



**SAMRIDDHI**  
FOUNDATION

## **BIRENDRANAGAR**



# **Skill Development Program for Local Employment Opportunities**

A Political Economic Analysis

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## Introduction

The Constitution of Nepal delegates essential functions to all three forms of government. These functions, as laid out in the schedules of the constitution<sup>1</sup> and the detailed cabinet-unbundling report<sup>2</sup>, are based around certain sound principles of decentralization.

Of particular importance within this context is the role of local governments in improving the business environment within their territory. Although local governments existed long before the promulgation of the constitution of Nepal, their powers were limited to those expressly granted by the central (unitary) government. With the new constitution in force however, local governments have more legislative and executive powers and thus have an immense opportunity to channel the resources available for greater prosperity.

These opportunities exist in terms of enhancing economic development within the territory of the local government through a participatory approach. As institutions that are closest to the people, local governments are better suited to understand the needs and issues of their communities<sup>3</sup>. In addition to this local governments are also the most appropriate agents to call together on all of the local economy's stakeholders: the local chamber of commerce, trade unions, education and training institutes, agents of relevant government departments, non-governmental organizations, and international development partners active in the community to discuss and map out potential ways for development that is participatory in nature.

As such, Birendranagar, located in the Karnali, undoubtedly has an immense role to play in economic development and prosperity within her own territory as a local government. It must be noted at the outset that the state of Karnali on its own is, in comparison to other states, underdeveloped<sup>4</sup>, and to a certain extent her underdevelopment is also reflected on the underdevelopment of her local governments.

One of the potential hindrances to the development of Birendranagar as identified in the diagnostic study has been the lack of proper human resources. Although Birendranagar's service sector, agriculture sector, and construction sector have been rapidly increasing in the past few years, entrepreneurs and business owners alike are doubtful if such growth could be sustained over a prolonged period of time when there is a lack of skilled human resource to harness the true potential these sectors.

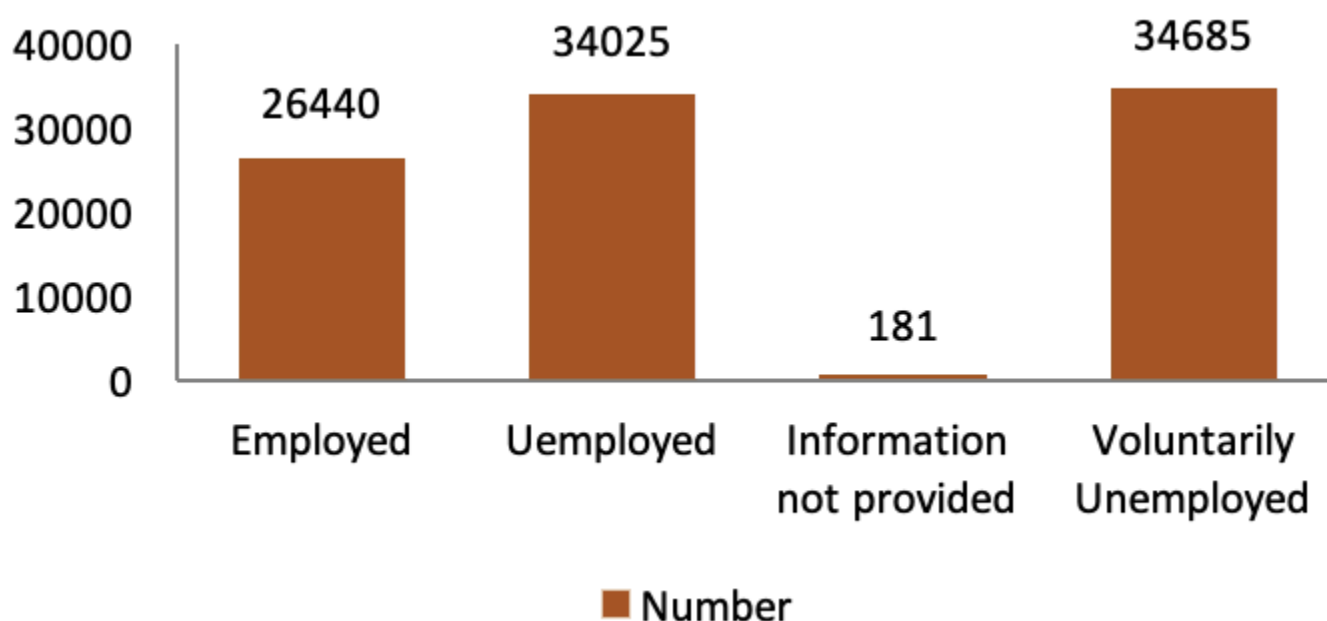
Against this backdrop, the following sections will try to look upon the employment sector of Birendranagar and closely analyse it through a sectorial Political Economic analysis which is drawn heavily upon the guidelines of the World Bank's Sectorial framework on Political Economic Analysis (PEA).

