



SAMRIDDHI
FOUNDATION

BIRGUNJ

Metropolitan City



Skill Development Program for Local Employment Opportunities

A Political Economic Analysis

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A Political Economic Analysis of Birgunj

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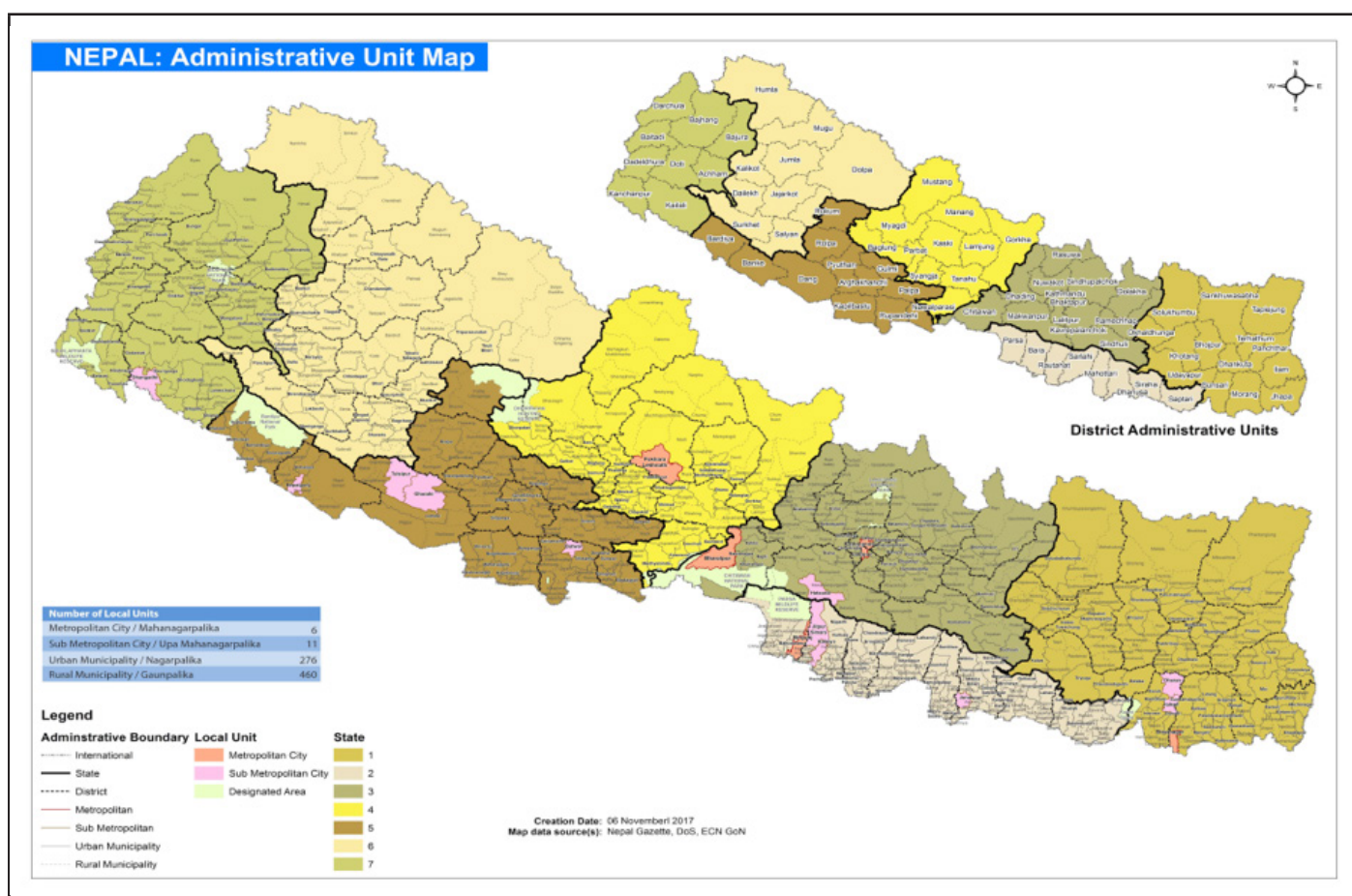
ABBREVIATIONS AND ACRONYMS

BMC	Birgunj Metropolitan City
CTEVT	Council for Technical Education and Vocational Trainings
DFID	Department for International Development
EXIM Code	Export Import Code
ILO	International Labour Organization

Introduction

After the enactment of the Constitution of 2015, Nepal has transitioned into the federal structure of governance. This has not only affected the administrative divisions in the country but also introduced a separate jurisdictional control of territories with sub-national entities. While the states gain their legitimacy from the constitution itself via Part 4 and Schedule 6, the number and size of local bodies are set forth by the Local Body Restructuring Commission formed by the transitioning government.

