Strategic Policy Recommendations

On safeguarding the rights of informal workers in Nepal

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Centre for Social Change

Background

Over the last few years, informal economy has become a crucial component of Nepal's national economic sphere, expanding its grasp in all seven provinces of the country. The most recent Central Bureau of Statistics (CBS) of Nepal reports show about 84.6% of the working population (approx. six million Nepali workers) are involved in the informal economy and close to half of the business enterprises are informal in Nepal. Moreover, share of informal employment in all provinces is in fact reported to be higher than share of formal employment.

Many people, especially people from marginalized communities find quick economic refuge in the informal sectors. Feeble prerequisites (e.g., low investment, non-requirement of formal education, working spaces, etc.) provides relatively easy forms of access to income generating activities. However, it also makes them exceedingly vulnerable to poverty, low social standing, exploitation, difficult working conditions, hostile social environment and deprivation from fundamental rights and legal protection.

Recent political and economic debates largely revolve around formalization of the informal sectors. However, immediate protection and wellbeing of the workers involved in this sector is scarcely discussed. Especially now that their preexisting challenges are worsened by the devastating effects of Covid-19 pandemic, aggravating economic, health and social insecurities, the need to safeguard their well-being and recovery, becomes urgent. The ongoing effects of the pandemic has affected many Nepali working families but among the ones who are most affected are the ones working in the informal sectors.

According to recent International Labor Organization (ILO) reports, the devastating effects of the Covid-19 crisis has disrupted close to 1.6 to 2 million jobs in Nepal with job loss, pay cut or reduced working hours, pushing increased workers into informality and the ones in informal sectors into deeper ends of poverty.

Pursuing this vital issue, Centre for Social Change (CSC) with support of Open Source Policy Center (OSPC) has been continually advocating for the rights and wellbeing of informal workers. Through vigorous research, various publications and extensive dissemination of reports, informative infographics, op-ed articles and policy dialogue workshops including informal workers, government and trade union representative, experts and other relevant stakeholders, CSC has been actively involved in communicating valuable insights on the current plights of informal workers to general public and pertinent authorities.

Present 'Strategic Policy Recommendations' incorporates the plights and immediate needs of informal workers of Nepal generated by CSC-led research and dialogues on the issue.

Image above by Suraj Shakya on Unsplash.

Major findings

1. Significant gap in existing labour laws and social protection schemes

Existing labour related laws, policies, and mechanisms are stated to be applicable to all working citizens of Nepal. While formal sector workers are aware and capable of benefitting from provisions like maternity benefits, workers' compensations, health insurance, etc., informal workers are largely unaware and incapable of utilizing such benefits to which they are rightfully entitled.

2. Multiple linkages between formal and informal economies

Current reports state 62.2% of the total work force (about 4.4 million workers) in Nepal is involved in the informal sectors. Additionally, 1.5 million workers in formal sector are informally employed. This shows the need for effective interventions that address the interconnections between formal and informal economies.

3. Haphazard measures to formalize informal sector

One of the greatest vulnerabilities informal sector workers face is job insecurity. While state-led interventions are seemingly inclined towards formalizing the informal sector, ongoing practices from state, employers and even societal ends majorly include haphazard removal of informal businesses, confiscation of informal goods, immediate layoffs, etc.

4. Informal workers bear disproportionate burden of economic and social shocks

Often devoid of constitutional and human rights and social justice, informal workers who are not protected by legal contracts, are often susceptible to difficult working conditions, labour exploitation, discrimination, social exclusion and are extremely vulnerable to economic and social shocks. Worsening their preexisting vulnerabilities, informal workers are reportedly among the groups who are hit the hardest by the effects of the ongoing Covid-19 pandemic.

5. Lack of representation and participation in policy processes

Health indicators targets and multi-year plans endorsed by the government have historically been found to be too ambitious at the design stages and ineffective at the implementation stages. Additionally, key details surrounding decisions madein the preparation of the annual budget have also reflected unclear prioritization of different health concerns. The government should thus be more transparent in their assessment of the state of the country's state of health, available resources, and its prioritization of issues.

6. Workplace security and wellbeing

One of the key issues informal workers faces is unsafe and unsanitary workplace environment. For example, roadside shops, construction sites, garbage dumps, etc. increase their vulnerabilities to pollution, illnesses, harsh weather, police harassment, intense physical labour etc. Also realized during Covid-19 pandemic, many informal workers are engaged at the frontline, many working without Covid-19 safety gears or equipment. This raises an urgent need to ensure their safety and wellbeing at the workplaces through safety and health protocols and guidelines.

