dakchyata
TVET PRACTICAL PARTNERSHIP

PARTNERSHIPS FOR GROWTH

LABOUR DEMAND SURVEY OF MEMBERS OF THE EMPLOYERS' ASSOCIATION
SUMMARY REPORT

Overview of ELMS

The Employer led Labour Market Secretariat (ELMS) Project has been jointly implemented by five umbrella employer associations (EAs) of Nepal. They are: the Federation of Nepalese Chambers of Commerce & Industry (FNCCI); Confederation of Nepalese Industries (CNI); Federation of Nepal's Cottage and Small Industries (FNCSI); Hotel Association of Nepal (HAN); and the Federation of Contractor's Association of Nepal (FCAN). It is considered as an exemplary project of a unified and harmonious private sector in Nepal. Moreover, ELMS is the first project of this nature, where five major employer associations of Nepal have worked together to establish the LMIS. The project is funded by the European Union (EU) and managed by British Council with support from Dakchyata: TVET Practical Partnership Project, from November 2020 to December 2021, as per the agreement made between the British Council and the Federation of Nepalese Chambers of Commerce and Industry (FNCCI).

Background

According to the 2018 economic census, more than 923,356 economic establishments were operating in Nepal at the time and about half of these (462,605) were registered enterprises which, between them, employed more than 3,200,000 individuals (CBS, 2018).[1]

Despite the large number of people employed by these enterprises, professionals from businesses and industries have traditionally complained that they cannot get properly skilled and trained individuals to address their needs. This may seem surprising when one considers that there are almost 3,000 officially registered Technical and Vocational Education and Training (TVET) institutes which deliver various types of TVET programmes and between them train more than 100,000 people every year. However, research shows that a significant proportion of those trained are unable to find gainful employment opportunities in the country and remain out of work while almost 300,000 individuals migrate abroad annually in search of gainful employment opportunities.

The mismatch of skills in the labour market is a situation that dates back more than two decades and is a major disadvantage for the private sector of Nepal. The contribution of the industrial sector to the Gross Domestic Product (GDP) was 13.59% in 2010/11. Instead of increasing, there has been a decline in the sector's contribution over the last decade: 11.72% at the end of the fiscal year 2021/22 (Ministry of Finance, 2022).[2] Until the business and industrial sectors come to the forefront of the TVET sub-sector, the skills mismatch will not be solved and the economy of Nepal will remain static.

Labour demand survey

Five major business/industrial sectors have conducted a survey to explore the Human Resources (HR) related problems of these enterprises and identify the demand for major occupations in the country.

The purpose of this study was to support this ambition by collecting the skills demand of private sector employers in the Construction, Agriculture and Tourism (CAT) sectors and identifying the gap in the available skills in the market. This study included five major employers' associations of Nepal: the Federation of Nepalese Chambers of Commerce & Industry (FNCCI); Confederation of Nepalese Industries (CNI); Federation of Nepal's Cottage and Small Industries (FNCSI); Hotel Association of Nepal (HAN); and the Federation of Contractor's Assocation of Nepal (FCAN), and was produced in close coordination with their member enterprises.

The specific objectives of the study were to:

Explore the employment status of private sector enterprises within the CAT sectors and collect education and skills related information of employed workforces;

Analyse the collected labour market data in line with the workforce demand;

Identify the major emerging sub-sectors and occupations in CAT sectors;

Explore the skills gap and inter coordination between employers and TVET providers

Make recommendations to the relevant authorities based on the analysed and interpreted data

The scope of this study was limited to the member enterprises of these five employer associations/ federations in three economic sectors: Construction, Agriculture and Tourism. It is roughly estimated that 400,000 plus business/industrial establishments are associated with these five major employer federations.