- 1 Detail powers relating to exclusive and concurrent power of each level of government are listed in the Constitution of Nepal from schedule five through nine
- 2 The Cabinet Unbundling Report was prepared by the Federalism Implementation and Administration Restructuring Coordination Committee of the Office of Prime Minister and Council of Ministers Nepal. The report details the principles of functional assignment and expands on the power provided by the schedules of the constitution to each level of government.
- 3 This is also affirmed by the principle of subsidiarity which is one of the fundamental principles behind the assignment of power to sub-national governments in Nepal.
- 4 It is evidenced by her relatively small contribution to the national GDP, fewer numbers of industrial establishments, poor regional connectivity. Data regarding the same can be easily gathered through Economic Survey 2018/2019, Provincial Accounts as published by the Central Bureau of statistics and the subsequent Provincial reports.

## IDENTIFYING THE CURRENT SITUATION OF THE EMPLOYMENT SECTOR

### Statistical information

The Household Survey conducted in Birendranagar estimates the total working-age (as per CBS standard) population, i.e. between 15-59, to be 73,954<sup>5</sup>. Of the total working age population in Birendranagar<sup>6</sup>, 27.73 percentage of the population is employed while the rest is divided between being unemployed and being voluntarily unemployed<sup>7</sup>.



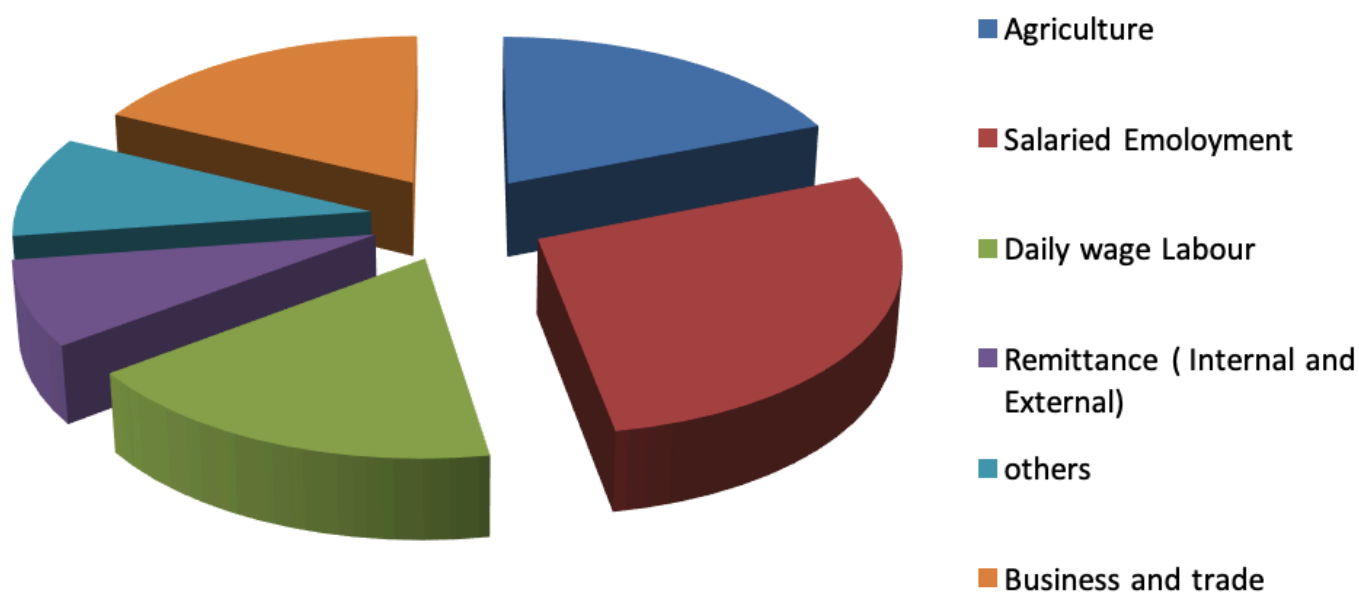
Source: Household Survey, Birendranagar, 2018

Likewise, the survey estimates that the total number of absentee population is 7,573, of which 53.77 percent have migrated temporarily to other parts of Nepal for either better employment opportunities or for study, while the rest have migrated abroad for better employment and/or higher studies. It is also evident from the survey that the majority of the household either depends upon agriculture, daily wage labour or business and trade as their primary source of income.

