Employment Status Report, Skills Gap Assessment and Way Forward for Province 5

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Contents

Acronyms

CBS	Central Bureau of Statistics
CTEVT	Council for Technical Education and Vocational Training
DAG	Disadvantaged Groups
DFID	Department for International Development
ICT	Information and Communication Technology
IWDR	Industry Workforce Development Roadmaps
MNC	Multi-National Company
OJT	On-the-Job Training
PwD	Persons with Disability
SEP	Skills for Employment Program
SGA	Skills Gap Assessment
PPC	Provincial Planning Commission

Executive Summary

This research report discusses the current status of employment and analysis from a firm-level survey conducted to ascertain skills gaps across growth sectors in Province 5. The analysis is based on discussions with 205 companies across Province 5 – covering three key growth corridors, i.e. Butwal – Bhairahawa, Ghorahi – Tulsipur, and Nepalgunj – Kohalpur. These corridors were identified in consultation with the Provincial Planning Commission (PPC), representing the six sectors (five of which are programme priority sectors and 'healthcare'). The primary goal of this report is to understand the quantum of the skill-related challenges in each of the sectors in Province 5 and to test the hypotheses developed during the macroeconomic survey. The six sectors that are covered in this report include **Commercial Agriculture, Light Manufacturing, Construction, Tourism, Information & Communication Technology and Healthcare**.

According to the Economic Survey 2018-19 published by the Ministry of Finance (MoF), the contribution of Province 5 to the national GDP stood at 13%, which is lower than that of Provinces 3 (41%) and Province 1 (15%). However, MoF estimates the GDP growth rate of Province 5 (7.4%) to be the highest among all provinces for the current fiscal year. In comparison, the national growth rate is projected to be at 6.8%.

Provincial statistics published by the MoF show that 17% of the Nepali population reside in Province 5. The percentage of people living under absolute poverty in the province stands at 18.2, which is slightly below the national average of 18.7%. The unemployment rate in the province stands at 11.2%, which is slightly less than the national average of 11.4%.

Regarding the province's contribution towards the national GDP, a review of existing reports and surveys published by the GoN suggests that Province 5 contributes 16.1% towards Nepal's agriculture sector's GDP, 16.3% towards the industry sector's GDP and 12.5% towards the service sector's GDP. Through a marginal difference, industry sector seems to be driving the province's economy. While the agriculture sector has an almost similar contribution, service sector with a mere 12.5% contribution lags behind.

The significance of migration in Province 5 cannot be underestimated. While 17% of the Nepali population reside in the province, 15.1% of the province's population has migrated internationally (excluding India) since 2008. As of 2017, the total remittances received from these migrants amounts to NPR 1696 Crores, which is 16% of the total amount of remittances received nationally. This remittance amount corresponds to 56.7% of the Province Budget of 2018.

Around 144,000 people remain unemployed in this province which contributes to 11.2% of the total unemployment of the nation. In this respect, Province 5 has the third-largest number of unemployed people, after Province 2 (317,000) and Province 3 (161000). Gender-wise distribution of unemployment in the province shows that 10.8% of men and 11.9% of women are unemployed. According to the National Labour Force Survey III, the size of the informal economy in the province is significant, as can be inferred from the fact that while 410,000 people are formally employed, 729,000 are engaged in the informal employment.

One of the critical questions in the skills gap assessment survey conducted with the 205 companies in the province was regarding the additional number of staff that the companies might require in the next five years. It appears from the survey results that different job roles are in high demand in different geographical areas in Province 5. In terms of percentage, finance professionals and administration professionals are in high demand in Butwal-Bhairahawa corridor. However, in terms of the number of jobs that are expected to open up, chief executives, senior officials, and finance managers are some of the most demanded job roles in the corridor. The same conclusion can be drawn regarding the companies in the Ghorahi-Tulsipur corridor. On the other hand, as can be seen from the table, sales and marketing professionals seem to be in higher demand in companies operating in Nepalgunj-Kohalpur corridor, followed by human resource managers.

The survey also reveals a distribution of average monthly salaries (in NPR) of men and women in different occupations. Comparing the averages for the province against the national averages, it can be seen that the salaries for managers, senior officials, and professionals in province 5 is higher than that for overall average national salaries for the same positions. The salaries for technicians, associate professionals, clerks, service workers, and those in elementary occupations in Province 5 is in some cases considerably lower than the national average. The salary gap between men and women for most positions is wider in the province compared to the national figures.

Our estimation based on the data from the firm-level survey of 200 companies and publicly available data indicates that approximately 230,000 people will be recruited over the next four and approximately 250,000 people will be recruited over next five years across these six sectors of Province 5. However, it should be noted that this is a conservative estimate based only on companies present in Province 5. The assessment does not consider new business formation in the projected period. The figures from the Economic Survey 2015/16 (Ministry of Finance, Nepal) indicate that the rate of business formation was 7.8% per annum between 2012/13 and 2015/16. Using this estimate for growth of new businesses, the total estimated demand for employees in these sectors could be as high as 250,000 for next four years and 270,000 for next five years.

Provided below is the summary of each of the sector analysis.

- **Commercial Agriculture**
  o Out of the 36 companies surveyed, only 3% companies are currently exporting overseas (average of approximately more than 40% of revenue from exports) while other 97% companies mentioned that they have no intention of exporting overseas.
  o Approximately 40% of the companies surveyed mentioned that they had experienced a growth of more than 5% per annum in the past two years. However, the companies were bullish about their prospects with approximately 75% of the companies surveyed mentioned they expected growth of more than 5% per annum over the next five years.
  o In terms of workforce, approximately 32% of the companies surveyed mentioned that they had experienced a workforce decline in past two years. However, approximately 23.5% companies mentioned that they had experienced a workforce growth in the same period.
  o Only close to 12% of the companies mentioned that they expect their workforce is declining in the next five years, and approximately 62% of the companies expected their workforce to increase by more than 5% over the same period.
  o The skill-related challenge was identified by 33% of the respondents.
  o The companies surveyed reported an average attrition rate of 16.17% per annum, while the average attrition rate of women employees to be 1% per annum. The top reasons mentioned for overall attrition were family reasons or finding an opportunity with higher income or finding better employment overseas. Top reasons mentioned for the attrition rate for women employees were family reasons.
  o Out of the total current employment across these 34 companies, only 1% (3 employees) of the employees are People with Disabilities (PwDs), while only 29% of the employees are Disadvantaged Groups (DAGs).
  o 47% of the companies surveyed considering Core work skills of high importance followed by Basic Foundation skills by 44% of the companies surveyed. Also, 26% of the companies surveyed mentioned skill gaps are of high importance for the job roles assigned.
  o The companies cited unavailability of skilled talent (20.6% of the companies surveyed), inability to attract and retain skilled talent at an affordable wage (20.6% of the companies surveyed) as top challenges in finding and building a skilled workforce.
  o The companies indicated that they needed support for both pre-employment and continuous-employment training – 35% of the respondents mentioned these. Another 30% of the respondents mentioned that they needed support in providing managerial skills training and technical assistance.

- Light Manufacturing
  - Out of the 38 companies surveyed, little over 8% of companies are currently exporting overseas while a significant 55% companies mentioned that they had no intention of exporting overseas.
  - Out of the 36 companies surveyed, only one company has equity investment from outside Nepal.
  - However, 26 companies (i.e. 72% of the sample) mentioned that they import raw material from overseas.
  - In terms of growth of revenue over the last two years (2016-2018), 33% of the companies surveyed mentioned that their revenue increased by more than 5% per annum. However, the companies were bullish about their prospects with 75% of the companies surveyed mentioned they expect a growth rate of more than 5% the next five years (2020-2024).
  - Over the same period (2016-2018), 30.5% of the companies surveyed mentioned that they had experienced a workforce growth of more than 5% per annum and 42% have seen a workforce growth rate of between 0% to 5% per annum during this period.
  - These 36 companies employed 2130 employees – an average of 59 employees per firm.
  - In terms of demographic proportions, 88.4% are Nepalese. The foreign employees were reported to be from India. For these 36 companies, 25% of these employees are women, with the attrition of 6.2% per annum. The companies surveyed reported an average attrition rate of 20.7% per annum.
  - In terms of wage increases, 45% of the companies surveyed mentioned that their wages have increased by more than 5% over the last two years.
  - Out of the total current employment across these 36 companies, only 1% of the employees are People with Disabilities (PwDs). Out of the total current employment across these 35 companies, 41.1% of the employees are Disadvantaged Groups (DAGs).

- Construction
  - Out of the 36 companies surveyed, none of the companies is currently exporting overseas while only one company mentioned that it has no intention of exporting overseas.
  - Out of the companies surveyed, ten companies (i.e. 29% of the sample) mentioned that they import raw material from overseas.
  - In terms of growth of revenue over the last two years (2016-2018), 31% of the companies surveyed mentioned that they had experienced a growth of more than 5% per annum.
  - In terms of demographic proportions, 92.9% are Nepalese. For these 35 companies, 13.9% of these employees are women.
  - Over the same period (2016-2018), 17% of the companies surveyed mentioned that they had experienced a workforce growth of more than 5% per annum.
  - In terms of wage increases, 51.4% of the companies surveyed mentioned that their wages have increased by more than 5% per annum over the last two years.
  - The skill-related challenge was identified by more than 15% of the respondents.
  - Out of the total current employment across these 35 companies, only 0.1% of the employees are People with Disabilities (PwDs). Out of the total current employment across these 35 companies, 47.7% of the employees are Disadvantaged Groups (DAGs).
  - While 57% of the companies mentioned that they are willing to send their existing staff to train which is of less than one week in duration, a significant 23% mentioned that they are willing to send their staff for training between two weeks and a month.
  - Out of the companies surveyed, 27% mentioned that the introduction of new legislation to support federalisation would increase the cost of doing business, and 33% mentioned that they might consider changing their recruitment strategy.
  - The companies indicated that they needed support for pre-employment training – close to 33% of the respondents mentioned this.

- Tourism
  - Out of the 33 companies surveyed, none are currently exporting overseas; neither has any of the companies mentioned the intention of exporting overseas.
  - The skill-related challenge was identified by 61% of the respondents.

- o The companies surveyed reported an average attrition rate of 19.6% per annum, while the average attrition rate of women employees to be 3% per annum.
- o The companies expect revenue growth of 6.9% per annum for the next five years whereas growth of 6.1% in workforce for the same period.
- o 33% of these employees are women, only 0.6% of the employees are People with Disabilities (PwDs), and 24% of the employees are from Disadvantaged Groups (DAGs).
- o Typical examples of skills gaps that were highlighted by the respondents included lack of managerial skills and lack of technical/ digital know-how.
- o On-the-job experience, along with recognition of prior learning, in-house training and mentorship programmes seem to have a significant preference among the respondents.
- o The companies indicated that they needed support for pre-employment skill training – close to 70% of the respondents mentioned these. Another 45% of the respondents mentioned that they needed support in upskilling the existing workers, and 24% needed support in providing managerial skills training for senior and middle management.