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[1] Central Buereau of Statistics, 2018. National Economic Census 2018. Kathamndu, Nepal. CBS
[2] Ministry of Finance (MoF), 2022. Economic Survey 2021/22. Kathmandu, Nepal. MoF

Survey Methodology

This survey mainly adopted a quantitative approach for analysis. However, qualitative data was also considered as a major source of information. Altogether 2,972 member enterprises were randomly selected to be the source of the primary data from the purposively selected 29 districts across all provinces. During selection, 77 districts were distributed into 18 homogeneous economic clusters and up to three districts were purposively selected from each of these clusters based on certain criteria. The selected districts from each of the provinces are:

Province No. 1: Jhapa, Morang, Sunsari, Ilam, Udayapur and Solukhumbu.

Madhesh Province: Dhanusha, Bara and Parsa.

Bagmati Province: Kathmandu, Bhaktapur, Lalitpur, Kavrepalanchowk, Makwanpur and Chitwan.

Gandaki Province: Kaski, Tanahun, Mustang and Nawalpur.

Lumbini Province: Rupandehi, Palpa, Dang and Gulmi.

Karnali Province: Surkhet and Jumla.

Sudurpaschim Province: Bajhang, Dadeldhura and Kailali.

Table 1: Enterprises by Associated Federation

Table 1: Enterprises by Associated Federation*				Chart 1: Sampled enterprises by province
SN	Associated Federation	Number of members	Percent	
1	FNCCI	1715	57.7	
2	FNCSI	657	22.1	
3	CNI	172	5.8	
4	FCAN	824	27.7	
5	HAN	318	10.7	
Total		2,972	100%	

Chart 1: Sampled enterprises by province — Nepal: 2972 (373, 114, 575, 462, 931, 131, 387)

* Many enterprises are members of multiple associations.

Of the 2,972 enterprises, the majority were members of FNCCI (57.7% of total enterprises), followed by FCAN (27.7%); FNCSI (22.1%); HAN (10.7%) and CNI (5.8%) (see Table 1).

Beside the quantitative data, qualitative data was also collected by focus group discussions (FGDs) and key informant interviews (KIIs). District level representatives of the employer associations/ federations (EAs) were participants of these FGDs. The number of participants in the FGDs ranged between 7 and 15.

The majority of respondent enterprises (931) were from Bagmati province, corresponding to 31.3% of the sample. Similarly, 19.3% of enterprises (575) were from Gandaki province and 15.5% (462) were from Lumbini province. Karnali province represented the smallest proportion in the sample with only 3.8% (114) of total enterprises.

Major Findings

Enterprise status

While conducting the survey, a significantly large proportion of member enterprises (37%) were found to be closed or inactive. The proportion of inactive enterprises was comparatively higher in the Tourism sector (44%) and lower in the Agriculture sector (26%). The main reasons for the inactivity of these member enterprises were reported as the COVID-19 pandemic, inconducive business environment, and unavailability of skilled human resources.

Whilst analysing enterprises by ownership status, a large proportion (81%) was found to be under individual proprietorship, with 14% in the private limited category and 4.3% operating as partnerships. The proportion of public limited and multinational companies was nearly imperceptible.

While categorising the 2,192 enterprises members of FNCCI, CNI and FNCSI, 93% were found to be either micro or small-scale industries. Likewise, out of the 846 surveyed contractor companies, 86% belonged to the "D" category and, of the 372 hotels and resorts, 92% were general hotels.

By sector, almost 40% of the sample enterprises were from Construction, followed by the Tourism sector with 34% and the Agriculture sector with 26%. Within the Construction sector, enterprises worked mainly in the building, road, and construction material production sub-sectors. Likewise, agro-based enterprises, livestock and poultry farming, and vegetable farming were the major areas or sub-sectors of the Agriculture sector. Hotel industries, travel and tour, and trekking and hiking were the major sub-sectors under the Tourism sector.

Existing Human Resources Engagement Situation

The total number of member enterprises in the 29 survey districts working under the selected three sectors was 29,692. Based on this figure, it could be estimated that almost 70,000 member enterprises are operating their businesses throughout the country in the three sectors highlighted. The average number of jobs within enterprises was found to be 8; with some significant regional differences emerging. In Madhesh province, the average number of roles was 19.2, a regional high, in comparison to places, such as Karnali province was reported an average 6.2 roles per enterprise.