5 Nepalese laws provide the minimum age for work to be 15 while the age of retirement is set at 60. Therefore, the survey looks at working-age as being between 15-59.

6 For the purposes of calculating employment rate, the working-age in the survey is set as being above 15, this is in order to reflect the reality that although Nepalese laws mandate retirement at 59, many senior citizens still continue to work beyond their age of retirement in order to sustain their livelihood. The total working age population thus is 95,331.

7 This could be because of the dependence on remittance income. This phenomenon of working fewer hours or not working at all owing to remittance income has been properly recorded and provided by SWATEE's research titled Remittance and Non-Farm Self-employment among the Left Behind: Evidence from Nepal authored by Kharel, Dahal, and Davalos (Kharel, Dahal, & Davalos, 2020).



Source: Household Survey, Birendranagar, 2018

In addition to this, an important fact to note is that almost 81.99 percentage of the population above 10 years of age identify themselves as not having any kind of skill. This is reflective of the curriculum of basic secondary education which does not include skill development (Household Survey, 2018). Another important factor to consider here is that majority of the population from age group 5-35 who attend schools/ colleges have only completed basic and secondary education. This accounts for 42.73 percent completing basic education (class1-8) and 34.74 percentage completing secondary education (class 9-12) while only 11.37 percent complete higher education of any sort.

## Main actors

The employment sector has four major actors.

- The employee and the trade union
- The employer
- Government and its agencies
- Council for Technical Education and Vocational Training (CTEVT) affiliated technical and vocational institutes

The role of the workers and their trade unions is to supply skills necessary for the production of goods and services, while the role of the employers is to provide for the capital required for the production of goods and services. The government's role thus becomes to provide an enabling environment where both the employees and the employer can interact with each other in order to produce goods and services (Ayantunji & Ayantunji, 2013).

While these actors are traditional actors of the employment sector, technological changes and leaps made in the manufacturing process have created a new actor in the employment sector. The role of technical institutes as a primary determinant of the employability of a member of the working-age population is increasingly being acknowledged in the employment sector. This is largely due to their role as an institute that imparts knowledge required by the employer.

As conversations with relevant stakeholders during the primary research reflect, Birendranagar now faces a shortage of well trained and skilled human resources which has been hindering her overall development. It would thus be reasonable to assume and conclude that in the years to come technical education institutes will have a major role to play in the employment sector of Birendranagar by providing market-responsive skills.

## Powers of each actor

### 1. Employee and trade union

The power of the employee and trade union is to a larger degree legally mandated by recently formulated labour laws and laws relating to social security<sup>8</sup>. Their powers include their right to collective bargaining, recourse to tribunals for settlement of disputes and social security in the form of mandatory contribution by both the employee and employer. In addition to this Nepal's labour supply is unionized to a larger extent. This has in the past led to employees yielding greater power through the exertion of political influence<sup>9</sup>.

### 2. Employer

As is the case with the employee, the employer's power is also to a larger degree mandated by the recently formulated labor laws<sup>10</sup>. An employer as an actor in the employment sector demands efficiency from the employees and seeks the supply of well-qualified employees. Owing to the unique nature of the employer i.e. in decreasing poverty levels by providing ample employment opportunities, an employer often has the power to influence government's plans and policies and can engage on a similar footing with the government agencies for the formulation of policies that are favorable to all the actors.