- **ICT**
  - o Out of the 31 companies surveyed, none are currently exporting overseas while only one mentioned that the intention of exporting overseas n next five years.
  - o The skill-related challenge was identified by 39% of the respondents.
  - o The companies surveyed reported an average attrition rate of 20% per annum, while the average attrition rate of women employees to be less than 1% per annum.
  - o The companies indicated that they would be increasing their total employment by approximately 93% over the next five years.
  - o 20% of these employees are women, only 4% of the employees are People with Disabilities (PwDs), and 19% of the employees are from Disadvantaged Groups (DAGs)
  - o Typical examples of skills gaps that were highlighted by the respondents included leadership skills, lack of industry-specific skills and lack of necessary computer skills.
  - o On-the-job experience, along with mentorship programme seems to have a significant preference among the respondents.
  - o The companies indicated that they needed support for pre-employment and continuous-employment training – close to 84% of the respondents mentioned this. Another 77% of the respondents mentioned that they needed support in upskilling of existing workers, and 35% needed support in technical assistance.

- **Healthcare**
  - o Out of the 31 companies surveyed, none are currently exporting overseas; also none mentioned any intention of exporting overseas n next five years.
  - o The skill-related challenge was identified by 35% of the respondents.
  - o The companies surveyed reported an average attrition rate of 13.3% per annum, while the average attrition rate of women employees to be 3% per annum.
  - o The companies indicated that they would be increasing their total employment by approximately 64% over the next five years.
  - o 54% of these employees are women, only 3% of the employees are People with Disabilities (PwDs), and 26% of the employees are from Disadvantaged Groups (DAGs)
  - o Typical examples of skills gaps that were highlighted by the respondents included leadership skills, lack of industry-specific skills and lack of primary skills in health sector.
  - o Recognition of Prior Learning, On-the-job experience along with mentorship programme seems to have a significant preference among the respondents.
  - o The companies indicated that they needed support for pre-employment and continuous-employment training – close to 77% of the respondents mentioned this. Another 58% of the respondents mentioned that they needed support in upskilling of existing workers and 26% needed support in technical assistance.

The following sections of this report cover the analysis of the skills assessments by sector and trade in Province 5. It looks at job roles in demand and the skill gaps based on the industry's requirement. The objective is to identify the skill gaps by sector and trade in the province based on the macro, meso and microanalysis.

1. Background of the study

The conclusions drawn in this report are based on a review of existing survey documents and publications of the Government of Nepal (GoN) together with the detailed Skills Gap Assessment (SGA) survey conducted from June till September of 2019 among 205 companies in the three economic corridors of Province 5 namely Butwal-Bhairahawa, Ghorahi-Tulsipur and Nepalgunj-Kohalpur.

According to the Economic Survey 2018-19 published by the Ministry of Finance (MoF), the contribution of Province 5 to the national GDP stood at 13%, which is lower than that of Provinces 3 (41%) and Province 1 (15%). However, MoF estimates the GDP growth rate of Province 5 (7.4%) to be the highest among all provinces for the current fiscal year. In comparison, the national growth rate is projected to be at 6.8%.

Provincial statistics published by the MoF show that 17% of the Nepali population reside in Province 5. The percentage of people living under absolute poverty in the province stands at 18.2, which is slightly below the national average of 18.7%. The unemployment rate in the province stands at 11.2%, which is slightly less than the national average of 11.4%. Among other macroeconomic indicators, the multidimensional poverty rate, which identifies multiple deprivations at the household and individual level in health, education and standard of living, stands at 29.9% in Province 5. This is higher than the national figure of 28.6%.

Similarly, the Human Poverty Index (HPI) stands at 31.9%, compared to the national average of 31.12%. Likewise, the Human Development Index, which is a composite index of life expectancy, education, and per capita income indicators, is 0.461 for the province compared to Nepal's national figure (0.5). On both accounts, Province 5 seems to lag behind the national average.

Regarding the province's contribution towards the national GDP, a review of existing reports and surveys published by the GoN suggests that Province 5 contributes 16.1% towards Nepal's agriculture sector's GDP, 16.3% towards the industry sector's GDP and 12.5% towards the service sector's GDP. Through a marginal difference, industry sector seems to be driving the province's economy. While the agriculture sector has an almost similar contribution, service sector with a mere 12.5% contribution lags behind.

The significance of migration in Province 5 cannot be underestimated. While 17% of the Nepali population reside in the province, 15.1% of the province's population has migrated internationally (excluding India) since 2008. As of 2017, the total remittances received from these migrants amounts to NPR 1696 Crores, which is 16% of the total amount of remittances received nationally. This remittance amount corresponds to 56.7% of the Province Budget of 2018.

Province 5 is ranking third in terms of the number of work permits released since 2008 for the whole country. The migration trend for this province, like other provinces with the exception of Province 2, seems to decrease. While the province has seen a significant increase in international migrants since 2012, and though the trend is dropping, numbers of work permit requests remains relevant. From 208/09 to 2016/17, a total of 570,126 work permits have been delivered by the province, which is the only behind Province 2 and Province 1.

Low wages in Nepal, especially in the food manufacturing and construction sectors, seem to be the biggest push factors for this migration trend. The average monthly wage in Nepal remains about NPR 13,450. Migration, in such context, becomes an attractive option for Nepali workers, since foreign employment pays on average twice more than the minimum wages in Nepal. For instance, the monthly average wage that these migrant workers could earn in Malaysia is NPR 29,428, and that in Saudi Arabia is NPR 37,331.

2. Employment and Unemployment Statistics

This section of the report briefly analyses the statistics on employment in different sectors in Province 5. The data has been obtained from existing surveys and studies such as the Nepal Labour Force Survey – III, Nepal Economic Outlook 2018-19, and from the survey conducted by UKaid SEP with the 205 companies in the three economic corridors of province 5.

Around 144,000 people remain unemployed in this province which contributes to 11.2% of the total unemployment of the nation. For comparison, the total number of unemployed people in Nepal, according to the National Labour Force Survey, is 908,000. In this respect, Province 5 has the third-largest number of unemployed people, after Province 2 (317,000) and Province 3 (161000). Table 1 presents the gender distribution of the employed and unemployed population in Province 5.

	Working-age population	Employed	Unemployed	Not in the labour force	Labour force	UR	EPR	LFPR
	In thousands					In%		
Total	3437	1139	144	2154	1283	11.2	33.1	37.3
Male	1481	695	84	701	780	10.8	47.0	52.6
Female	1956	443	60	1453	503	11.9	22.7	25.7

Table 1: Key Labour Market Indicators for Province 5
Source: National Labour Force Survey 2017/18

As evident from the table, gender-wise distribution of unemployment in the province shows that 10.8% of men and 11.9% of women are unemployed. This shows that women unemployment is slightly higher than the total unemployment of 11.2%.[1] According to the National Labour Force Survey, this situation is not only particular to Province 5. All provinces except Gandaki and Karnali exhibit such gender differences in unemployment.

Similarly, the employment-to-population ratio (EPR) for Province 5 is 33.1%, whereas, for men and women, this is 47% and 22.7% respectively. Nationally, the EPR stands at 34.2%. In gendered terms, the EPR for men in Nepal is 48.3% and 22.9% for women. Province 5, in this sense, stands on par with the national figures. Meanwhile, the Labour force participation rate (LFPR) in Province 5 stands at 37.3%, out of which 52.6% are men and 25.7% are women. The overall figure for Nepal is 38.5% (53.8% men and 26.3% women).

Table 2 shows statistics for economically active population engaged in different sectors in Province 5. Out of 68.7% of the population who are employed in agriculture, forestry, and fishing activities, the percentage of women (80.9%) is significantly higher than men (58.6%). On the other hand, out of the 2.3% of population engaged in transportation and storage activities, the percentage of men (4.0) is higher than that of women (0.2).

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[1] The unemployment percentages of 10.8 for men and 11.9 for women are calculated considering total unemployed men out of total labor force available for men and total unemployed women out of total labor force available for women respectively.

Sector	Male (in %)	Female (%)	Total
Agriculture, forestry and fishing	58.6	80.9	68.7
Manufacturing	6.5	3.0	4.9
Construction	6.6	0.9	4.0
Wholesale & retail trade, repair of motor vehicles	7.9	4.2	6.2
Transportation and storage	4.0	0.2	2.3
Accommodation and food service activities	1.2	1.0	1.1
Public administration and defence; compulsory social security	1.6	0.3	1.0
Education	3.8	2.6	3.3
Human health and social work activities	0.7	0.6	0.7
Other service activities	2.0	1.0	1.5
Private households	2.3	3.7	2.9
Other	1.9	0.6	1.3
Unspecified	2.3	1.0	1.7

Table 2: Economically Active Population by Sector and Gender in Province 5
Source: National Labour Force Survey 2017/18

What is true for Province 5 also seems to be true for Nepal overall. As reported by the National Labour Force Survey, 14.7% of Nepali men are engaged in agriculture, forestry, and fishing, while the number of women in this sector is much higher, at 33%. On the other hand, nationally 16.2% of men are employed in the manufacturing sector, compared to 13.4%. This reflects the fact that there are occupations that are traditionally thought of as specifically for males, while others are mainly for females. This has resulted in certain industries employing mostly females and others mostly males. Province 5 seems to be no exception to such nationally practised gendered segregation in employment.

As can be deduced from Tables 3 and 4 below, according to the National Labour Force Survey III, 36% of the working population in Province 5 is employed in the formal sectors whereas 64% are involved in the informal sector. The size of the informal economy in the province is significant, as can be inferred from the fact that while 410,000 people are formally employed, 729,000 are engaged in informal employment.

As can be inferred from Table 3, formal non-agricultural sector employment accounted for the largest share of total employment in Province 5 (34.4%). For cross-province comparison, Province 3 has the highest percentage of formal non-agricultural sector employment (48.2%) while Province 2 has the lowest (21.6%). Informal non-agricultural sector employment, on the other hand, was 39.1% for Province 5. In comparison, Sudurpaschim Province had the highest, at 47.9%, while Province 3 had the lowest (38.8%)

Total	Agriculture	Non-agriculture	Total	Agriculture	Non-agriculture
In thousands			In percentage		
410	18	391	36	1.6	34.4

Table 3: Formal Sector Employment in Province 5
Source: National Labour Force Survey III

Total	Agriculture	Non-Agri	Private Households	Total	Agriculture	Non-agriculture	Private Households
In thousands				In percentage			
729	277	445	7	64	24.4	39.1	0.6

Table 4: Informal Sector Employment in Province 5
Source: National Labour Force Survey III

Table 5 below shows statistics for the number of workers employed full time, part-time, and on contract in the six sectors in the three economic corridors. Results from the firm-level survey conducted in the three economic corridors of Province 5 indicate that among the 206 companies surveyed, a total of 3539 workers in Butwal-Bhairahawa region of Province 5 were full-time employees, whereas the number of part-time workers was 203 and that of contract workers was 1042. Similarly, in the companies operating in the Ghorahi-Tulsipur corridor, there were a total of 748 full-time employees, 101 part-time employees, and three contract employees. Among the companies operating in the Nepalgunj-Kohalpur corridor, a total of 1158 employees were employed full time whereas the number of part-time employees is 321 and that of contract employees is 194.

In both Butwal-Bhairahawa and Ghorahi-Tulsipur corridor, industries in the manufacturing sector employed the highest number of full-time workers. In Nepalgunj-Kohalpur, the Tourism sector comparatively employed most full-time workers. Overall, in all three corridors, the number of full-time employees was higher than part-time or contract workers.