Out of the total 23,794 people working in the sample enterprises, 76.5% were waged or salaried employees, 13.6% were involved as employers and the rest (9.9%) were involved as contributing family members. The gender composition of those engaged in the sample enterprises was 82% male and 18% female respectively. A significant proportion of respondent enterprises (29.22%) were family-run businesses operating without additional employees (out of the family members).

Among the total 23,794 people engaged in these sample enterprises, 49.4% were working as technical staff, whereas an almost equal proportion (50.6%) were non-technical staff. More than 64% of these technical staff did not have any formal education or training in their occupation- related field. Across the three sectors, the composition of trained staff was highest in Tourism (63%) and lowest (28.6%) in Agriculture. Similarly, Province No 1 had the greatest share of trained staff (48.7%) among the seven provinces and Karnali province had the lowest (8.8%).

Occupations in Demand

About 37.3% of respondents had previously witnessed a boom in business. However, a significant proportion (28.3%) had witnessed a downturn. A significant proportion (48.2%) of the employers who had experienced a business downturn were optimistic about their future. In total, 63% of employers were found to be optimistic about the future.

The majority of respondents were encouraged by their business performance in the past and wanted either to expand their business (55.7%) or carry on with the same scale of operation (35.8%). Based on their plans to increase their businesses, and the trend of establishing new business, it seems the demand for technical human resources will increase significantly in the future.

As the Employer led Labour Market Secretariat (ELMS) has developed occupational standards (OS) for the most demanded 30 occupations (10 occupations from each of the three sectors), this survey sought to establish current and future levels of demand in these occupations. According to the survey, 4,824 people are needed by the Construction sector, followed by 2,788 by the Tourism sector and 842 for Agriculture. The survey also estimated that HR demand in these private sector enterprises could rise three-fold within the next two years, and eight-fold within the next five years. Details of the most in demand occupations among the 30 occupations studied from the three sectors are presented at Table 2.

Table 2: Present and future demand in the selected occupations

SN	Name of occupation	Demand		
		At the time of survey	Within 2 years	Within 5 years
Construction Sector				
1	Carpenter/Interior decorator-2	520	1,729	3,651
2	Site supervisor-2	1,099	3,226	7,689
3	Electrician-2	414	1,636	3,792
4	Welder-2	584	2,310	5,379
5	Plumber-2	550	1,752	3,946
6	Excavator operator-2	536	1,768	4,248
Agriculture Sector				
1	Livestock farm technician-2	276	523	1,179
2	Agriculture farm technician-2	207	374	826
3	Fruit and vegetable processor-2	88	157	335
4	Tea processor-2	80	80	167
Tourism sector				
1	Nepali cuisine cook-2	1,054	1,999	4,195
2	Hotel maintenance technician-2	366	844	1,784
3	Trekking guide-2	409	810	1,890
4	Inn keeper-2	613	1,410	2,902
5	Tourist vehicle driver-2	159	412	867