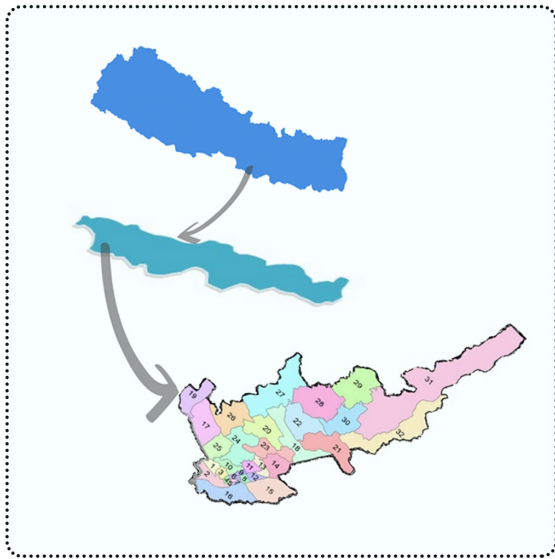
Figure 1: Administrative Map of Nepal



Source: Nepal Gazette, Department of Survey, Election Commission of Nepal, GoN

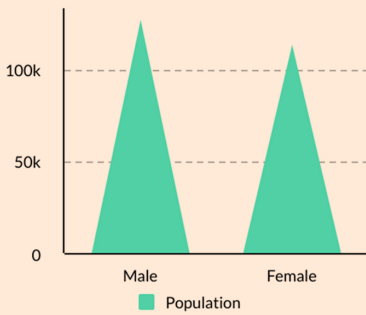
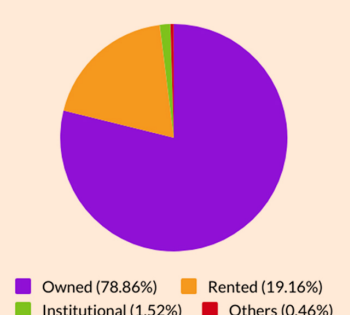
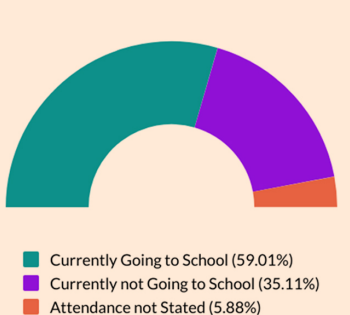
Birgunj, a city situated in State 2 was converted to a metropolitan after this structural reform to justify urbanization. Birgunj is the only metropolitan city in State 2 and some of the most important manufacturing and trading centers are housed in and around it. The city is one of the major gateways to India and more than 50% of total foreign trade is carried out via Birgunj (SMEC, 2013).

Figure 2: Snapshot of Birgunj Metropolitan City



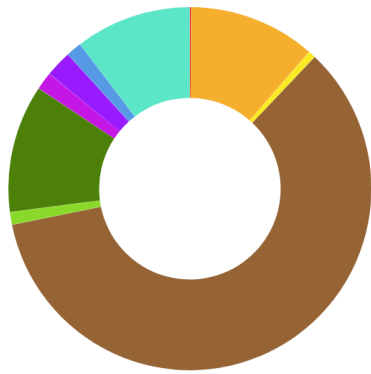
Snapshot of BIRGUNJ

 <p>State and District</p> <p>Parsa District in State No. 2</p>	 <p>Area</p> <p>75.24 sq. km spreads over 32 wards</p>	 <p>Mayor & Deputy Mayor</p> <p>Mr. Vijay Sarawagi and Ms. Shanti Karki Respectively</p>	 <p>Languages</p> <p>Official: Nepali Local Bhojपुरी</p>
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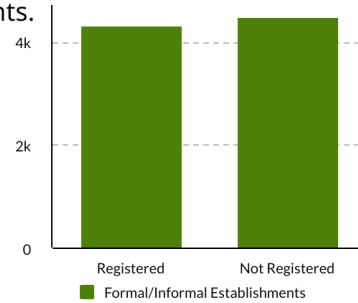
<p>Total Population of Birgunj</p>  <p>Birgunj houses a population of 240,922 including 127,227 male and 113,695 female population as per the data published by the Central Bureau of Statistics.</p>	<p>Total Number of Households</p>  <p>There are nearly 39,300 households with 30,980 owned and 7,528 rented as per the data by the Central Bureau of Statistics.</p>	<p>Current Literacy Figures</p>  <p>Out of 103,140 population aged 5-25, 59% are currently attending schools, 35% are not attending schools and the attendance is not stated for the remaining.</p>
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Establishments in Birgunj

The National Economic Census Provincial Report of 2018 states Birgunj hosts 8,811 commercial establishments and nearly 33,000 people are commercially engaged in these establishments.