### 3. Government and its agencies

The term government and its agencies in this scenario refer to the local government of Birendranagar. Being a creation of the constitution of Nepal, local governments have expressly defined powers. The constitution of Nepal, through Schedule 8, confers exclusive powers on several matters to the local government that is directly or indirectly related to the employment sector. These powers range from the registration of businesses that will likely generate employment in the future to local infrastructure development plans and projects that will create an enabling environment for enterprises to flourish. The local government's power in relation to the employment sector is also related to skill development of youths<sup>11</sup>. In addition,

8 Recently enacted Labour Act 2018 is highly regarded to be employee-friendly by providing powers for collective bargaining and mandatory contribution-based social security

9 It is also evidenced by the fact that many ruling party members were in the past trade union leaders

10 Many industrialists and large business owners regard the new Labour Act as being more flexible than the previous one. Contract employment and the power to lay-off employees are provisions that were commended by the Federation of Nepalese Chamber of Commerce.

11 It is provided in the Cabinet unbundling report, under the section unbundling of fundamental rights for local level

local governments under the Right to employment act also have the power to provide for self-employment opportunities, soft loans for self-employment and trainings.

#### **4. Technical and vocational education institutes**

The role of technical and vocational education institutes has been well documented through various scholarly writings. As was evidenced by the Household survey, a large proportion of Birendranagar's working population lacks any form of formal education. As such, technical and vocational education institutes appear at a strategic place to impart skills at a shorter period of time that are market responsive i.e. skills required by the employer.

### **Constraints of each actor**

#### **1. Employee**

A majority of the population in Birendranagar has not received and/or completed any formal education. Consequently, the employee and the member of the trade union have weakened bargaining. Of equal importance in this regard is the fact that more than 80 percent of the population of Birendranagar identify themselves as not having any form of extra skill; as a result of this, the marketability of the employee is diminished. This is reflected in the wages earned by the employee and the subsequent employment rate as well.

#### **2. Employer**

The employer constraints relate to the unavailability of skilled human resources which in turn affects the efficiency that the employer would have otherwise received. The relatively small size of the operation and the fragmented nature of business in Birendranagar at this period of time also limits their ability to influence the government and its agencies in creating an enabling environment.

#### **3. Government**

As a separate entity with legislative and executive powers, local governments have only been existent for the past three years. Although several researches point out that local governments are efficient in providing for services and can serve as a pillar for economic development, many local governments in Nepal lack capacity due to their size and nature of existence (The Asia Foundation, 2017).

A key constraint of all local governments is the bureaucratic nature in which they operate. While our new governance structure aspires to set-up a bottom-up relationship between citizens and the state, bureaucratic institutions are inherently top-down in nature. Local governments are no stranger to this phenomenon not only because the bureaucracy is accustomed to a top-down operational structure, but it has also played a dominant role in local government due to the instability of the political situation over the past two decades (The Asia Foundation, 2017).

Likewise, the balance of power between elected officials and civil servants also poses as a key constraint to local governments. In a study conducted by the Asia Foundation, it was found that both elected officials and civil servants were found to be frustrated at each other regarding

their role and authority. Even after elected officials assumed office in 2017 the bureaucracy continues to wield inordinate power. This is especially troublesome because of instances of local bureaucracy implementing federal decision overriding orders of the elected officials that can hinder the growth of local governments and the territory over which they exercise jurisdiction (The Asia Foundation, 2017).

A critical constraint with regards to local governments and their role in technical education lies in the fact that local governments do not have the authority to design the curriculum of technical education being provided. Such power falls under the Council for Technical Education and Vocational Training which is a federal body. The poor institutional and technical capacity of local governments and the absence of well laid out roles and responsibilities of local governments and co-ordination mechanism among the government tiers, also further weaken the local government in its venture to ensure proper education vis-à-vis technical education (Shrestha, 2019).

#### **4. Technical education institutions**

In 2015, Asian Development Bank carried out a study with an aim to improve technical education. A critical constraint, as per the study, is that the technical education subsector in Nepal is highly fragmented and there are several access barriers that exist. In addition to being highly fragmented, public technical education is also characterized by its weak institutional leadership which further limits its ability to impart skills that are market responsive (Asian Development Bank, 2015).

Most technical institutes in Nepal operate under the CTEVT. As such the constraints of technical institutes in Nepal become a mere reflection of the CTEVT and its shortcomings. The CTEVT, as a central agency, is overburdened by providing direct training services, and the roles of the various CTEVT stakeholders lack a clear definition and organization. For example, it is unclear whether the CTEVT should focus on policy and program coordination and quality assurance, or a training provision. The lack of clear demarcation of the role of the CTEVT has led to technical education in Nepal faring poorly in comparison to other nations in South Asia (Asian Development Bank, 2015).