Corridors and Sectors		Full time	Part- time	Cont ract
Butwal- Bhairahawa	Commercial Agriculture (including forestry & fishing)	328	29	3
	Manufacturing	1371	60	291
	Energy (hydropower incl. construction, electric power generation, transmission and generation)	1113	46	176
	Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)	424	21	509
	Information and communications technology	91	10	34
	Healthcare (hospitals, clinics, medical devices/ pharmaceuticals, and related activities)	212	37	29
	Total	3539	203	1042
Ghorahi- Tulsipur	Commercial Agriculture (including forestry & fishing)	59	0	0
	Manufacturing	345	13	1
	Energy (hydropower incl. construction, electric power generation, transmission and generation)	120	27	0
	Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)	84	5	0
	Information and communications technology	33	10	0
	Healthcare (hospitals, clinics, medical devices/ pharmaceuticals, and related activities)	107	46	2
	Total	748	101	3
Nepalgunj- Kohalpur	Commercial Agriculture (including forestry & fishing)	42	18	0
	Manufacturing	260	57	101
	Energy (hydropower incl. construction, electric power generation, transmission and generation)	60	121	4
	Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)	426	21	53
	Information and communications technology	41	0	0
	Healthcare (hospitals, clinics, medical devices/ pharmaceuticals, and related activities)	329	104	36
	Total	1158	321	194

Table 5: Number of full-time, Part-time and Contract Workers
Source: SGA Survey, June-September 2019

One of the important questions in the SGA survey conducted with 205 companies in June-September 2019 in Province 5 was regarding the additional number of staff that the companies might require in the next five years. The table below presents a sector-wise and geographical breakdown of existing staff in given job roles and the number of additional staff that the companies expect to acquire. Please refer to Annex I for a corridor-wide distribution of sector-specific job roles that are in demand in the companies operating in Province 5.

It appears from the survey results that different job roles are in high demand in different geographical areas in Province 5. In terms of percentage, finance professionals and administration professionals are in high demand in Butwal-Bhairahawa corridor. However, in terms of the number of jobs that are expected to open up, chief executives, senior officials, and finance managers are some of the most demanded job roles in the corridor. The same conclusion can be drawn regarding the companies in the Ghorahi-Tulsipur corridor. On the other hand, as can be seen from the table, sales and marketing professionals seem to be in higher demand in companies operating in Nepalgunj-Kohalpur corridor, followed by human resource managers.

	Butwal-Bhairahawa			Ghorahi-Tulasipur			Nepalgunj-Kohalpur		
	Existing Staff	Addl. Staff in next five years	%	Existing Staff	Addl. Staff in next five years	%	Existing Staff	Addl. Staff in next five years	%
Chief executives, senior officials and legislators	155	75	48.4	68	62	91.1	53	24	45.3
Finance managers	95	72	75.8	27	29	107.4	39	27	69.2
Human resource managers	16	6	37.5	2	2	100	29	24	82.8
Policy and planning managers	26	25	96.2	0	0	-	1	0	-
Sales, marketing and development managers	69	64	92.8	7	5	71.4	30	60	200
Finance professionals	12	17	141.7	2	2	100	1	0	-
Administration professionals	37	50	135.1	7	4	57.1	4	0	-
Sales, marketing and public relations professionals	43	40	93	7	13	185.7	11	9	81.8
Clerical support workers	60	44	73.3	0	0	-	12	7	58.3
Total	513	393	76.6	120	117	97.5	180	151	83.9

Table 6: Corridor-wide Distribution of Job Roles in Demand
Source: SGA Survey, June-September 2019

The survey also reveals a distribution of average monthly salaries (in NPR) of men and women in different occupations. Table 7 summarises the survey results and compares the average monthly salaries in Province 5 with the national average. Comparing the averages for the province against the national averages, it can be seen that the salaries for managers, senior officials, and professionals in province 5 is higher than that for overall average national salaries for the same positions. The salaries for technicians, associate professionals, clerks, service workers, and those in elementary occupations in Province 5 is in some cases considerably lower than the national average.

An important conclusion that can be drawn from the table below is that the salary gap between men and women for most positions is wider in the province compared to the national figures. For instance, the salaries for men in the positions of managers, senior officials, professionals, and technicians are much higher than those of women in the province. The salary gap for these same positions on the national level is much narrower, while the salary gap between men and women for the positions of clerks, sales and service workers, and elementary occupations is narrower both in the province and nationally.

	Province 5		National Average	
	Male	Female	Male	Female
Managers, Senior Officials	41042	32583	34162	29342
Professionals	39557	35176	25684	14742
Technicians and Associate Professionals	23585	18903	26494	21838
Clerks, Service and Sales Workers	16324	14431	17021	14948
Elementary Occupations	12103	11612	15033	11388

Table 7: Average Monthly Salary for Men and Women
Source: SGA Survey, June-September 2019, and National Labour Force Survey III

The following sections of this report cover the analysis of the skills assessments by sector and trade in Province 5. These assessments will, among many things, consolidate and present critical gaps and potential in skills; assess existing public and private training models; and, recommend models for testing through impact assessment (MEL) or innovation via the Challenge Fund. It looks at job roles in demand and the skill gaps based on the industry's requirement. The objective is to identify the skill gaps by sector and trade in the province based on the macro, meso and microanalysis.

A total of 205 companies were surveyed across the five sectors, as laid out in the sections below.

3. Commercial Agriculture Sector

Some of the key findings from the survey include:

- Out of the 36 companies surveyed, only 3% companies are currently exporting overseas (average of approximately more than 40% of revenue from exports) while other 97% companies mentioned that they have no intention of exporting overseas.
- Approximately 40% of the companies surveyed mentioned that they had experienced a growth of more than 5% per annum in past two years. However, the companies were bullish about their prospects with approximately 75% of the companies surveyed mentioned they expected growth of more than 5% per annum over the next five years.
- In terms of workforce, approximately 32% of the companies surveyed mentioned that they had experienced a workforce decline in past two years. However, approximately 23.5% companies mentioned that they had experienced a workforce growth in the same period.
- Only close to 12% of the companies mentioned that they expect their workforce will decline in the next five years, approximately 62% of the companies expected their workforce to increase by more than 5% over the same period.
- The skill-related challenge was identified by 33% of the respondents.
- The companies surveyed reported an average attrition rate of 16.17% per annum, while the average attrition rate of women employees to be 1% per annum. The top reasons mentioned for overall attrition were family reasons or finding an opportunity with higher income or finding better employment overseas. Top reasons mentioned for the attrition rate for women employees were family reasons.
- Out of the total current employment across these 34 companies, only 1% (3 employees) of the employees are People with Disabilities (PwDs), while only 29% of the employees are Disadvantaged Groups (DAGs).

- 47% of the companies surveyed considering Core work skills of high importance followed by Basic Foundation skills by 44% of the companies surveyed. Also, 26% of the companies surveyed mentioned skill gaps are of high importance for the job roles assigned.
- The companies cited unavailability of skilled talent (20.6% of the companies surveyed), inability to attract and retain skilled talent at an affordable wage (20.6% of the companies surveyed) as top challenges in finding and building a skilled workforce.

The companies indicated that they needed support for both pre-employment and continuous-employment training – 35% of the respondents mentioned these. Another 30% of the respondents mentioned that they needed support in providing managerial skills training and technical assistance.


Figure 1: Summary of the results for Commercial Agriculture, N=36

Source: SEP Firm-Level Survey (2019)

3.1 Profile of Companies Interviewed

A total of 36 companies in the sector were interviewed across Province 5 of Nepal. A detailed list of stakeholders interviewed is provided in Annex 1.

Geographically, they are well-distributed across Provinces 5 of Nepal. However, a majority of them have a presence in Butwal-Bhairahawa region of the Province. The figure below indicates the number of surveyed companies with offices in the major cities (multiple options).

The distribution of companies by the location of operation in Province 5 is indicated below:
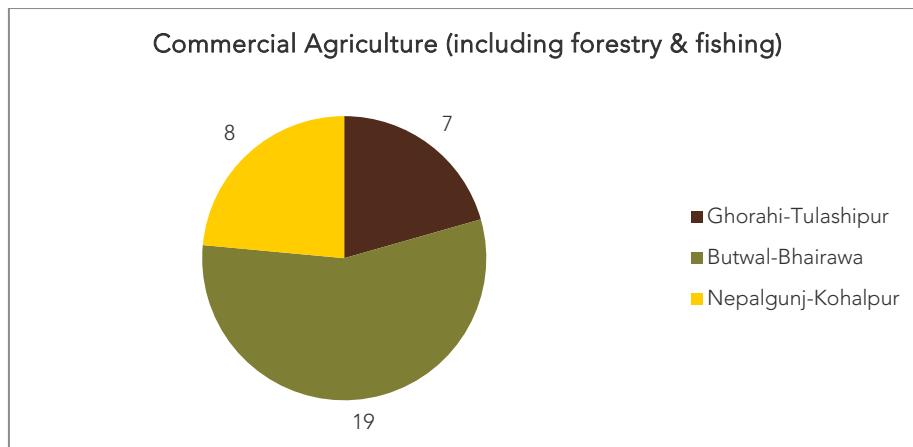

Figure 2: Distribution of companies surveyed by location, N=36

Source: SEP Firm-Level Survey (2019)

The distribution of the companies by size is indicated in the figure below:
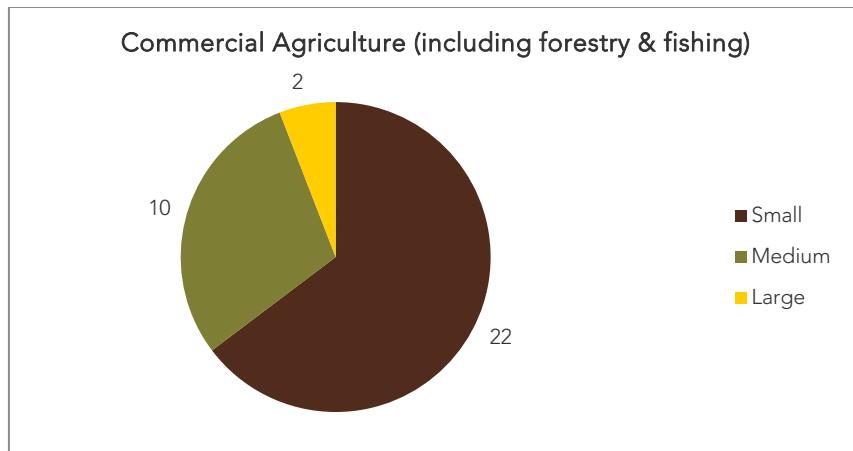
Figure 3: Distribution of companies surveyed by size, N=36

Out of the companies surveyed, only 3% are currently *exporting overseas* (average of more than 40% of revenue from exports) while 97% mentioned that they have no intention of exporting overseas. Out of the companies which export, the leading export destination is India. Out of the companies that do not export, none mentioned that they intend to export over the next 2-4 years. Among the companies which have no intention of exports, some of the reasons mentioned include sufficiency of domestic market, lack of policy support for exports, lack of capital, and high production cost as their major challenges.

Out of the companies surveyed, 42% are currently *exporting within Nepal* (50% of these companies earn an average of more than 40% of revenue from exports within Nepal) while more than 50% mentioned that they have no intention of exporting within Nepal. Amongst the companies exporting within Nepal, close to 38.5% export are to Province 4 followed by Province 7 (23%) and one firm mentioned exporting to all provinces in Nepal. Also, only 5% of the companies mentioned that they intend to export over the next 2-4 years and the desired destinations are Chitwan and Dhangadi. Non-exporting companies mentioned they do not wish to export within Nepal due to small size of business, high local demand and small scale production capacity as the primary reasons.