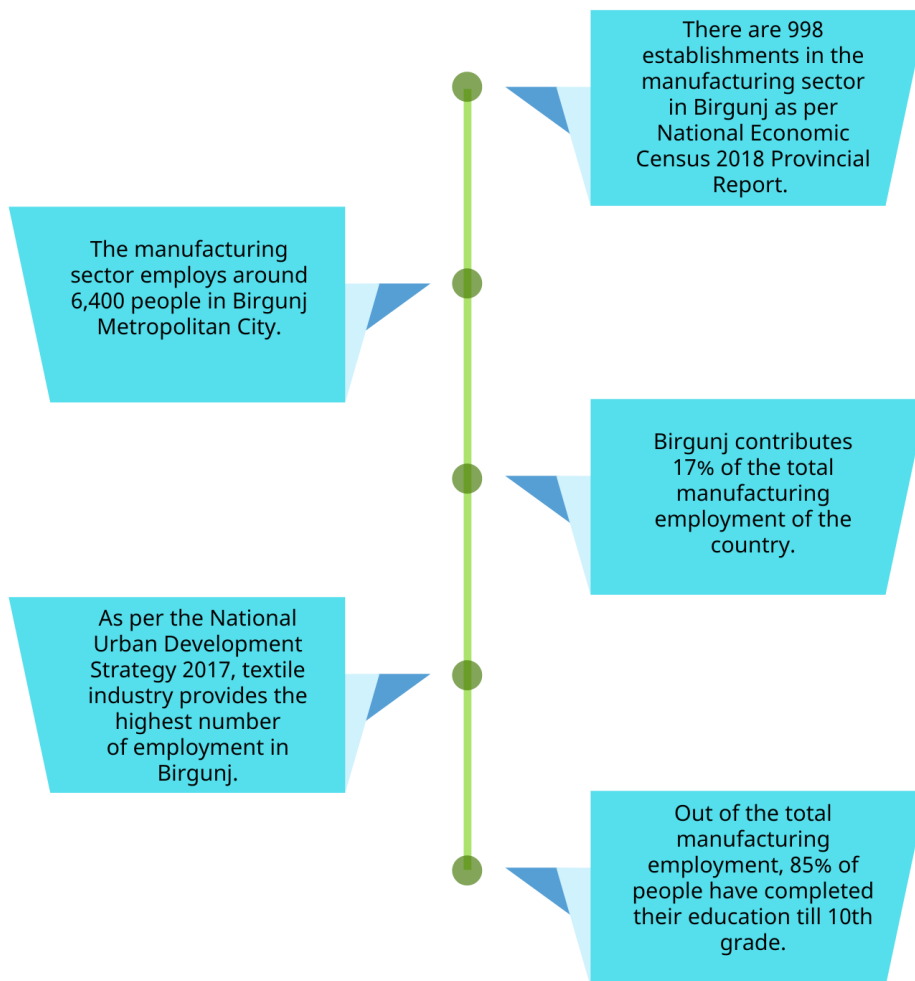


- Agriculture, Forestry, Fishing (0.1%)
- Manufacturing (11.32%)
- Mining, Electricity, Gas, Water supply & Construction (0.66%)
- Wholesale, Retail Trade (59.75%)
- Transportation, Storage, Information, Communication (1.12%)
- Accommodation, Food (11.38%)
- Financial, Insurance (1.58%) ■ Education (2.35%)
- Human, Health, Social Work (1.38%)
- Real Estate, Administrative, Entertainment and Other (10.36%)



There are more informal establishments in Birgunj as compared to formal establishments. There are 4,320 registered establishments while 4,491 establishments are unregistered.

