutilisation rate was highest for the 20-24 years age group (46.0 percent).

UNEMPLOYMENT

NLFS I estimated that 178.0 thousand people aged 15 years and above were classified as currently unemployed. This corresponded to an unemployment rate of 1.8 percent. The NLFS-2008 has estimated a total of 252.8 thousand persons aged 15 years and above to be currently unemployed in Nepal, an increase of 42 percent over the decade. The current unemployment rate increased slightly from 1.8 percent in 1998/99 to 2.1 percent in 2008, mainly for females aged 15 years and above (changing from 1.7 percent to 2.0 percent). Urban and rural unemployment rates were unchanged over the decade.

The male unemployment rate (2.2 percent) was slightly higher than the female unemployment rate (2.0 percent). The unemployed rate in the urban areas was 7.5 percent and that in the rural areas was just over 1.2 percent. The youth (15-24 years) unemployment rate was 3.5 percent for those aged 15-24 years. The comparable rates for those aged 15-24 years in urban and rural areas were 13.0 percent and 2.1 percent respectively.

USUAL ACTIVITY

NLFS II estimates that about 82 percent of the enumerated population aged 15 years and above are usually active and 18 percent are usually inactive. The employment-to-population ratio on a usual basis was 80 percent and 2 percent of the population aged

15 years and above were usually unemployed. Between 1998/99 and 2008, the percentages of people classified as usually active and usually employed have remained remarkably stable. Out of usually employed people aged 15 years and above, share of currently employed is 97.7 percent, currently unemployed is 0.5 percent and currently inactive is 1.8 percent in 2008. This share respectively was 96.8 percent, 0.6 percent and 2.6 percent during the previous survey of 1998/99.

SUBNATIONAL ESTIMATES OF EMPLOYMENT

The labour force participation rate aged 15 years and above has remained relatively stable in all areas between 1998/99 and 2008, except in urban areas, the Hill belt and the Central development region. The labour force participation rate decreased in the urban areas (73.3 percent in 1998/99 to 67.3 percent in 2008) as compared to the rural areas where it remained stable (87.7 percent in 1998/99 to 86.8 percent in 2008). The labour force participation rate in the Hill belt fell from 87.9 percent in 1998/99 to 83.4 percent in 2008, and in the Central development region LFPR decreased from 83.4 percent in 1998/99 to 77.6 percent in 2008, whereas for other belts and development regions the labour force participation rate was relatively stable in the range 85 to 90 percent. It was also stable in the Terai at about 83 percent. The current unemployment rate increased in the Mountain belt and Far Western development region, but it was relatively stable elsewhere.

INFORMAL SECTOR & INFORMAL EMPLOYMENT

NLFS 2008 estimated that around 2142 thousand people aged 15 and over were currently employed in the non-agricultural informal sector (70 percent of total non-agricultural employment) as compared to 1657

thousand in 1998/99 (73 percent of current non-agricultural employment). During the last nine years the currently employed population in the non-agricultural informal sector grew by 29.3 percent. Distribution by sex shows that males employed in the non-agricultural informal sector increased by 31.1 percent and for females by 26.1 percent. There were 759 thousand people aged 15 years and over who were currently employed in their own business with no employees in 1998/99 and this increased to 969 thousand in 2008.

The 2008 survey also measured a new topic on informal employment. It is estimated that there were 2655 thousand non-agricultural informally employed persons (or 86.4 percent of total non-agricultural employment).

Of these, most of these (1054 thousand or 39.7 percent of non-agricultural informal employment) were "paid employees with informal job conditions" (that is, they had no paid leave or no social security contributions by the employer). There were 969 thousand (36.5 percent of all current non-agricultural employed aged 15 years and above) who were "self-employed without regular paid employees" and there were 525 thousand (19.8 percent of all current non-agricultural employed aged 15 years and above) who were contributing family members. The balance of non-agricultural informal employment were employers and others (4 percent).

Among male non-agricultural employed, 83.8 percent were informally employed and among female non-agricultural employed, 91.8 percent were informally employed. Among the employed working in the Agriculture/Fishing industries, 99.7 percent were informally employed.

ECONOMIC ACTIVITIES OF CHILDREN

The proportion of children aged 5 to 14 who were economically active (child labour force participation rate) declined from 40.9% in

1998/99 to 33.9% in 2008. A similar trend as well can be observed in both the urban and rural areas. The child labour force participation rate in urban areas decreased from 43.3% to 36.7% and in rural areas from 19.0% to 14.4%.

Unemployment rates among children aged 5 to 14 years old slightly increased from 0.2 percent in 1998/99 to 0.7 percent in 2008. Similarly in same age group the time-related underemployed also increased from 1.1 percent to 1.6 percent during the two survey periods. Also the total volume of work carried out by children has declined from 44 million hours of economic activity in the survey week in 1998/99 to 38 million hours in the survey week in 2008. This amounted to average hours of work per child of 18.0 hours in 2008 compared to 22.4 hours in 1998/99.