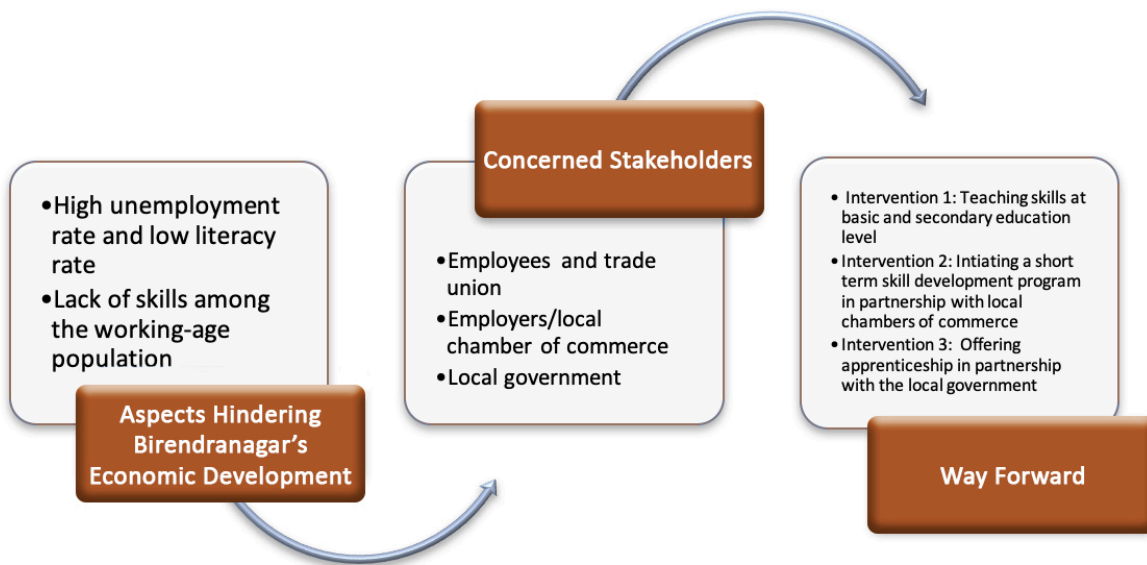
In addition to this, most technical education-related decisions occur at the central level within each respective line ministry, with little consultation with key stakeholders (e.g., industry, the private sector, and local communities), that leads to uniform curriculum that rarely addresses the needs of a specific geographical territory.

Although many initiatives were taken by the CTEVT to improve the scenario of technical education in Nepal, many of the problems highlighted in the report still exist. These problems relate to the inability of technical institutions to reflect the varying needs of the seven states and 753 local governments due to its nature of existence i.e. as a federal body rather than being a part of sub-national and local governments. Lack of mechanism for effective coordination among the various actors and their respective activities, leading to the duplication of activities is still a major problem with the federal agency responsible for technical education.

## THE WAY FORWARD

It is of the utmost importance that all stakeholders work in tandem with each other in order to fully capitalize on the current trend of growth. The way forward can only come by first and foremost recognizing the problems that exist and working on solving those problems in a manner that takes advantage of the relative strength of each stakeholder.

**Figure: Identification of problem, relevant stakeholders, and possible solutions**



Education, vocational training, and lifelong learning are central pillars of employability, employment of workers, and sustainable enterprise development. Observations from various scholars and international institutions point to skills development as being a key in stimulating a sustainable development process contributing to facilitating the transition from the informal to the formal economy (Kawar, 2011). Even more scholarly writings point towards the direct relationship between skills development or vocational and technical training and employability. It is therefore imperative for the local government of Birendranagar to recognize that skill development of the working-age population can lead to increased employment rate and greater efficiency and productivity for the employer which helps the overall economy.