Manufacturing Employments



Sources: Central Bureau of Statistics, National Urban Development Strategy 2017, National Economic Census 2018, Provincial Report

Being one of the major industrial hubs of the country, Birgunj Metropolitan City (BMC) aims to further develop its manufacturing sector as this sector is crucial for the growth and development of the economy. While a promising change has been seen in the manufacturing sector owing to an increased supply of electricity over the last three years, the performance of the sector is still below satisfactory as the sector is not able to operate at its full capacity. Businesses continue to face regulatory hurdles pertaining to market entry, operation, and exit. Growing real estate prices are affecting the cost of doing business as well as conventional and limited means to access finance as against innovations in financing are further limiting the growth prospects. Policy unpredictability is also compromising investment security for businesses as evidenced by the case of reference prices and EXIM code regulations recently introduced by the government. And to top it all off, businesses housed in Birgunj grappled, and continue to do so, with the lack of skilled human resources as per the nature of businesses (Samriddhi Foundation, 2019).

This analysis solely focuses on the reason behind Birgunj Metropolitan City's problems of skilled human resources and the way forward for the metropolitan to mitigate this recurring issue by acknowledging the roles and interests of the key stakeholders.

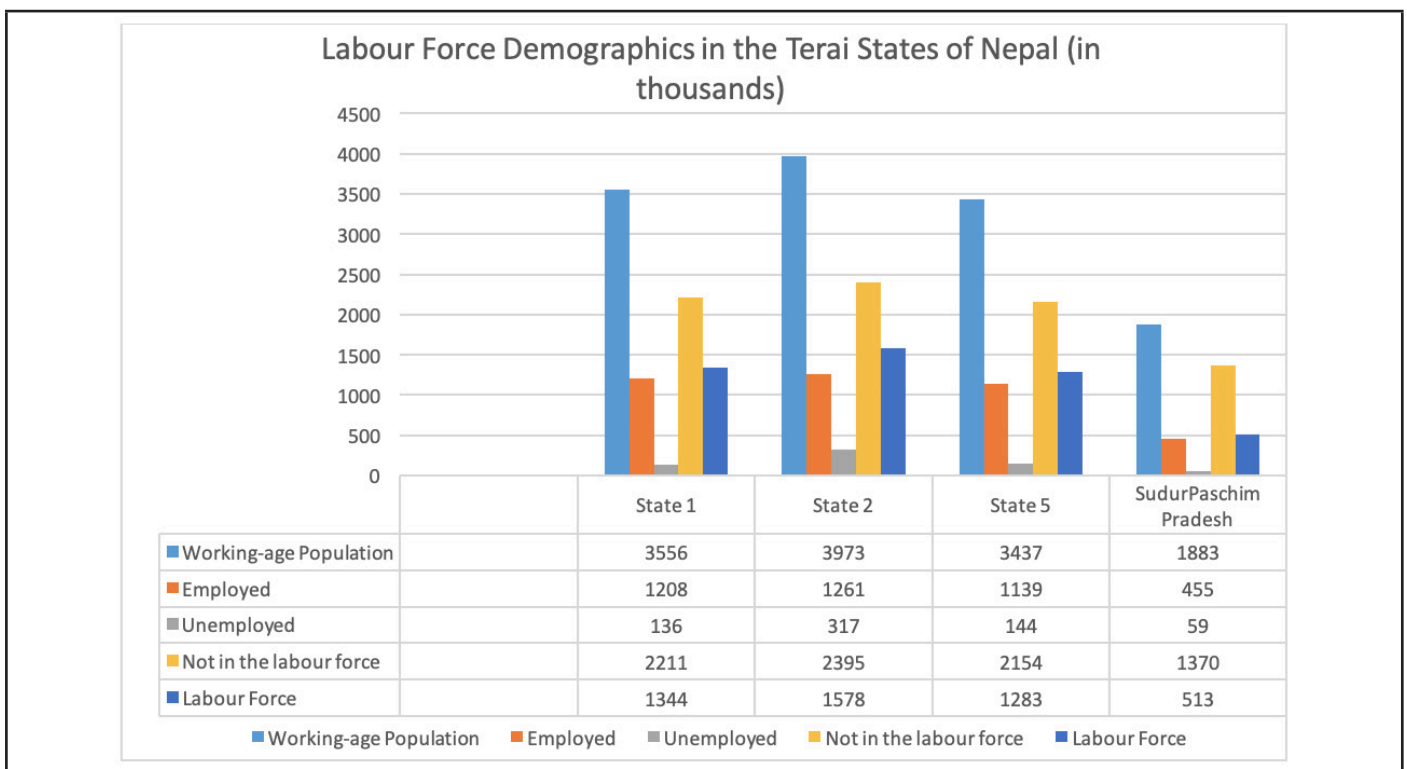
PROBLEM: LACK OF SKILLED HUMAN RESOURCE IN BIRGUNJ

A diagnostic study of the business environment in Birgunj which was conducted prior to this analysis identified the lack of skilled human resources as one of the major challenges facing the manufacturing sector in the city. The interviews taken with industrialists of Birgunj Metropolitan City and other stakeholders further attest to this finding. Although there is an abundance of programs focusing on the skill training and development in the metropolitan city, impactful change is yet to be seen.

