

Restructuring Enterprises and Workforce in Nepal

Background

The New policies of liberalisation entered Nepal in mid-eighties. Then, in the form of the Structural Adjustment programmes, the process of restructuring Nepalese economy started. The initiative became intensified with the time and covered other sectors of the economy. After 1990, with the establishment of the multiparty system, the process of liberalisation took a high momentum. Gradually, privatisation of state-owned enterprises was given a top priority. Emphasis was laid on how to attract foreign direct investments. For this purpose, necessary amendments were made to industrial policy and industrial and commercial laws. The old labour law, the Nepal Factory and Factory Workers Act, was replaced by a new Labour Act 1992. Also the Trade Union Act 1993 was introduced. Other complementary labour laws were also brought in. Industrial relations gradually moved from confrontational to co-operational tracks.

However, there are problems, emanating largely from the feudal mentality of employers who are mainly from the landlord class. In recent years, efforts have been made towards improvements in the situation. The government and employers have recognised the workers organisations as social partners at least in national policy levels. But to translate this recognition at enterprises levels still remains a major problem.

At the national level, policy contributions of workers organisations have increased significantly. The government has been positive to consult in various matters with workers organisations as it does with the employers' ones. However, the interests of workers have not been accounted for. For example, the government did not consult the workers organisations while making decisions to privatise public enterprises. As a result, the privatisation of state owned enterprises could not become fruitful to the nation.

With the increasing speed of globalisation, multinational companies have also entered Nepal. But the country's industrialisation has not gained a momentum. The industrial employment, basically the employment in manufacturing, has not increased. As Nepal is primarily an agricultural country having 81 percent of the total labour force of the country in employment, manufacturing covers only 2.72 percent of the labour force and the rest of the workforce is employed by the fast growing service sector.

The process of enterprises restructuring is also very slow. Newly established enterprises do not need immediate restructuring, whereas the old ones are not much dynamic because of the slow move of the industrial sector.

Restructuring through privatisation

In the process of privatisation of state owned enterprises, 16 enterprises have been privatised. In this regard, it is to be noted that the role and share of public enterprises in Nepalese economy is not much significant. The share of employment is equivalent to 3 percent of the total formal sector employment, which is negligible in the total employment scenario. On the other hand, the share of PEs in GDP is also negligible, less than 2 percent.

However, the publicity of the privatisation of PEs has become very high. The PEs have actually become burden to the country and the tax payers because of corruption and financial irregularities in bureaucracy and contemporary politics. Mismanagement and overstaffing have destroyed the potentialities of these enterprises. If the PEs are honestly put under the process of managerial reforms and their performances modernised, their profit potentiality is still very high.

Government tried to sell and escape from these PEs especially from 1990, but the modalities selected was not sound and the process of consultation and good homework beforehand was not carried on. As a result important and productive PEs came to a surprising closedown after their privatisation. The Bansbari Leather and Shoes Factory (BLSF) is a painful example of its kind. The Group which acquired BLSF in the process of privatisation was not intending to operate this factory. They were rather guided by a trade off motif. So they moved the plant away from the capital city to a border area near India and gradually sold all modern machineries and equipments in the Indian market. They

retrenched all workers in an unfair way. Now the factory, constructed by a friendly nation, exists only in its name.

Similar is the case of Agricultural Tools Factory. It was also privatised and the Group which owned it was also trying to sell it for a higher price. The Group could not operate and the factory is not running at present; it is in a almost closed-down status.

The privatisation of Nepal Dhalaut Company also was a case of failure. The company collapsed and workers became totally unemployed.

Among two jute mills privatised, one is successfully restructured by a big business house, whereas another, the Raghupati Jute Mill, is almost closed.

Most of the 16 privatised PEs could not gain any new horizon and they could not restructure themselves effectively. Some have collapsed and many are in operation without any considerable changes in efficiency and productivity. A few, such as the Bhrikuti Paper and Pulps Factory, have been restructured without any considerable pay-off.

In conclusion, the restructuring of public enterprises through privatisation have become a failure in Nepal. Altogether 19.2 percent of workers lost their employment in this process, but no efforts to retraining and reemployment have been launched up to now. If we add the number of workers from the already collapsed enterprises, the percentage of workers losing their job comes to be 50 percent.

On the other hand, there are certain PEs in want of restructuring. Hetaunda Cotton Mills immediately needs restructuring. It has high potential in textile production because of its capital structure and modern machinery. But it is in a poor situation in operational terms.

The Private Sector

In the private sector, the process of restructuring and modernising enterprises has been quite important. Gradually the role of the private sector is being significant in Nepalese economy. The old Jute Industry needs restructuring and modernisation of plants with added efficiency. Similarly the traditional textile industry has lost its previous competitive position. Textile mills are declining fast with their employment potentials gradually weakening.

The carpet industry is also under restructuring. But the process of restructuring has taken the form of subcontracting of work and subcontracting of labour. Subcontracting of work has led to the distribution of carpet weaving to several family-based home-based cottage industries by large and medium size enterprises. In this process, they have cut the number of workers with the number of permanent workers significantly coming down. Thus the informalisation and casualisation of work in the carpet sector is rapid. Use of contract labour is very high in the industry. Piece rate wages are the major, and dominating, form of payment in this industry.

If we look at the garment sector, sub contracting of work and cutting down the number of permanent workers is slowly going on, not as fast as the one in the carpet sector. Piece rate wages are the mostly used mode of payment in the garment sector, as in the carpet sector.

In the manufacturing and general industrial sector, the process of restructuring is not that visible so far.

Retraining and reemployment of workers

Retraining and reemployment programmes and activities are almost non-existent in Nepal. Neither the government nor any other agencies have taken any initiatives in this regard. It could be because of the fact that open unemployment has not yet emerged as a serious problem. Although the rate of unemployment is at 4.89 percent, underemployment is serious and it is at 47 percent. Since a vast majority of the workers are engaged in agriculture and particularly on land, the problem of unemployment basically transforms to underemployment. Up to now, the problem of open unemployment and underemployment is thought to be solved through the extension of self-employment activities. For the purpose, a National Training Policy is being formulated in order to integrate training in order to help the concerned operate relevant and effective income generation schemes. Retraining and reemployment may be the next part of work in our realities.

Workforce reductions and labour-management relations

Workforce reductions are not in a mass scale in Nepal, as industrial employment is very limited. But small reductions, not mentionable in a broader perspective, have also an important impact in the case of individual enterprises. Certainly such slow reductions have created problems at the enterprise level. In the national policy level, there are not

bitter impacts on industrial relations, but labour-management relations at the grassroots are under a heavy pressure. The problem of job security and employment security is intense, a fact that has made trade union confederations quite alert. Cases filed in the labour court are mainly about illegal dismissals.

To conclude, it can be said that the extension of self employment opportunities through effective and relevant training, fast increase of wage employments by expanding the service sector and retraining facilities are extremely necessary. Similarly, regular consultations between workers and managements at enterprise levels and the practice of industry level bargaining will be very useful. Effective use of tripartism and tripartite forums is equally important in the realities of Nepal.

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