NON-ECONOMIC ACTIVITIES

Around 12.6 million persons were estimated to perform non-economic activities during the survey reference week in 2008 compared to 9.3 million in 1998/99. When considered as a percentage of the whole population, it was found that 61.1 percent of the population aged 5 years and above were engaged in these non-economic activities in 2008 compared with 57.5 percent in 1998/99. This increase is mainly due to increased non-economic activity by males. For males aged 5 years and above, 43.9 percent of males were engaged in non-economic activities in 2008 compared to only 37.2 percent in 1998/99. For females aged 5 years and above, the proportions were relatively stable being 76.1 percent in 2008 compared to 76.8 percent in 1998/99.

SEASONAL VARIATIONS IN EMPLOYMENT

NLFS II measures seasonal estimates for Rainy, Winter and Dry seasons. Whereas the 1998/99 survey showed that the peak season for the number of economically active

population aged 5 years and above was in the Dry season, the 2008 survey found that the Dry season had the lowest estimate of economically active population and the peak season was the Rainy season. The Labour Force Participation Rates for 5 years and above reflect the same situation. However when one considers the LFPRs for those aged 15 years and above, the 1998/99 survey peak was in the Dry season, indicating that significantly fewer children were economically active in the Dry season, and for the 2008 survey the peak continued to be in the Rainy season. Current unemployment rates for those aged 5 years and above were highest in the Rainy season in 1998/99 but highest in the Winter season in 2008. The number of employed with agricultural occupations was at its highest in the Winter season in 1998/99 but highest in the Rainy season in 2008. The aggregate number of hours worked was also highest in the Rainy season in 1998/99 but relatively stable over the Rainy and Winter seasons and lowest in the Dry season in 2008.

MIGRATION AND ABSENTEES

Migrants

The NLFS II estimated that about 33 percent of the enumerated population (all ages) had migrated to their current location either from another VDC or municipality in Nepal or from outside the country.

The rate of lifetime migration (all ages) was higher for females (44 percent overall, with 88 percent of female migrants from within Nepal and 12 percent from outside Nepal) compared with males (21 percent overall, with 85 percent of male migrants from within Nepal and 15 percent from outside Nepal).

Most movement was from rural areas of Nepal (80 percent of the migrants) with only 7 percent of migrants coming from urban areas and 13 percent from abroad. For lifetime migrants now in urban areas 77 percent had moved from rural areas, 13 percent had

moved from other urban areas and 11 percent had arrived from outside Nepal.

Migration arises from a combination of many reasons. In NLFS II, most (48 percent) lifetime migrants, all ages, said that “marriage” was the main reason for their movement. Other reasons given were “other family reason” (30 percent) and “easier life style” (8 percent).

For the population aged 5 years and above, about 37 percent were found to have migrated. The rate of migration is higher for currently unemployed aged 5 years and above (56 percent of the unemployed had migrated) than currently employed aged 5 years and above (42 percent) and currently inactive aged 5 years and above (27 percent).

Absentees

Almost 15 percent of the total population (including absentees abroad) of all ages were found to be absent or away from home. More adults aged 15 years and above (23 percent of the population including absentees abroad) are away from home as compared to that of children aged under 15 years (6 percent of the population). Out of total absentees aged 5 years and above, 21 percent are currently studying and 51 percent are working.

Nearly 44 percent of households have at least one absentee currently living either abroad or within the country. When differentiating between abroad and within the country, it shows that slightly more than 29 percent of households have at least one absentee currently living abroad. Whereas, slightly more than 19 percent of households have at least one absentee currently living within the country.

REMITTANCES

The proportion of households receiving a remittance (from either an absentee or from another person) was 30 percent of all enumerated households. The average

amount received over all households in the last 12 months was 19,721 Rs.

Most remittance incomes were received from outside Nepal (including India, Malaysia, Saudi Arabia, and Qatar) with 82.9 percent of all remittance income (absentees and others combined) coming from outside. *The share of remittance received from abroad* is the highest from Qatar (21.3 percent) and 19.2 percent, 14.9 percent, 13.4 percent 2.2 percent 29 percent respectively from Malaysia, Saudi Arabia, India, United Kingdom and other countries. The survey collected data on the District from which the remittance was sent but this is insufficient to distinguish remittances from urban and from rural areas.

Overall, total amount of remittance received is more than 95 billion NRs., while per capita remittance for the entire country is 4042 NRs.

MILLENNIUM DEVELOPMENT GOALS

The 2008 NLFS provides estimates for nine Millennium Development Goals indicators as established in the UN's Millennium Declaration in 2000.

Since the 1998/99 NLFS, many of the labour-related indicators have remained relatively stable, but there was a slight increase in the share of women aged 15 years and above in wage employment in the non-agricultural sector (15.1 percent to 19.1 percent) and in female youth unemployment (which increased from 2.1 percent to 2.9 percent for the age group 15 to 24 years).

For selected non-labour-related indicators, there were major developments over the last decade - especially for those living in rural Nepal and for women.

COMPARISON WITH OTHER SOURCES

The NLFS II results compare favourably with those from other sources, with any differences due to methodologies, concept, scope and

timing. Greatest comparability is with the NLFS I conducted in 1998/99 which used identical concepts, definitions and population scope. Comparisons are also possible with other data sources including the Population Census 2001, the Nepal Living Standards Survey 2003/04 and the Household Budget Survey 2005/06.