One of the underlying reasons for the problem is the poverty in the state itself. The Multidimensional Poverty Index report of 2018 exhibits that nearly half of the state’s population is multidimensionally poor with the headcount ratio of 47.9%. Similarly, the intensity of poverty in State 2 is 45.3% meaning that those identified as multidimensionally poor are deprived of basic resources such as education, health, etc. As per the National Population and Housing Census 2011, in the manufacturing sector of Birgunj Metropolitan City, 23% of the population is illiterate and out of 3966 literate population, only 559 have education attainment till tenth grade.

Having a certain degree of education proves to help attain employment but those not having access to school education can improve their chances by attending skill development programs and trainings. In Birgunj Metropolitan City, a major concern of the stakeholders is the lack of proper training courses that help generate employable skills.

Figure 3: Labour Force Demographics in the Terai States of Nepal



Source: Report on the Nepal Labour Force Survey 2017/18

State 2 holds the highest working-age population as well as the highest number of labour force not employed and the reason behind it can be owed to the absence of employable skills even after receiving skill development programs. The Nepal Human Development Report 2014 reports the labour productivity of State 2 to be NPR 975,249.1 which is one of the lowest in the country (Samriddhi Foundation, 2019). The major concern for the industrialists as per the primary research was the outflow of those taking skill development courses. Out of the total people going abroad for employment, 24.10% were from State 2 between fiscal years 2008/09 and 2016/17 (Ministry of Labour and Employment, 2018). As the major industrial hub of the state, it could be assumed that had these unemployed labour force and migrants possessed the necessary skills, they would have been absorbed by Birgunj only.

The gap caused by migration for foreign employment has been, to some extent, covered by an influx of daily wage workers from bordering states in India. In State 2, 15% of the population employed is foreign migrants (Central Bureau of Statistics, 2019). This substitution of the labour force is, however, not an appropriate solution as the industries based in Birgunj share that even they do not meet the technical skills required to ramp up the production or scale-up these industries. More importantly, from a political point of view, this substitution is not a sustainable solution to the internal labour problem of Birgunj as political leaders at all levels of government have to fulfill the promise of creating new employment opportunities for locals and transforming the local economy.

LEGAL DRIVERS OF DECISION MAKING

The Local Government Operation Act, 2018 in Chapter 3, Section 7 gives mandate to local governments to develop and administer skill development program trainings, workshops, seminars, etc.. Similarly, Chapter 2, Section 8 of the Right to Employment Act, 2018 states, “The Government of Nepal, State Government, and Local Level shall, after the commencement of this Act, conduct necessary employment programs to provide the unemployed persons with minimum employment”. Likewise, Chapter 5, section 20 of the same Act states, (1) For the unemployment support, the Government of Nepal, the State Government, and Local Government shall conduct the following programs:

- (a) Providing information relating to employment opportunities,
- (b) Providing employment-oriented and skill-oriented training,
- (c) Providing soft loan for self-employment through banks and financial institutions,
- (d) Creating self-employment,
- (e) Conducting other programs as prescribed.

Though the metropolitan city is the delegated authority to conduct such programs, the problem of absence of skilled human resources persists because of the lack of communication and coordination between the institutions or stakeholders. Even when the local government operates skill development programs, the courses provided do not facilitate in generating employable skills which is a necessity for the current manufacturing sector in Birgunj. The industrialists had identified the absence of employable skills as another reason for the lack of skilled human resources and foreign employment in the region.