Out of the 36 companies surveyed, none of the companies has equity investment from outside Nepal. However, three companies (i.e. 9% of the sample) mentioned that they import raw material from overseas. This shows the limited international exposure for the Nepalese Commercial Agriculture sector.

In terms of growth of revenue over the last two years (2016-2018), 41% of the companies surveyed mentioned that they had experienced a growth of up to 5% per annum. However, the companies were bullish about their prospects with approximately 50% of the companies surveyed mentioned they expected growth of more than 5% per annum over the next five years (2020-2024).
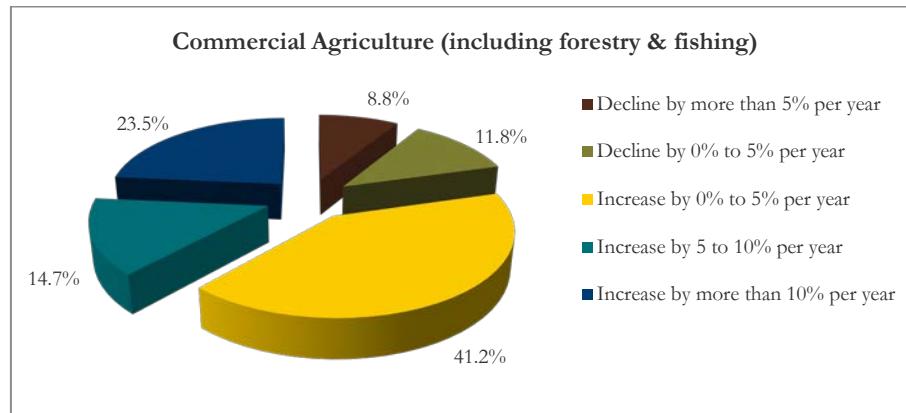
Figure 4: Distribution of companies surveyed by revenue growth in the last two years, N=36

Source: SEP Firm-Level Survey (2019)
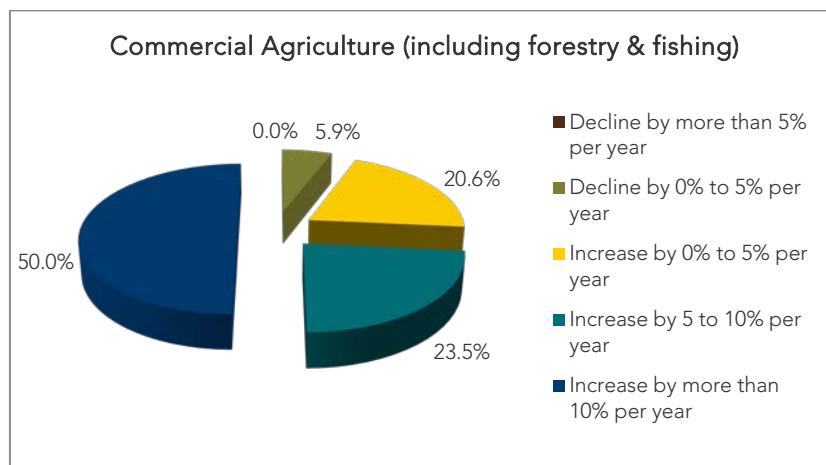
Figure 5: Distribution of companies surveyed by revenue growth expected in the next five years, N=36

Source: SEP Firm-Level Survey (2019)

The companies surveyed indicated that their top challenges to achieving their growth targets include lack of government policies or regulations which help businesses grow high cost of raw materials, high level of competition or anti-competitive practices and high cost or lack of availability of labour at required skill level. The skill-related challenge was identified by close to 33% of the respondents.
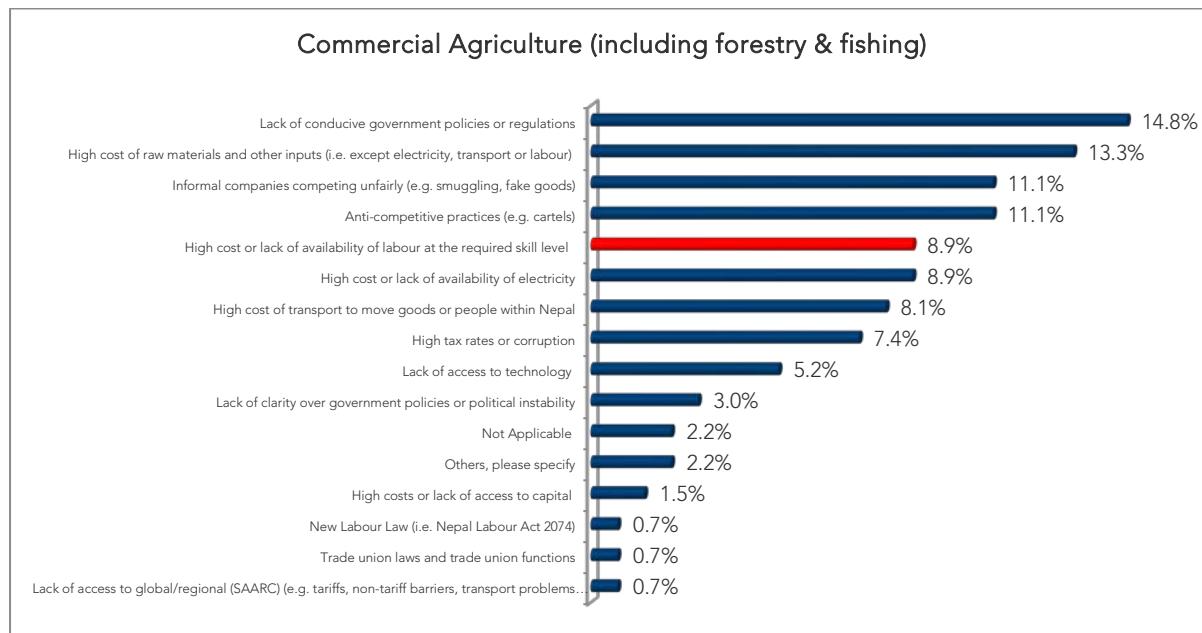
Figure 6: Distribution of responses on top challenges that hamper their company from achieving their growth targets, N=36

Source: SEP Firm-Level Survey (2019)

Over the same period (2016-2018), close 33% of the companies surveyed mentioned that they had experienced a workforce decline in the said period whereas approximately 44% companies mentioned that they had experienced a workforce growth of up to 5% per annum.
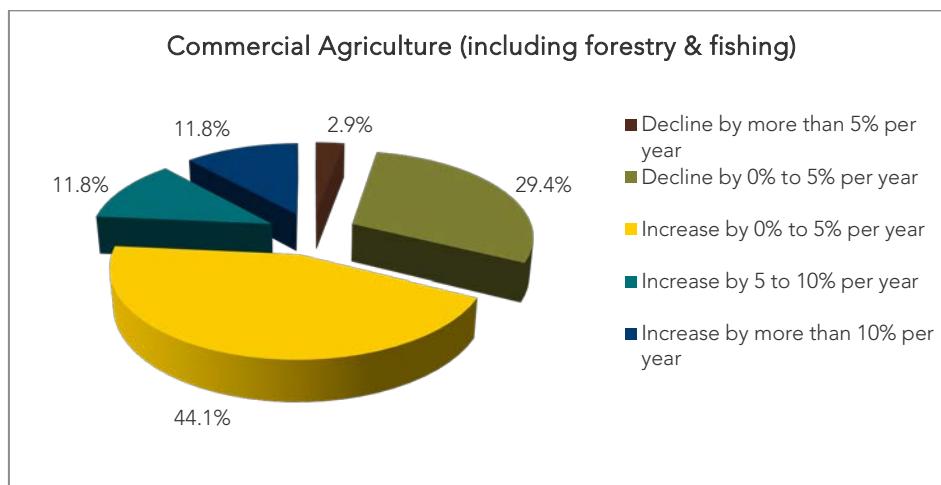

Figure 7: Distribution of companies surveyed by workforce growth in the last two years, N=36

Source: SEP Firm-Level Survey (2019)

However, only 12% of the companies mentioned that they expect their workforce declining in the next five years and a significant 32% of the companies expected their workforce to increase by over 10% in this period.

Commercial Agriculture (including forestry & fishing)

- 2.9%
- 8.8%
- 32.4%
- 26.5%
- 29.4%

Legend:
- Decline by more than 5% per year
- Decline by 0% to 5% per year
- Increase by 0% to 5% per year
- Increase by 5 to 10% per year
- Increase by more than 10% per year
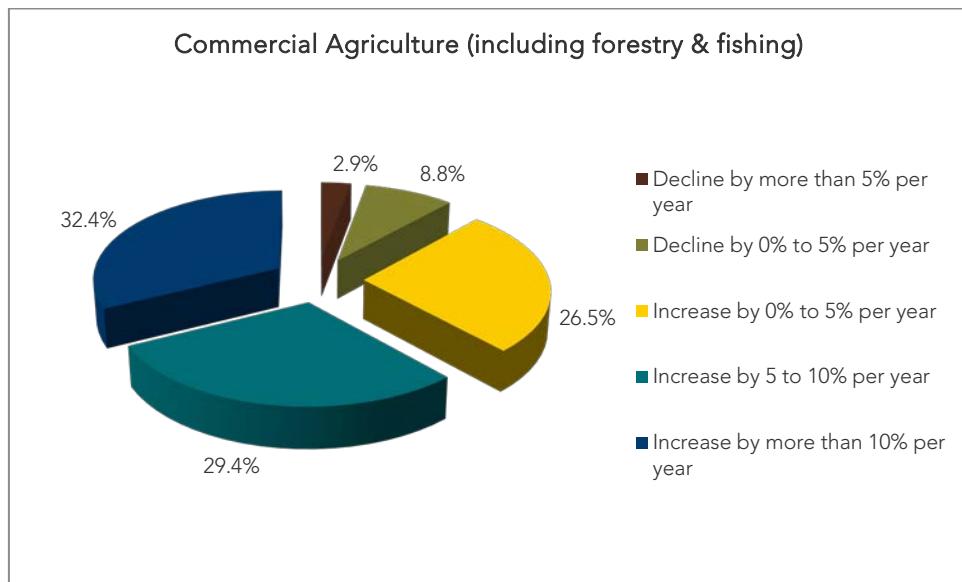
Figure 8: Distribution of companies surveyed by expected workforce growth in the next five years, N=36

Source: *SEP Firm-Level Survey (2019)*

3.2 Labour Profile of the Companies Interviewed

These 36 companies employ 303 employees – an average of 9 employees per firm.

The breakdown by job categories of the total employees and by demographic segments is indicated in the figure below.