Additionally, employers highlighted the following occupations as being difficult to recruit for currently due to skills shortages. The list of the occupations per sector is depicted in Table 3.
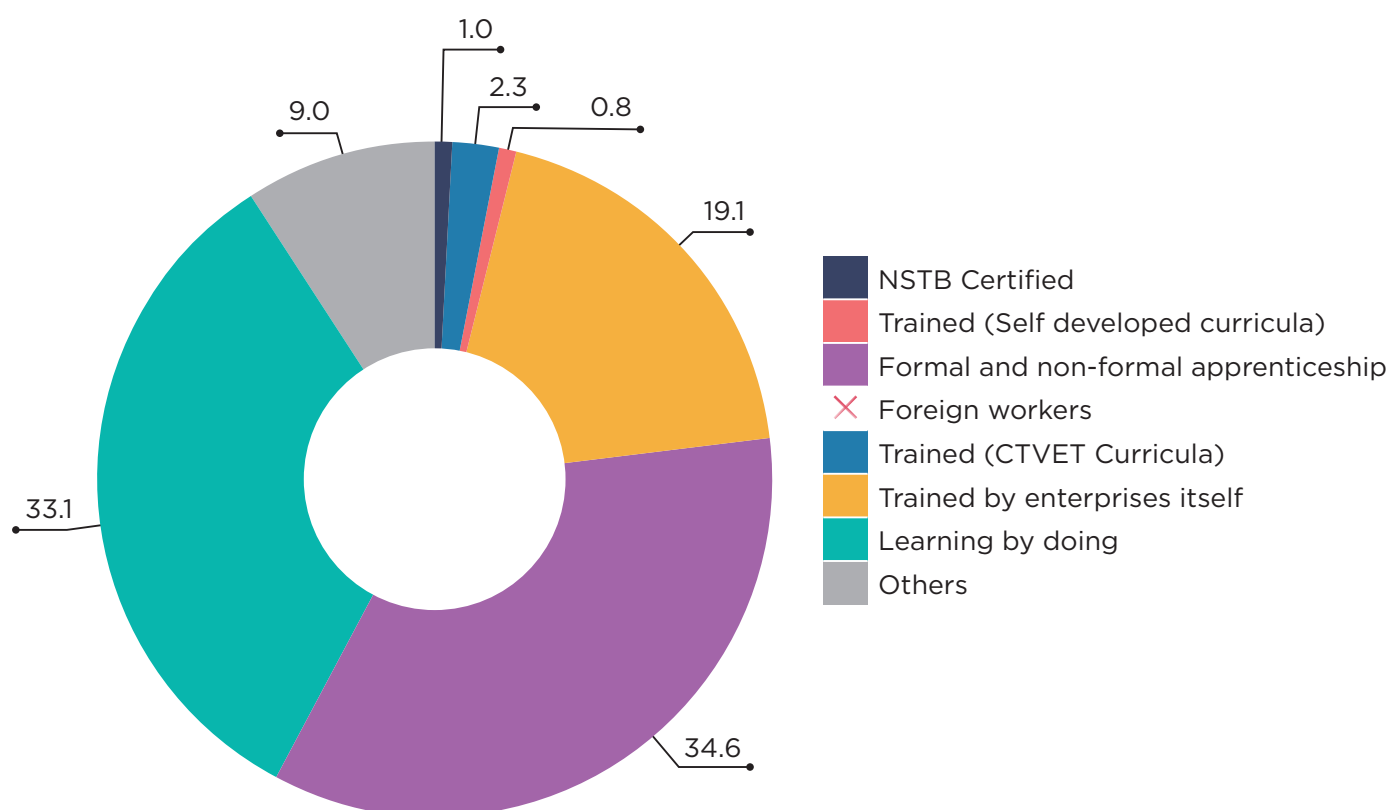
Table 3: Occupations that found it harder to recruit

Construction		Agriculture		Tourism	
1	Construction skilled helper	1	Agriculture farm technician	1	Cook/Chef (Nepali/Indian/Chinese/Continental)
2	Construction mason (stone + brick)	2	Fishery technician	2	Waiter/Waitress
3	Welder (TIG/MIG)	3	Nursery and landscape gardener	3	Housekeeping cleaner
4	Excavator operator	4	Florist/flower decorator	4	Tourist driver
5	Scaffolder	5	Dairy & sweet technician	5	Inn keeper
6	Batching plant operator	6	Herb processor	6	Hotel maintenance technician (Multi-skilled technician)
7	Bituminous surface road worker	7	Animal health technician	7	Trekking guide
8	Electrician	8	Poultry technician	8	Kitchen helper
9	Aluminum fabricator	9	Bee keeper	9	Front officer assistant
10	Plumber	10	Mushroom grower	10	Receptionist

Supply of Human Resource and Skills Gap

Of the total 12,045 technical staff working in the sample establishments, only 4,267 (34.4%) were reported as trained under either formal or non-formal training packages. Further enquiries regarding the nature of their training and certification showed that almost 76.35% of trained staff had a recognised certificate for their occupational skills. Out of these formal certificate holding staff, a large majority 1,943 (68.1%) had a National Skills Testing Board (NSTB) certificate from level 1 to 3, followed by 20.3% that had completed diploma or pre-diploma level programmes from the Council for Technical Education and Vocational Training (CTEVT). The remaining 11.6% had completed a university level technical programme. This suggests that the proportion of technical staff who are formally certified is very insignificant (23.68%).