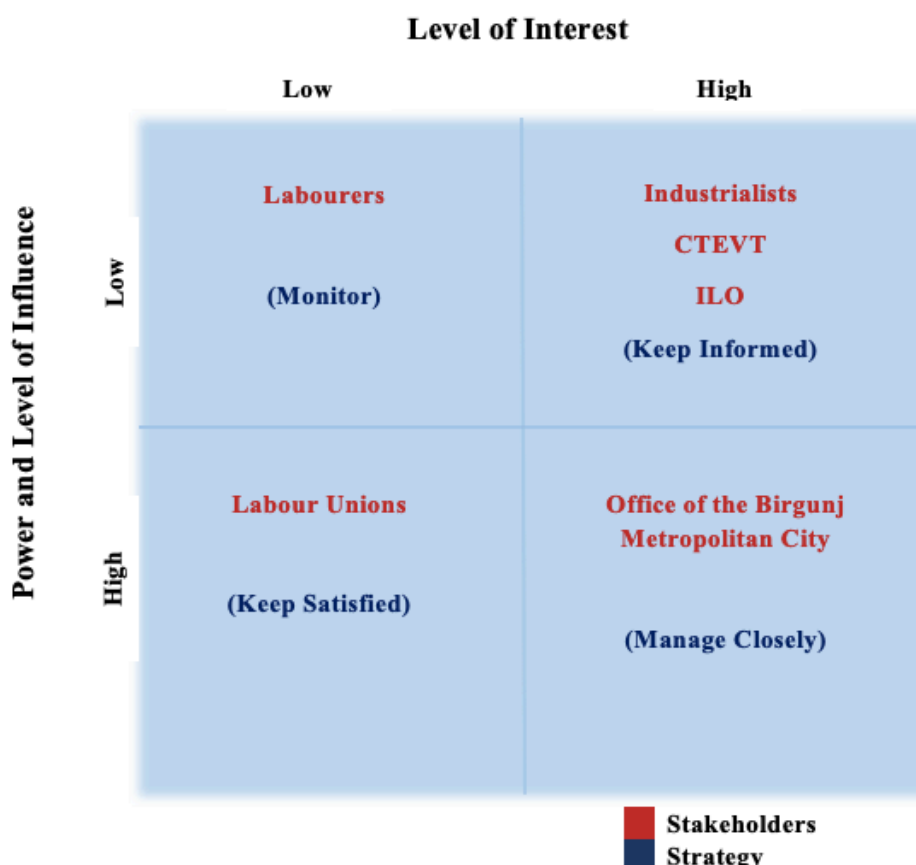
STAKEHOLDER ANALYSIS

A major reason for the lack of coordination in generating skills in Birgunj Metropolitan City is because the stakeholders are unaware of the interests of others. The below-given graph lends some insights into the interests of each stakeholder and how the interests of each are fulfilled after generating skilled human resources.

Figure 4: Relation between Stakeholder’s Interests and Skilled Human Resources



The development of skilled human resources in Birgunj Metropolitan City fulfills the interest of all stakeholders. Industrialists will be able to employ a skilled workforce and the labourers and labour unions can bargain for an increase in the welfare of the labourers for the added value that they give to their employers after acquiring new and relevant skillsets. Similarly, the concerns of the national and international development partners such as International Labour Organization (ILO), the Department for International Development (DFID), etc. regarding labour rights and skill development will also be addressed and the objective of the Office of the Birgunj Metropolitan City and the Council for Technical Education and Vocational Trainings (CTEVT) will also be achieved.

Figure 5: Power-Interest Matrix of Stakeholders in the Manufacturing Sector of BMC

The local government is responsible for conducting programs that contribute to the development of the local level. The Office of the Birgunj Metropolitan City holds high authority regarding the conduction of the skill development programs. The success of such programs conducted depends on the willingness of the labourers involved in the manufacturing sector and the preference of the industrialists in providing such training to their employees. When these three stakeholders seem to move towards the same direction, other stakeholders such as the CTEVT and ILO could be contacted for providing the necessary training.

The Power-Interest Matrix above shows us the power of each stakeholder and their level of interest along with the strategy that needs to be adopted if any one party willingly conducts skill development programs. The Office of the Birgunj Metropolitan City holds high interest and high power and thus needs to be 'managed closely' by the stakeholders meaning the Office of the Birgunj Metropolitan City must be fully engaged in skill development programs and other stakeholders must make efforts to satisfy the needs of the Office. The industrialists, CTEVT and development partners having a high interest in generating skilled human resources must be kept well informed about the programs being conducted so that no major issues arise during the program. The industrialists, CTEVT and development partners will help generate insights for the programs. The labourers are to be monitored as they may be uninterested with excessive communication of the details regarding the program because of their low interest and low power regarding the skill development programs. The labour unions must be kept satisfied with the program details because of their high influence among the labourers so as to conduct the program effectively.