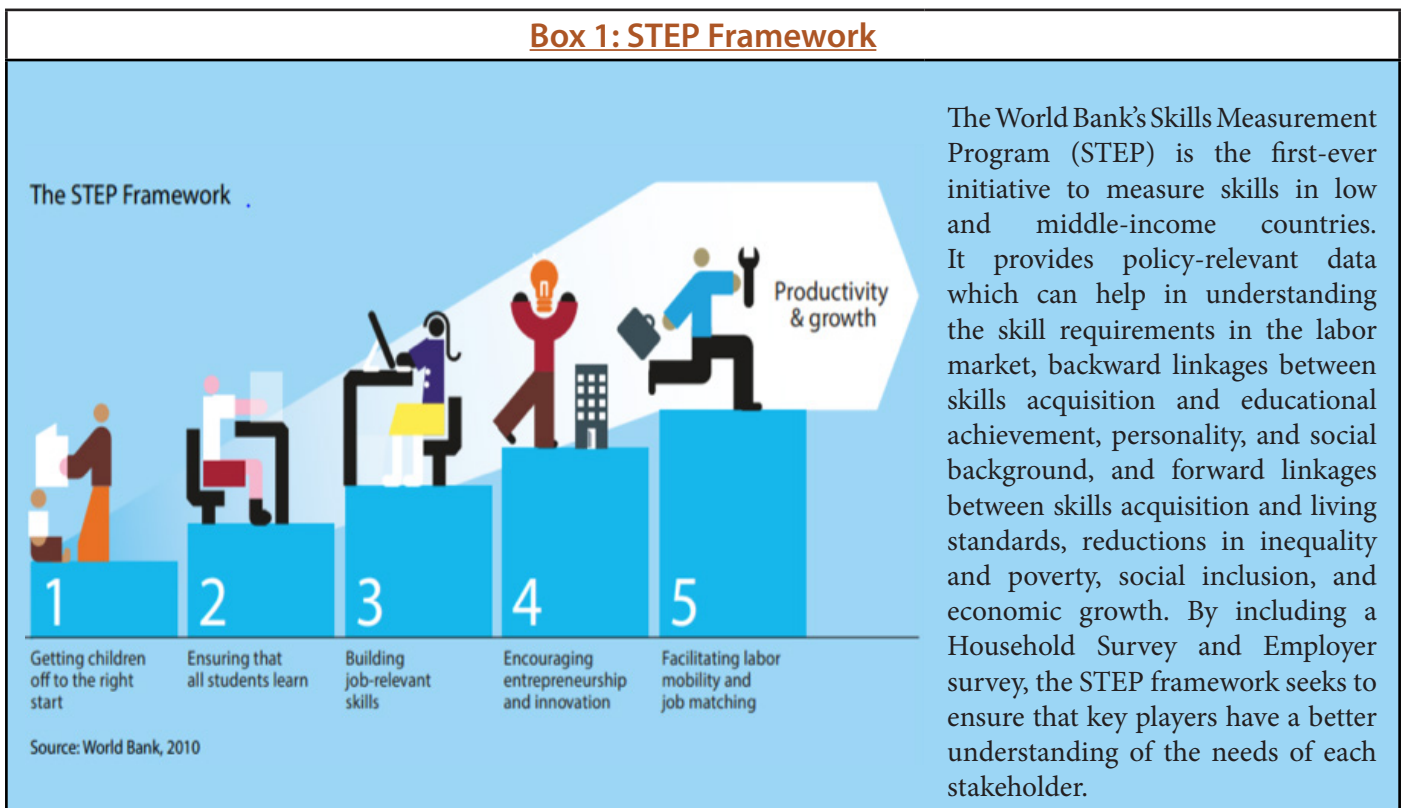
As evidenced by the primary research, Birendranagar lacks skilled human resources; more specifically, 80 percent of the population identifies as having no skills and a large portion of the population has not completed any kind of formal education.

The situation of Birendranagar can, in reality, be likened with the situation of the employment sector of the whole of South Asia. It is that many are having trouble finding work. Some, because the education provided to them does not equip them to keep up with the changing demands of the labor market, others because they are over or under-qualified for the available position (Sarkar & Dewan, 2017). In addition to this, those who cannot afford to be unemployed are often pushed in the informal sector, a sector that occupies a large chunk of the economy (as per the recent Nepal

Labour Survey as much as 70 percent). These factors demand that the education sector in all of South Asia including Birendranagar be fixed urgently.

Fixing the education sector in order to improve the employment sector is an urgent but complex and long term proposition. As such all the key actors have a role to play in making changes to the education sector in order for it to show its effect on the employment sector. Being a distinct entity, the local government has the power to oversee basic and secondary education. This is provided for in the Constitution. Per the cabinet unbundling report, the local government has the power to make the curriculum for basic and secondary education. As such, the local government can initiate skill development classes at an early age in partnership with private institutions and relevant stakeholders. Given the fact that many of Birendranagar's students do not complete education above the secondary level, imparting marketable knowledge and skills through a revised curriculum of basic and secondary education can create employment opportunities.