Chart 2: Sources of technical human resources

Legend:
- NSTB Certified
- Trained (Self developed curricula)
- Formal and non-formal apprenticeship
- Foreign workers
- Trained (CTVET Curricula)
- Trained by enterprises itself
- Learning by doing
- Others

Values shown: 1.0, 2.3, 0.8, 19.1, 9.0, 33.1, 34.6

Analysis of member enterprise responses highlights a disappointing finding. Merely 1% of enterprises reported that they usually recruit staff based on whether they hold the NSTB certificate and another 0.8% reported that they recruit TVET graduates of training programmes conducted under the nationally approved curricula. Conversely, a large number of employers reported that they recruit staff trained under formal and non formal apprenticeships (34.6%). Almost 20% of employers recruited staff trained by the company itself (19.1%) (See chart 2).

On average, employers were satisfied with the performance level of their staff. Almost 73% of employers reported that they were either highly satisfied or satisfied by the performance of their graduates. Only a negligible proportion of respondents (less than 2%) were dissatisfied by the performance level of their staff.

Chart 3: Performance Level of Staff

Legend:
- Highly satisfied
- Satisfied
- Average
- Unsatisfied
- Dissatisfied

1%
11%
26%
62%
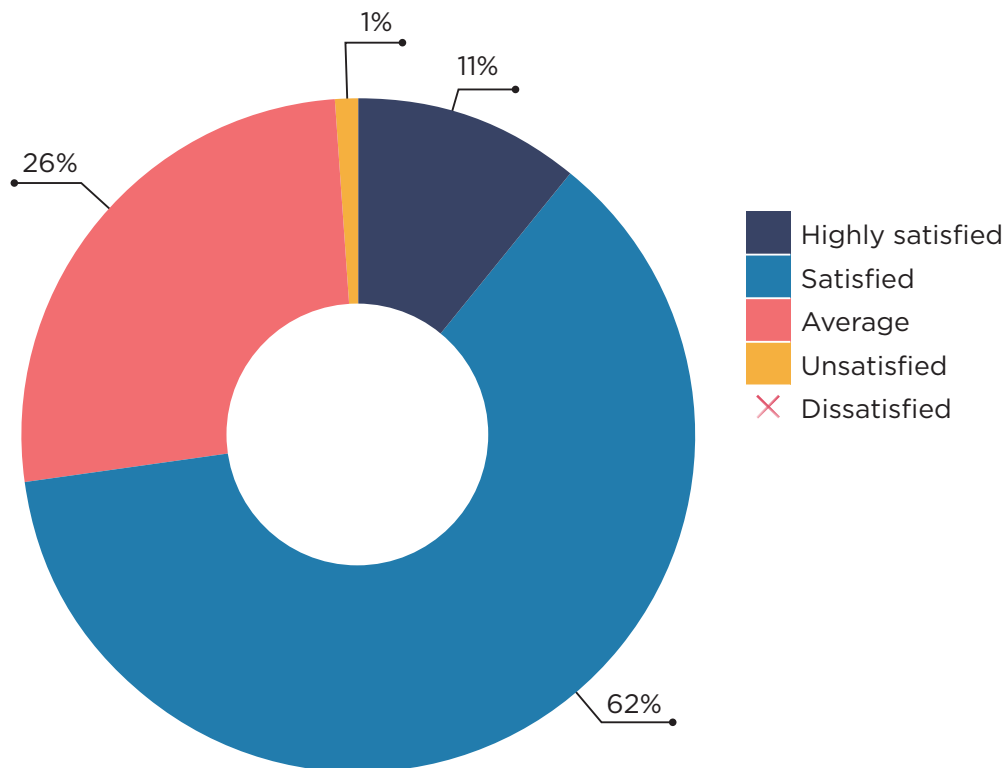
Findings from Qualitative Analysis

As well as taking part in FGDs, some key informants were also interviewed to gather qualitative information. This qualitative analytical approach provided vital information to substantiate and triangulate the findings of the quantitative survey.