Commercial Agriculture (including forestry & fishing)

| 17.5% | 7.6% | 8.3% | 34.7% | 32.0% |

Legend:
- Managers, Seniors officials
- Professionals
- Technicians and Associate Professionals
- Clerks, services and Sales Workers, skilled agricultural and fishery workers, Craft and related trades workers, and Plant and machine operators & assemblers
- Elementary occupations
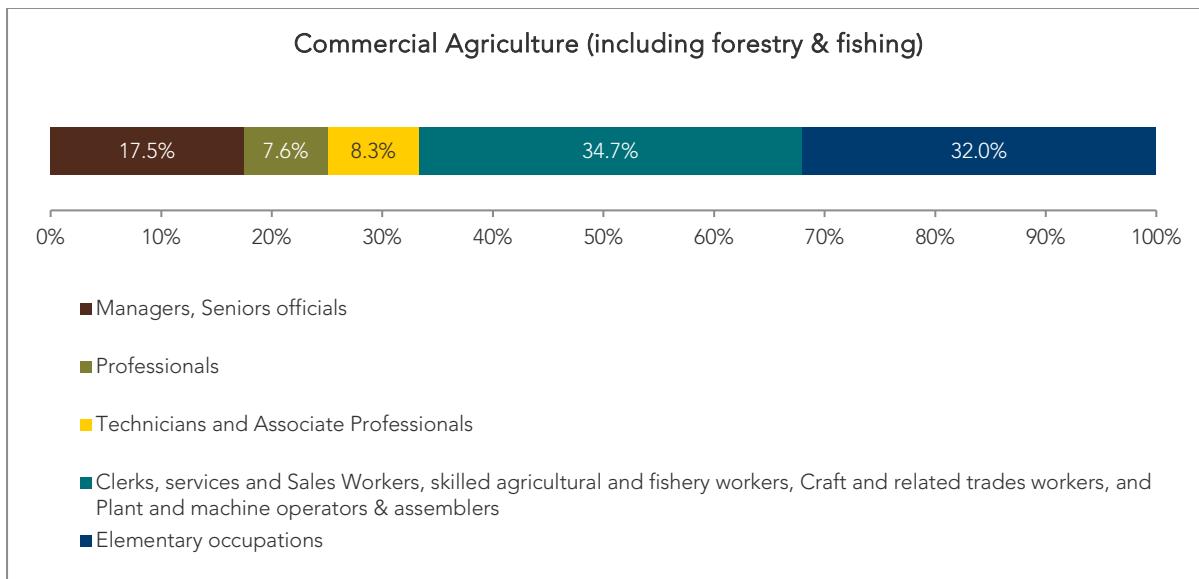
Figure 9: Distribution of employees by job categories, N=36

Source: SEP Firm-Level Survey (2019)

In terms of demographic proportions, **70%** are Nepalese. The 30% foreign employees (i.e. ten foreign employees) were reported to be from India (i.e. the country where these companies export to).
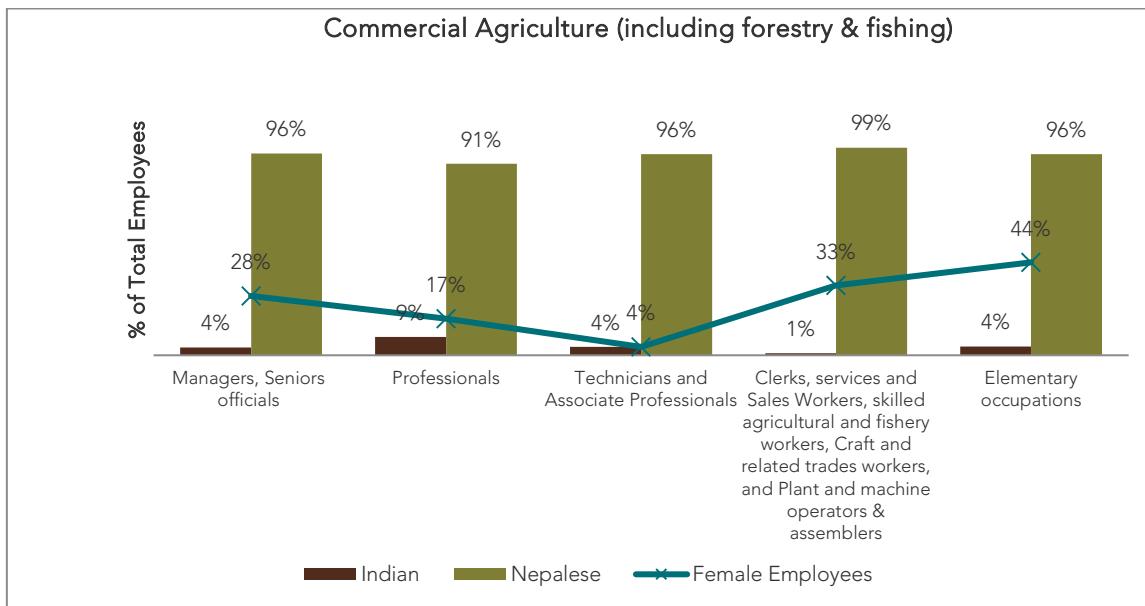
Figure 10: Share of employees by nationalities across job categories, N=36

In terms of the nature of employment, 83% employees are on full-time employment whereas remaining are part-time or contract basis.
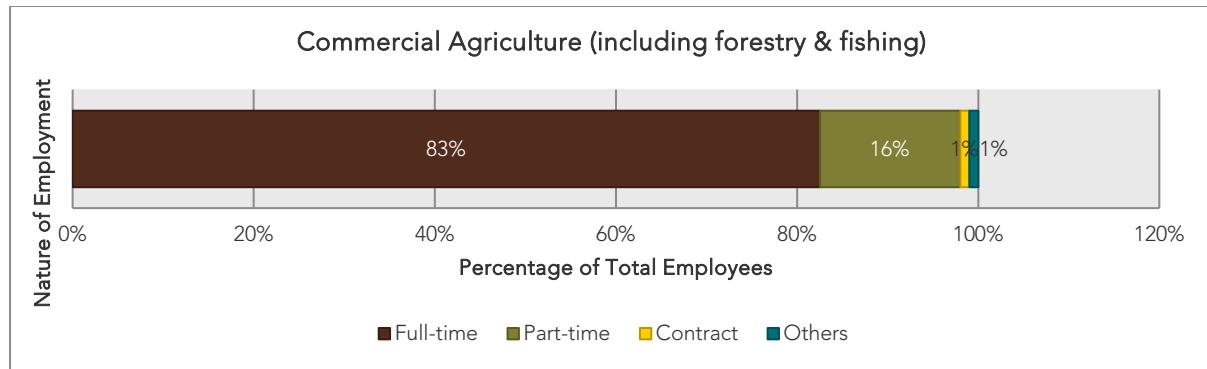
Figure 11: Nature of employment across all employees, N=36

In terms of wage increases, approximately 34% of the mentioned that wages have not increased over the last two years and another 34% of the companies mentioned that the wages have increased up to 5% over the same period.
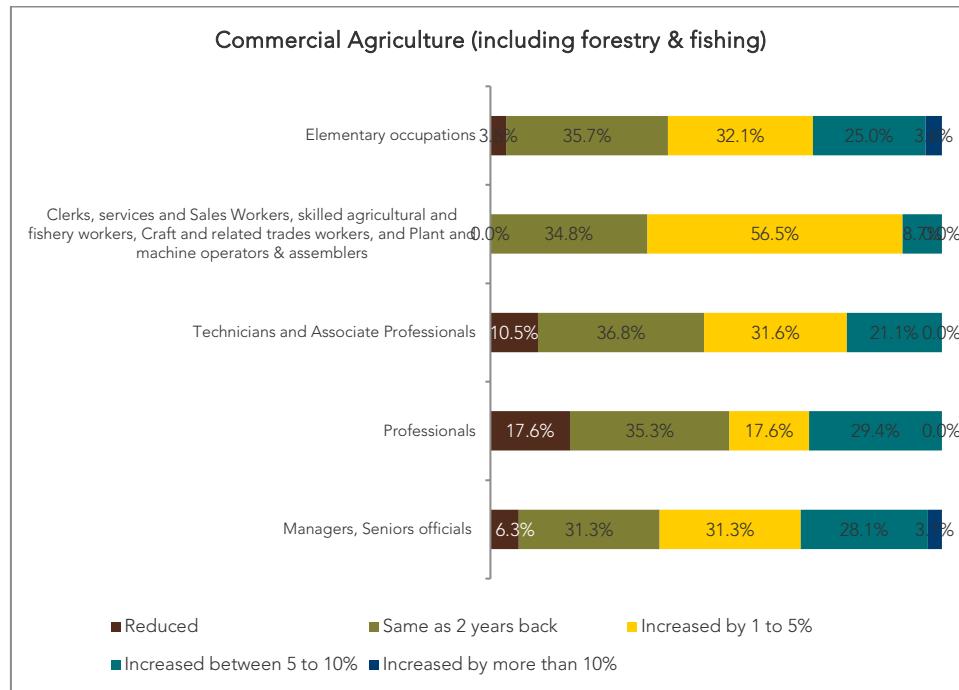
Figure 12: Wage Changes over the last two years, N=36

The companies surveyed reported an average attrition rate of 16% per annum. The top reasons mentioned for overall attrition were family reasons, finding an opportunity with higher income or finding better employment overseas.
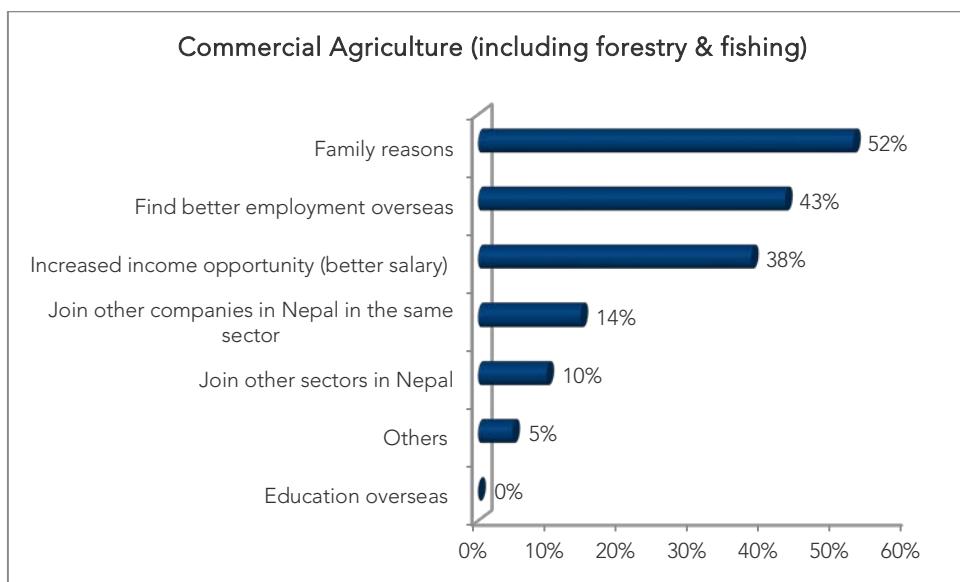

Figure 13: Reasons for Attrition of Employees, N=21

Of all the roles available, companies mentioned that the role of Chief Executive; senior officials and legislators are the highest in demand followed the role of Finance Managers. In cross-sectorial, the roles of Agricultural, forestry and fishery labourers and Transport and storage labourers.