A WAY FORWARD

As it stands today, there is a mismatch between demand and supply of employable skill sets. The local governments can utilize the authority delegated by the Constitution and take an initiative for conducting a skill development program. We have seen that each stakeholder can benefit through investment in understanding the skill needs of the industries in Birgunj followed by the development of relevant skill development programs or necessary reforms/revisions in existing ones to ensure that the demand of industries' skills is met by the locally available human resources. As such, the government could employ a Public-Private-Partnership model.

A tentative action plan for the local government could be as follows:

Step 1: Birgunj Metropolitan City to commit to designing a skill development program aimed at mitigating the problem of mismatch between the demand and supply of employable skill sets in Birgunj.

Step 2: Conduct a thorough stakeholder analysis to include all parties whose interests could be aligned to the said program. At this point, the local government should acknowledge that there will be both enablers and spoilers to the said intervention based on which stakeholders might gain and lose from it.

Step 3: Build a platform incorporating all stakeholder groups to ensure communication and coordination among the stakeholders, and most importantly, to secure buy-in of all groups as it will be a key determinant of the success or failure of the program once it goes into implementation.

Step 4: With the active engagement of the local business chamber, take stock of the current skills scenario in Birgunj. Local government should let the local businesses lead the mapping of skill-sets that will be required in the medium to long term. This is one of the most important processes because the nature of jobs in the market in the future will be a function of the current industries' operation strategies for the future.

Step 5: Local government must secure ownership of the CTEVT, which is the sole responsible body for developing curriculum, towards this intervention. Inputs of different stakeholders from the platform created in 'Step 3' should be factored in while developing the course. As evidenced by the study, current courses have not been able to cater to the many local needs of Birgunj alike some other regions in the country.

Case Box 1: Japanese Vocational Training System

Japan is developing an educated, well-trained and flexible workforce to enable the country to forge ahead to maintain its competitive edge and has enhanced its labour productivity through skills training and retraining.

To stimulate private sector involvement in training and retraining of workers/adult workers, the Government of Japan, through Ministry of Labour, assists by running a national institute of Vocational Training. Moreover, it also supports by providing subsidies and opportunities for vocational trainings to encourage smaller companies to provide necessary training. This system will be reviewed when necessary and disseminated as a system contributing to development and securing human resources.

Japan is creating a workforce of 1.5 million annually through its training system that is multi-skilled, innovative and possesses numerical and communicative skills; all of which caters to the rapid technological developments and a significant shift from labour-intensive to knowledge and skills-based industries.

Step 6: Finance would also be an important factor determining the success of the program. The local government should proactively reach out to the local chamber to contribute a portion of the program budget as they would be the primary beneficiaries of the program. The local government itself also has a lot to win from its voters if such intervention led to the creation of meaningful job opportunities for the locals. As such, the local government should also explore all possible avenues to contribute to the program. Understandably, there might still be more financial requirements than what can be met in these two groups. This is where the local government should act as a bridge between its citizens and other government machineries (from neighbouring local governments to the state government to even the federal government) to bring in more partners.

Step 7: Equally important will be to borrow technical expertise required from designing the program to conducting trainings and administering the entire intervention. This is where Birgunj will have to bring in the CTEVT (designing curriculum to delivering trainings) and ensure a competent body to administer the program. The administration could be done either by a dedicated wing of the government, by a private company or a joint venture to which it can be outsourced.

Step 8: Consideration for the migrant labourers from the neighbouring country for the skills development programs must be made by the industrialists as such labourers, in most cases, prove to be an asset for industries in the city. A strategy will have to be designed in coordination with all stakeholders regarding how to retain such human resources that prove to be valuable for the industries.

Parallely, Birgunj Metropolitan City needs to invest in quality education to increase the number of students attending schools. In Parsa alone, there are 20,409 students not attending schools (Jha, 2018). The underlying reason for students not attending schools must be identified and solved to ensure that the problem of skilled human resources does not recur in the future. The initiatives like “Beti Bachau, Beti Padhao”, “Innovation Summit”, etc. taken by Birgunj Metropolitan City is a step towards the right direction and is expected to be continued. Similarly, Birgunj Metropolitan City needs to collaborate with the development partners in State 2 who are currently involved in generating employable skills. The collaboration will help in identifying and pooling the resources required for the skill development programs so as to make it more efficient and effective.