The FGDs were carried out in 27 sample districts (each of the 29, except Solukhumbu and Jumla districts). The main objective was to discuss and collect qualitative information on potential subsectors, demanded occupations and the status of skill training providers. A group of employers from the Construction, Agriculture and Tourism sectors participated. The discussion was very productive and fruitful and identified the most promising sub sectors and occupations within these three sectors and districts. The findings were broadly similar to those of the quantitative survey and can be summarised as follows:

• There is a visible skills gap between the skills delivered by training institutes and those required by the industries due to frequent changes in technologies.

• Training institutes are still using outdated technologies and curricula. This is one of the principal causes of the skills gap.

• There is no effective collaboration between training institutes and industries and collaboration is limited only to formalities needed to secure easy placement of training graduates.

- Women are equally competent in non-traditional trades but, due to socio cultural limitations, they are not equally paid and the workplace is not safe for them. These factors need to be considered to avoid such limitations. There should be equal training opportunities for male and females in both traditional and non traditional occupations. This will contribute to enhanced productivity and fruitfulness of training.

- There should be good collaboration and representation of employers from the training design phase through to trainees' placement and post training support to reduce the skills gap and make the training more effective and market oriented.

- Nepalese workers were not satisfied with the present work in Nepal and were found to be attracted to better paid work in other countries. Low pay in Nepalese employment was caused by low performance at workplace. Thus, payment needs to be increased and additional soft skills provided to improve productivity and correct behavioral problems.

Conclusion

The Nepalese industrial sector has had to face multiple challenges, one after another, over this last decade. First, the whole country was badly affected by a terrible earthquake. The blockade from the south immediately struck after that and the COVID-19 pandemic further exacerbated the situation. Large numbers of businesses had completely closed or become inactive by the time of the survey. Furthermore, those which were active, were not operating their business at full capacity. Lack of competent human resources and conducive business environments added to the challenges faced by businesses at this time. As a result, the employment providing capacities of Nepalese enterprises was significantly lower and industries were choosing to recruit multi-skilled technicians rather than technicians with specialised skills in order manage the shortage of potential staff.

There are some skills which are in high demand in the market but the curricula or training standards for them have not yet been developed by CTEVT or other national level training institutes. Moreover, employers are demanding that technicians have reached a minimum of level 2 while training providers themselves continue to focus on level 1 or equivalent training programmes. Some of the large industries in these sectors are now preferring IT based and high-tech technical staff for their operations and marketing with additional soft skills like communication, marketing and entrepreneurship. It seems this trend will increase in the future. Thus, training providers should also be guided by future requirements rather than just follow the present trend.

The major source of technical HR in the Nepalese enterprises is found outside the formal TVET system. The quality and relevance of TVET programmes are not the only factors responsible for this situation and employers should also be aware of the benefits of hiring skilled human resources for productivity and business growth. Moreover, employers should be financially sustainable and prepared to pay more for better candidates. The dominance of informally developed human resources in the enterprises had adversely impacted on both the effectiveness of TVET programmes and the productivity of industrial sectors. Limited coordination between industries and institutions further increased the gap between the skills acquired by TVET graduates and the skills required by the business and industrial enterprises. This gap is comparatively larger in the Construction and Tourism sectors than in the Agriculture sector.

Until an effective coordinating environment is established, and a mechanism created to better connect employers and TVET providers, neither the quality nor the relevance of TVET programmes will improve. Moreover, the engagement of employers should be institutionalised within everything, from policy making to TVET programme implementation. This will both improve the quality of TVET programmes and make them more relevant and ultimately increase the productivity and production of business and industrial sectors.