Commercial Agriculture (including forestry & fishing)

Job role	%
Chief executives, senior officials and legislators	24%
Agricultural, forestry and fishery labourers	17%
Transport and storage labourers	10%
Finance managers	7%
Agricultural/ Forestry/ Veterinary technicians	7%
Sales, marketing and development managers	6%
Production managers in agriculture, forestry and fisheries	5%
Agricultural and industrial machinery mechanics and repairers	5%
Veterinarians	4%
Skilled agricultural, forestry and fishery workers (e.g. Crop…	4%
Supply, distribution and related managers	3%
Finance professionals	2%
Administration professionals	2%
Sales, marketing and public relations professionals	2%
Human resource managers	1%
Science and engineering professionals (such as Biologist…	0%

Figure-14: Job roles in high demand, N=36

For high-level job roles, the respondents indicated difficulty in hiring. Also, for jobs roles like Agricultural, forestry and fishery labourers, Agricultural/ Forestry/ Veterinary technicians and Transport and storage labourers, there is high challenge in availability of people with the right skills for the job.
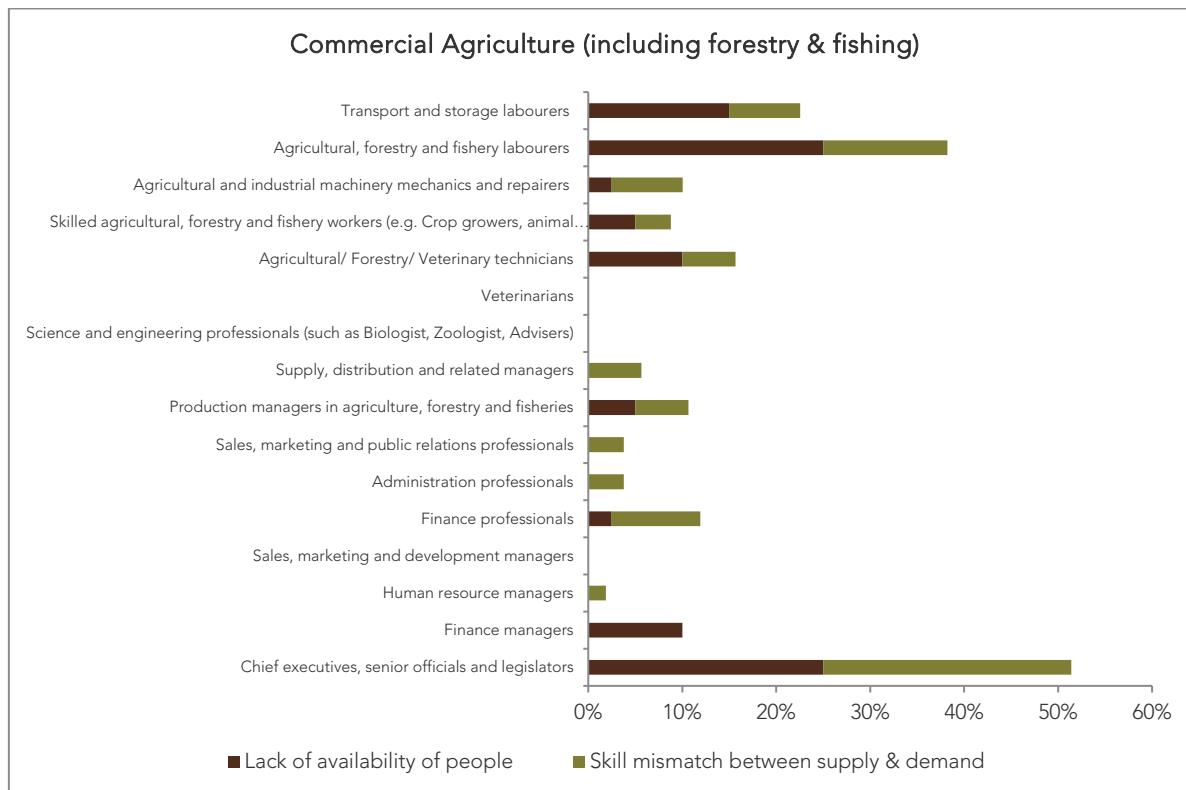
Figure 15: Challenges in hiring for various job roles, N=36

According to the survey findings, the companies indicated that they would be increasing the total employment by approximately 84% with a significant increase in the roles of Human resource, Administration Professionals and Agricultural / Forestry/ Veterinary technicians. The breakdown of the increase is indicated in the figure below:
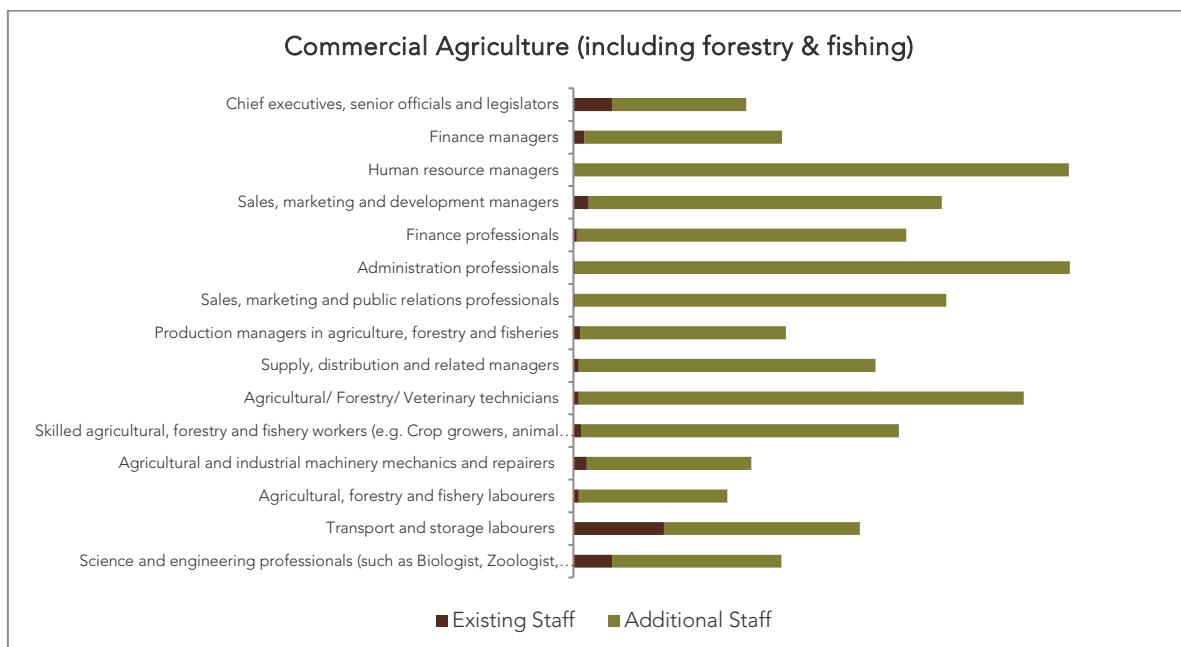

Figure 16: The Expected increase in the share of the number of employees over the next five years as compared to existing staff, N=24

The 36 companies surveyed expect an average revenue growth rate of 7.1% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	0	0.0%	0.0
Decline by 0% to 5% per year	2	5.9%	-0.1
Increase by 0% to 5% per year	7	20.6%	0.5
Increase by 5 to 10% per year	9	23.5%	1.8
Increase by more than 10% per year	18	50.0%	5.0
Total	36		7.1

Table 8: Projected Average Revenue Growth Rate – next five years

The 36 companies surveyed expect an average workforce growth rate of 5.7% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	1	2.9%	-0.1
Decline by 0% to 5% per year	4	8.8%	-0.2
Increase by 0% to 5% per year	9	26.5%	0.7
Increase by 5 to 10% per year	10	29.4%	2.2
Increase by more than 10% per year	12	32.4%	3.2
Total	36		5.7

Table 9: Projected Average Workforce Growth Rate – next five years

Based on the above, the productivity of the labour force is expected to grow at a rate of 1.3% per annum.

3.2.1   Labour Profile – Women, DAGs, and PwDs

Women

For these 36 companies, **32.3%** of these employees are women. (See figure 10). The companies surveyed reported an average attrition rate of women employees to be 1% per annum. For women, the top reasons were as family reasons and increased income opportunities.


Commercial Agriculture (including forestry & fishing)

Reason	Value
Family reasons	15
Increased income opportunity (better salary)	9
Join other companies in Nepal in the same sector	3
Lack of mobility and no accommodation arrangements	1
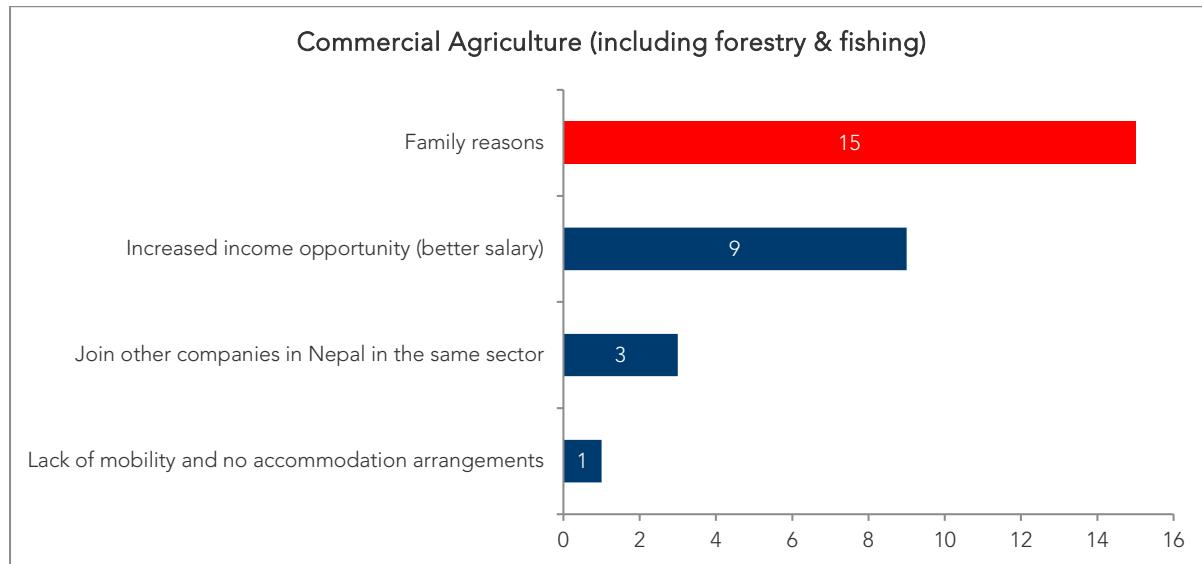
Figure 17: Reasons for Attrition of Women Employees, N=21

Source: SEP Firm-Level Survey (2019)

The companies also indicated that certain job roles have the potential to increase women employment in that job role. The figure below indicates the share of respondents who agree that women employees can be increased in the respective job roles – e.g. 24% of the respondents agree that more women can take the Chief executive, senior and legislators, Agricultural, forestry and fishery labourers and Transport and Storage labourers.


Commercial Agriculture (including forestry & fishing)

Job role	Share
Chief executives, senior officials and legislators	24.24%
Agricultural, forestry and fishery labourers	17.17%
Transport and storage labourers	10.10%
Finance managers	7.07%
Agricultural/ Forestry/ Veterinary technicians	7.07%
Sales, marketing and development managers	6.06%
Production managers in agriculture, forestry and fisheries	5.05%
Agricultural and industrial machinery mechanics and repairers	5.05%
Veterinarians	4.04%
Skilled agricultural, forestry and fishery workers (e.g. Crop…	4.04%
Supply, distribution and related managers	3.03%
Finance professionals	2.02%
Administration professionals	2.02%
Sales, marketing and public relations professionals	2.02%
Human resource managers	1.01%

Figure 18: Share of respondents who agree there is a potential for women employment in the job role, N=36

Source: SEP Firm-Level Survey (2019)

Out of the total current employment across these 36 companies, only 1% (3 employees) of the employees are People with Disabilities (PwDs). These employees are speech-impaired, hearing impaired, or motor-impaired, while there is no employee with any mental disability (e.g. Autism) and visual impairment. The small numbers are attributed to several reasons such as labour-intensive nature of the work or difficulty to explain the work.