Photo by Rahul Roy/CSC

Policy recommendations

Highlighting the long term as well as immediate needs of informal workers, CSC suggests following recommendations:

1. Dedicated mechanism to register informal workers at local level

Existing issues faced by informal workers emphasize a need for dedicated mechanisms to identify and register informal workers at the local level and to map their skills and mobility. A digitized and efficient database of informal workers will also contribute to ensuring crisis response measures reach the neediest of families.

2. Strengthen social protections schemes

Current legal provisions like Labour Act (2017) and Social Security Act (2018) are applicable to all workers in Nepal. However, informal workers who are unorganized, unregistered or unprotected by legal contracts are entirely left out from government schemes. Therefore, existing legal frameworks need to be enhanced and mobilized to ensure their protection and wellbeing, especially of the ones facing issues of wage theft, wage discrimination and job loss.

3. Ensure Occupational Safety and Health (OSH) protocols:

Safe, healthy and discrimination free working environment can greatly enhance workers' productivity. Realizing the precarious nature of informal jobs, Occupational Safety and Health Protocols (OSH) protocols must be ensured at workplaces to protect workers from injuries and illnesses. Incorporating current pandemic induced priorities, workplace OSH guidelines must also include Covid-19 safety protocols to be mandated at workplaces that are operating during the pandemic.

4. Address the issues of informal workers in budget

For efficient and sustainable implementation of above recommended initiatives, agenda of informal workers must be addressed in the local and federal budget objectives. Moreover, grounded dialogues, discussion and need based assessments of informal workers and relevant stakeholders can be cruicial in recognizing immediate concerns to be addressed by the budget.

5. Enhance crisis coping skills

Ensuring education and empowerment of informal sector workers by providing them financial knowledge, technological skill trainings and other livelihood trainings, can significantly enhance their abilities to cope well with effects of crisis. Current setbacks experienced by millions of Nepali workers due to the pandemic calls for effective and sustainable measures to equip them with better crisis coping strength and strategies.

Policy recommendations

6. Need specific interventions

Informal sector is diverse and multifaceted vulnerabilities faced by informal workers may be unique to their sector of occupation, communities, ethnicities, gender or age, etc. Additionally, no two workers engaged in the informal sector are likely to be facing the exact same issues with the same severity level. Upcoming interventions must therefore need to adopt issues or needs specific approach, addressing their multilayered vulnerabilities.

7. Increase participation and representation of informal workers at policy processes

Participation and representation of informal workers in policy making processes at local, provincial and federal level is necessary to engage and aware them of their fundamental rights and benefits. This can also guide government interventions to focus their attention to areas where assistance is needed the most.

8. Social dialogues and collective voices

Engaging dialogues and discussions among workers, employers and government and trade union representatives play an integral role in generating participatory solutions and trust building. Sporadic efforts of various organizations and trade unions also need to consolidate to make lasting impacts and bring sustainable solutions for welfare and protections of informal workers.

9. Prioritize informal workers to get vaccinated and compensated against Covid-19

Burdened by poverty with little to no savings, many informal workers were forced to work even during the strict lockdown restrictions. For example, construction workers, vegetable vendors, janitors and garbage collectors continued to work in the frontline during lockdowns, mostly without any safety gears. The government must prioritize to identify and vaccinate such frontliners against Covid- 19 to ensure their safety and the wellbeing of their colleagues and families and well. Additionally, mechanisms must be established to financially compensate the families in case of work loss cause by illness or demise related to Covid- 19.

10. Improve crisis response mechanism

Government's botched responses to the pandemic crisis and feeble recovery efforts were unable to reach the neediest of informal workers and their families. Current status shows many families still struggling to bounce back from the setback. With consultations from various levels of experts, relevant stakeholders and evidence-based studies, a failsafe crisis response plan at all levels of government is crucial to protect the neediest groups from struggling in cases of future emergencies.

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About Centre for Social Change

Centre for Social Change (CSC) is a non-profit making social think-tank based in Kathmandu, Nepal.

Since its establishment in 2015, CSC has been actively working to bring positive transformation in the socio-political dynamics of Nepali society through involvements in the fields of research, development practice, education, advocacy, and community mobilization. CSC's current works are focused on issues surround conflict transformation, peacebuilding, democracy and governance, migration, labor and employment, civic space, civil society development, public policy, climate change, and social development.

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