Case Box 2: Dual Training System in Germany

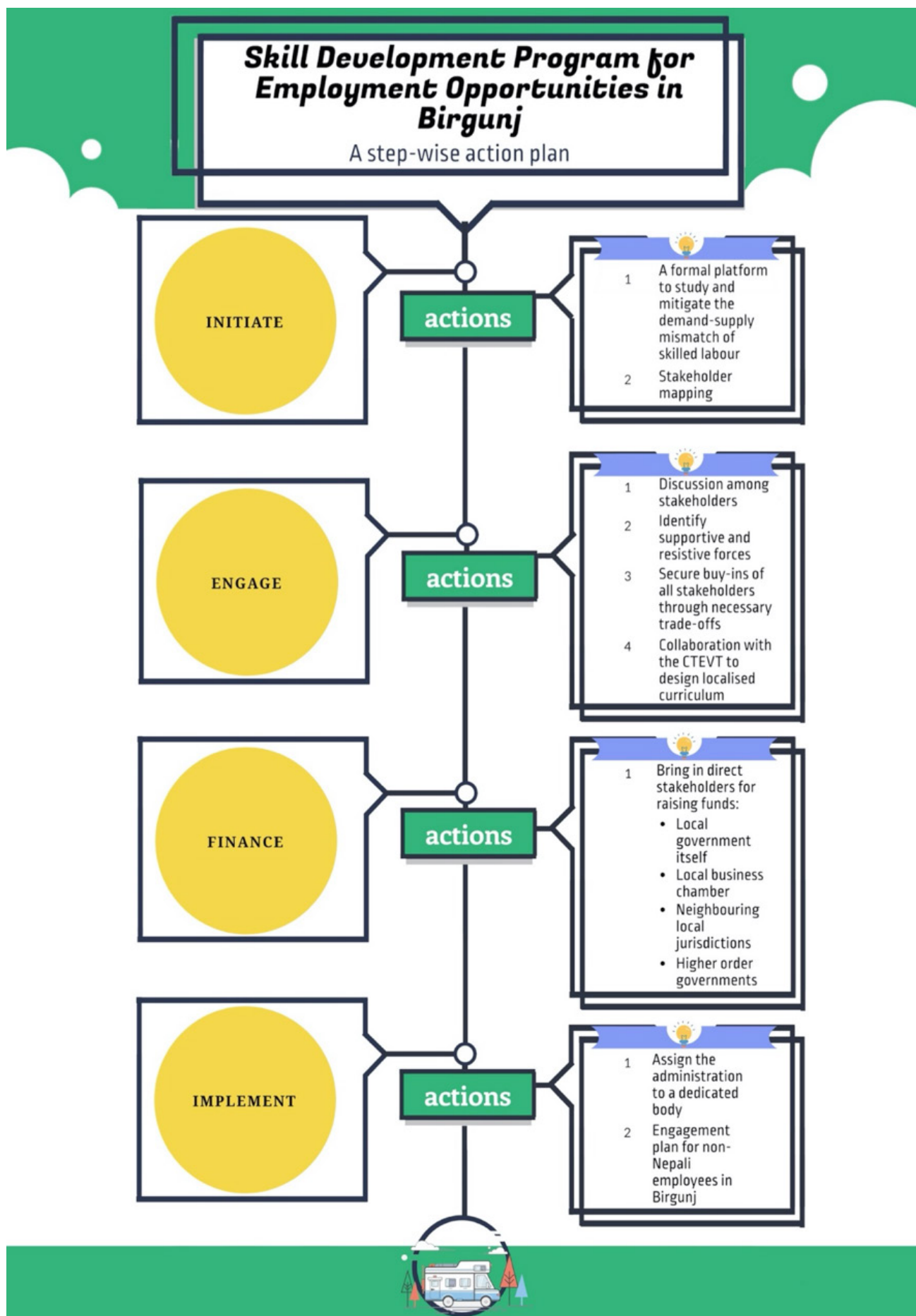
The Dual Training System (Apprentices Training) in Germany represents an institutionalized approach to coordination and cooperation among the various actors involved in training with companies playing a major role as well as system reflecting an approach to public-private co-operation and partnership in Human Resource Development.

In Germany, the system of Dual Training is not only part of the education system but also covers occupation-related and general subjects-imparted in vocational schools one or two days a week. The trainees undergoing Dual Training are part of the employment system and subject to employment-related legislation and the Vocational Training Act.

The public body is responsible for the legal and organizational framework while the private sector is responsible for matching the supply of and demand for training.

The Government and social institutions, including the Federal Government and State governments are responsible for governance whereas the enterprises, business associations, labour unions, are responsible for the working of Dual Training. The Dual system is completely driven by the industry.

Figure 6: Step-wise Action Plan for Skill Development Program in BMC



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