The companies expect to increase the number of PwDs in their workforce by close to 8x over the next five years. The most significant jump in absolute terms is expected to be for people who are speech impaired (24x) followed by people who are hearing impaired (14x).

DAGs

Out of the total current employment across these 36 companies, only 29% of the employees are Disadvantaged Groups (DAGs). Close to 55% of the DAGs which these companies have hired are disadvantaged *janajatis*, while another 23% are Dalits.

The companies also expect that over the next five years, the number of employees from the disadvantaged group will be increased by more than 1.5x. Out of this, highest increase is expected to be in the Religious Minority Group (5x) followed by disadvantaged *janajati* (~2x). While most companies mentioned that they do not discriminate on the basis of caste or religion, they cited lack of such candidates with right skills as a reason for not hiring even more people from DAGs.
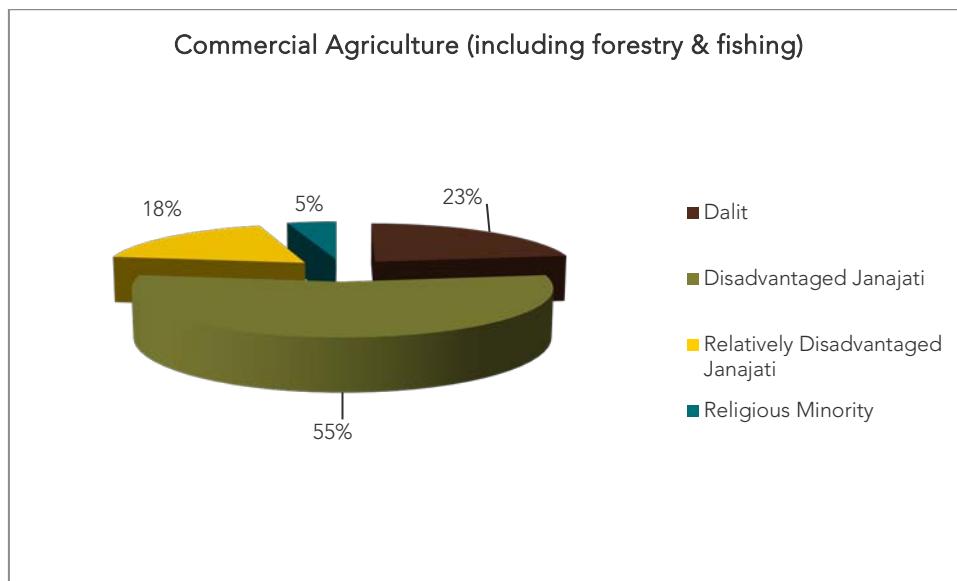

Figure 19: Share of DAGs in the labour force (2019), N=36

Source: SEP Firm-Level Survey (2019)

3.3 Perception and Attitude towards Skill Development

The respondents indicated the preferred educational qualification for various job roles. 35% of the companies surveyed preferred employees with General University degree followed by 25% preferring School Leaving Certificate. 33% of all companies surveyed mentioned that relevant experience for the job role is preferred.
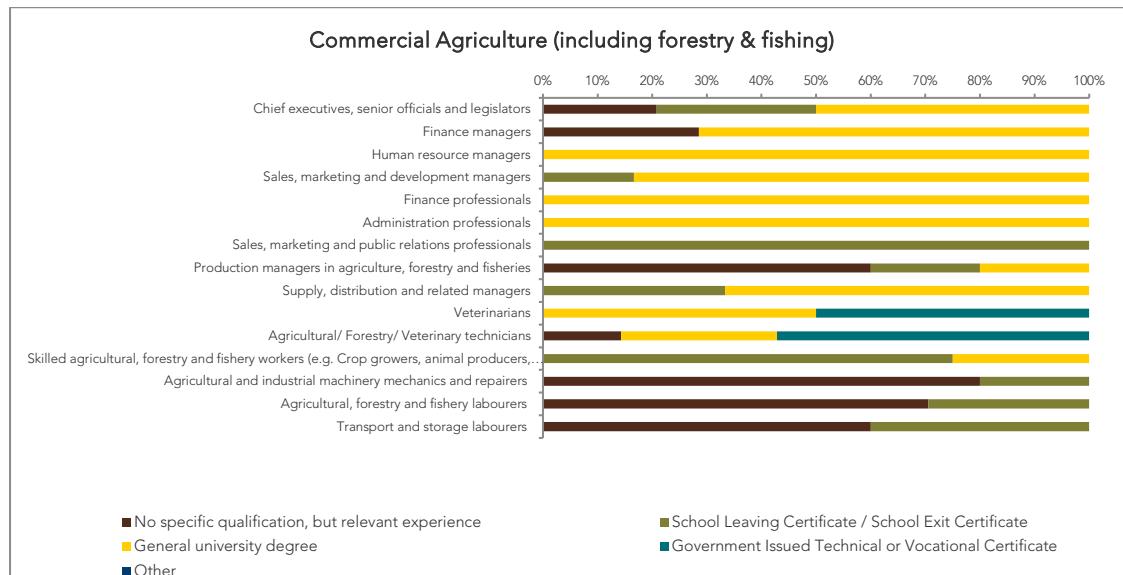

Figure 20: Preferred educational qualification for various job roles, N=24

Source: SEP Firm-Level Survey (2019)

Across the companies, all of the skill categories were deemed to be of high (36% of the companies surveyed) or medium (20% of the companies surveyed) importance for their employees – with 47% of the companies surveyed considering Core work skills of high importance followed by Basic Foundation skills by 44% of the companies surveyed.
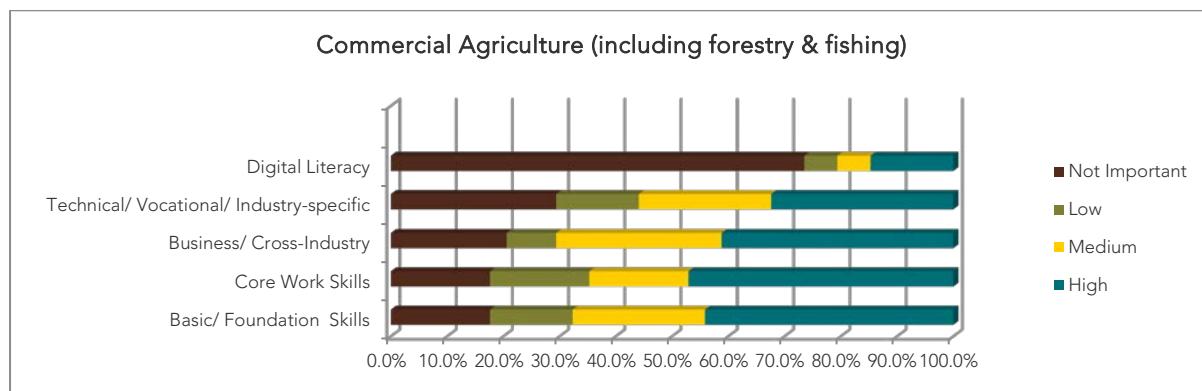

Figure 21: Importance of Skill Categories (percentage of respondents), N=36

Source: SEP Firm-Level Survey (2019)

On average, 62% of the companies believe that the skills gaps between existing employees may not be of significant importance. However, another 26% of the companies surveyed mentioned skill gaps are of high importance for the job roles assigned. Further, 23.5% of the companies surveyed believe that Core work skills and business/cross-industry skills are of importance for the job roles assigned. 26.5% of the companies surveyed mentioned that Technical/ Vocational/ Industry-specific are of high importance for the job roles assigned. The detail of the survey results are mentioned in the chart below:

Commercial Agriculture (including forestry & fishing)
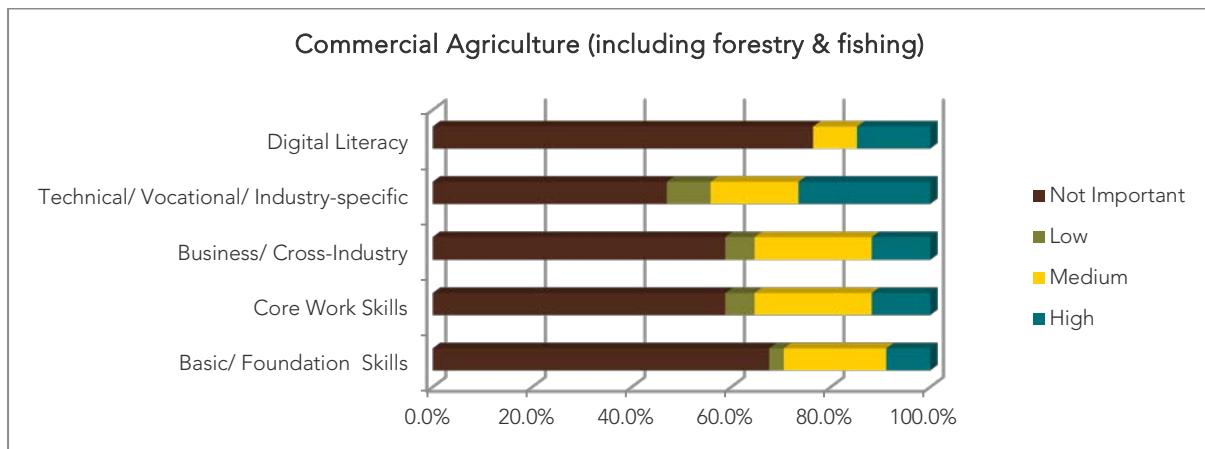
Figure 22: Skill gaps across Skill Categories percentage of respondents), N=36

The companies cited unavailability of skilled talent (20.6% of the companies surveyed), inability to attract and retain skilled talent at an affordable wage (20.6% of the companies surveyed) as top challenges in finding and building a skilled workforce. Companies mentioned that due to inability to provide higher pay, they were unable to retain employees as the main reason.