Evidence has shown that skills training – especially short three or six-month modules – cannot compensate for years of poor quality education; basic education, therefore, remains a foundation and skills training simply builds on that foundation, but it cannot be a substitute for it (Sarkar & Dewan, 2017). It thus becomes necessary for schools to cultivate social and life skills at lower levels, and the local government of Birendranagar should start this initiative by assessing what skills should be taught and what necessary changes should be made in the curriculum in order to ensure employable skills.



local government and employer can enter into an agreement whereby the employer provides first-hand training for a certain period of time and upon review may hire the said apprentice. In doing so the local government must identify those who lack any form of education or had no

access to education in the first place. Furthermore, the local government can also provide tax credits to the employer for giving out first-hand training which can serve as an incentive for the private sector.

### **Box 2: International practices on first-hand training and or future training programmes**

Argentina uses a tax credit regime to incentivize SMEs to focus on improving training at the enterprise level. The program allows SMEs to finance training projects by providing tax credits of up to 30 percent. Likewise, the tax credit regime is applicable to both companies and individuals provided certain criteria are met.

In France, the national and particularly regional government provided generous funding to help enterprises train or retrain workers, often in combination with reduced working hours, but without loss of salary, as an alternative to retrenchment. A Social Investment Fund financed by the State was set up to finance measures that promote the employment of young people, enable workers made redundant to re-enter the labour market and facilitate access to vocational training.

Source: International Labour Organization, 2009

As discussed earlier, technical intuitions in Nepal remain largely fragmented and most decisions relating to technical education occur at the federal level without proper consultation with the relevant stakeholders. Consequently, the curriculum designed by the federal institution may not properly reflect the needs of Birendranagar. It is also worth noting that the local government of Birendranagar does not have any power to alter the curriculum designed by the federal institutions and therefore most affiliate institutions in Birendranagar end up providing technical education that is not market-responsive. An effective way to counteract this problem would be to initiate its skill development program to empower the youth<sup>12</sup>. As noted earlier, the local government does have the power to run skill development programs targeting youth in her territory. An effective way to generate a skilled human resource and increase the employment rate would be to let the consortium of businesses run the skill development program. Given that the business sector has better knowledge as to what the employees lack in terms of skills, they will be better equipped with identifying and transferring required skills. As to the cost of running skill development program, the local government can simply provide tax credits or allocate a certain amount yearly to the business sectors through which the program can be financed.

### **Box 3: Delegating skill development program to the private sector**

In Brazil, technical training institution i.e. SENAI, is run by an association of industries, funded a percentage of taxes to be paid by the industries. It has sister institutions serving different sectors (agriculture, small enterprise, service sector, etc.). SENAI's "Prospecting Model" adjusts training provision based on the needs of the market and the emerging technologies and of new forms of work organization. It generates the estimates of job requirements over a five-year period based on the studies of technological and organization prospecting, tracking of emerging occupations and monitoring demand trends for vocational training, and design the curriculum based on the forecasts.

Source: International Labour Organization, 2009

<sup>12</sup> Skill development program although similar to technical education in that both programs offer certain important technical skill learning opportunities, can, in reality, be distinguished by the nature in which it is provided. Technical education is provided based on the pre-determined curriculum set by the central body CTEVT, while a skill development program can be offered by anyone and there is no compulsion to follow the curriculum set by CTEVT. Local governments as noted earlier cannot alter the curriculum of technical education institutes because such powers are not conferred by the Constitution of Nepal, however, every local government is free to run its skill development program in order to enhance its youth sector as per the cabinet unbundling report, unbundling of fundamental rights.

## CONCLUSION

Birendranagar is one of the fastest-growing cities in terms of population concentration. It presents itself with unique opportunities in the agriculture sector, service sector, and construction sector. Over the past years, the aforesaid sectors have seen steady growth, however, relevant stakeholders often claim that the growth could be higher if proper human resources existed.

The local government of Birendranagar and the private businesses are presented with a unique opportunity; one that relates to the participation of both parties in order to impart necessary skills to the future generation of potential employees. The policies recommended above have been designed by considering the constraints of each party and the power and influence that each party exercises. It is imperative to recognize that effective partnerships between governments and employers and workers organisations and training institutions can anchor the employment sector and act accordingly.

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