Commercial Agriculture (including forestry & fishing)
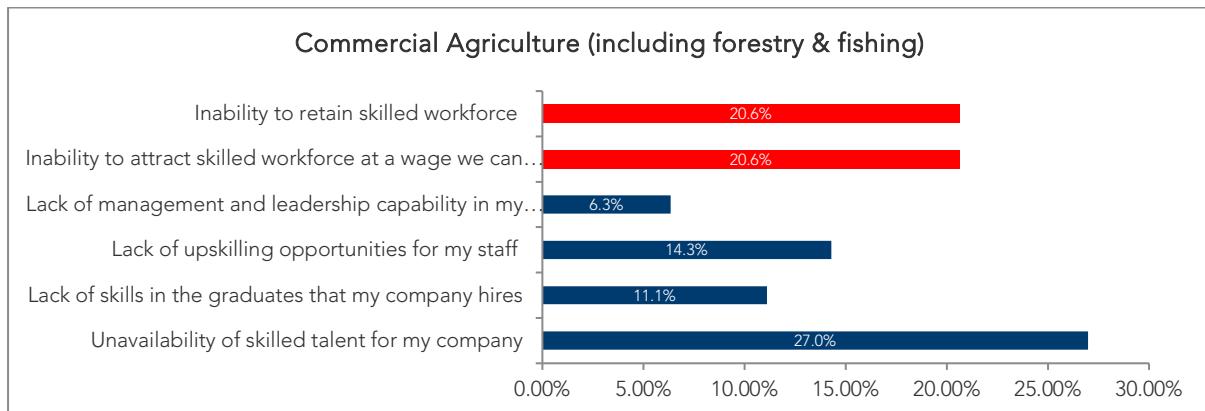
Figure 23: Challenges to finding & building a skilled workforce (percentage of respondents), N=31

While 55% of the companies mentioned that they are willing to send their existing staff for training which is of less than one week in duration, a significant 17% mentioned that they are unwilling to send their staff for any training.
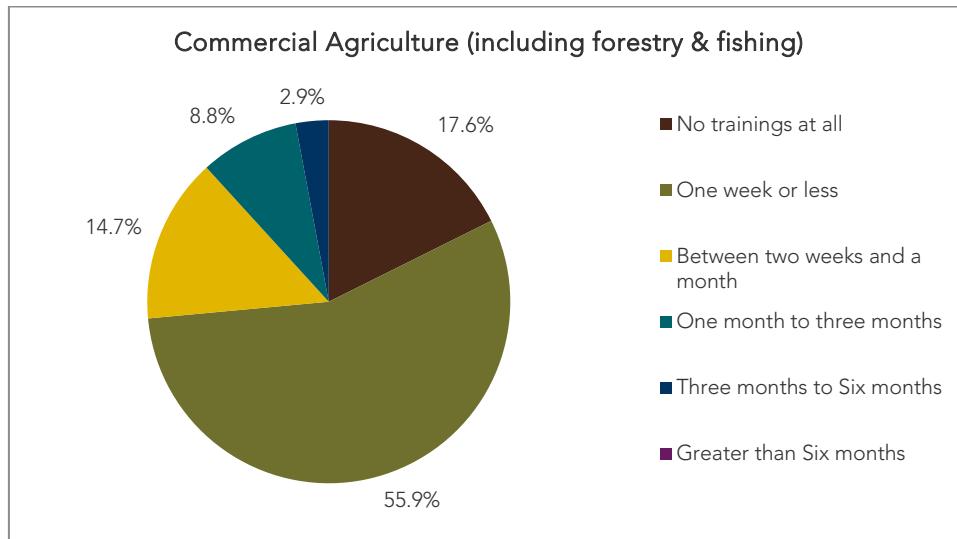
Figure 24: Preference of the duration of the skill development training (percentage of respondents), N=36

In terms of spending on skill development, 46.5% of the companies surveyed did not spend anything, while 29% spent between 1 and 2% of their revenues on skill development.
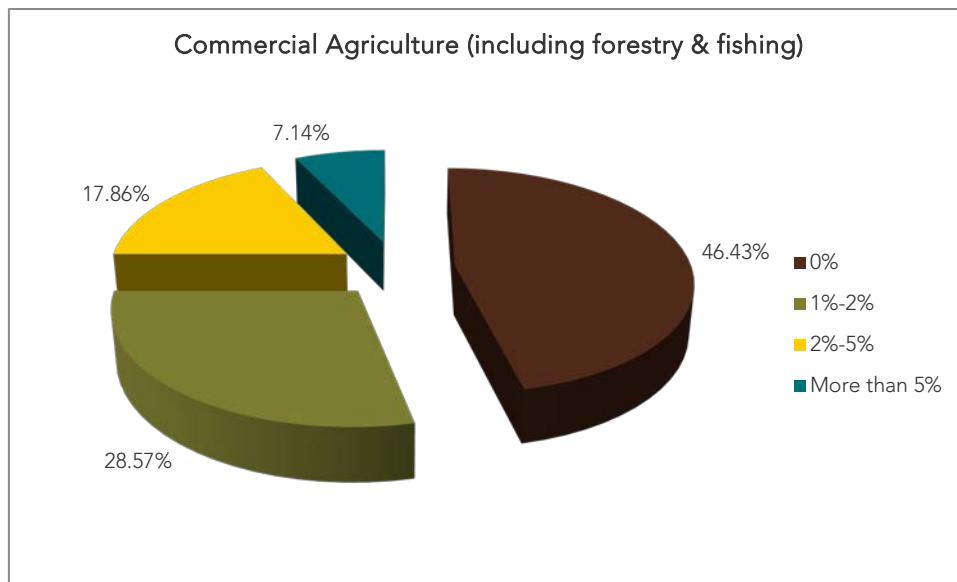

Figure 25: Spending on skill development training as a percentage of revenue percentage of respondents), N=28

Out of the companies surveyed, 35% mentioned that the introduction of new legislation to support federalisation would increase the cost of doing business and 26.5% mentioned that they may consider changing their recruitment strategy.

Commercial Agriculture (including forestry & fishing)

Category	Value
We will expand our business because the government red tape has become less of an issue now	8.8%
We will expand our business because finance is now more accessible to us	8.8%
Our investment in skill development programmes will reduce	0.0%
We will have to employ more informal workers (e.g. daily wagers)	17.6%
Our cost of doing business will go up	35.3%
We will have to change the permanent employees to contract employees	2.9%
We will change our recruitment strategy	26.5%

Figure 26: Impact of new legislation to support federalisation (percentage of respondents), N=21

Source: *SEP Firm-Level Survey (2019)*

3.4 Potential Collaboration with DFID SEP

The survey also tried to understand the potential plans of the respondent companies towards skill development.

While most companies plan to continue the existing programmes (38% of the companies surveyed), a significant 41% of the companies surveyed also wanted to scale up the existing programmes. This is expected given the perceived efficacy of the programmes deployed by the companies.

Commercial Agriculture (including forestry & fishing)

| Category	Value
Develop new programmes	21%
Scale-down existing programmes	0%
Scale up existing programmes	41%
Continue existing programmes	38%
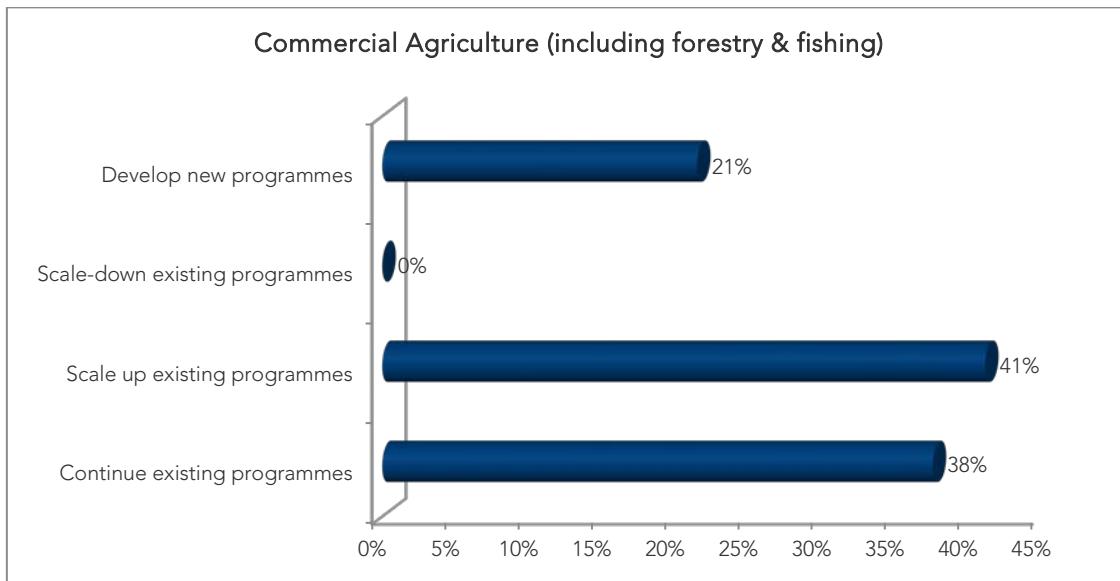
Figure 27: Future plans to develop/invest in skills of staff over the next five years (percentage of respondents), N=36

Source: SEP Firm-Level Survey (2019)

Further, when asked about willingness to bear the cost of the training and skilling workers, 67% companies mentioned that they are willing to spend on the same.
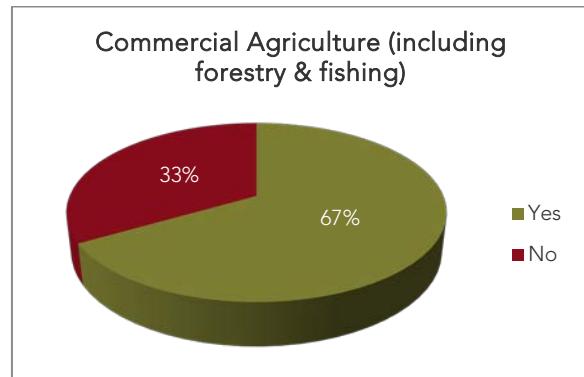
Figure 28: Companies' willingness to the bear the cost of training and skilling workers (percentage of respondents), N=12

While 28% of the companies surveyed mentioned that no training/skill development initiatives are required, on-the-job experience and pre-employment work readiness training remain a favourite of the companies.
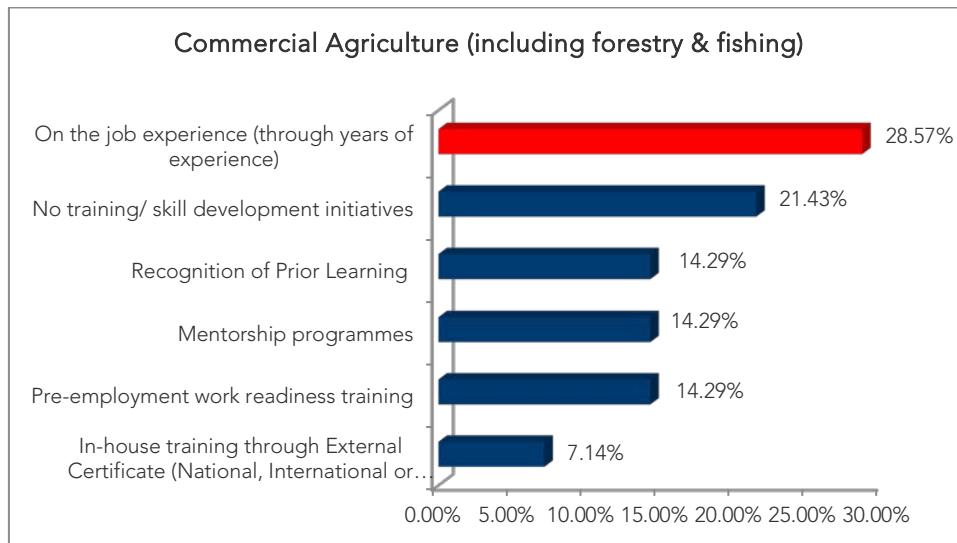

Figure 29: Preferred skill development models (percentage of respondents), N=4

The companies indicated that they needed support for both pre-employment and continuous-employment would – 35% of the respondents mentioned these. Another 30% of the respondents mentioned that they needed support in providing managerial skills training and technical assistance.
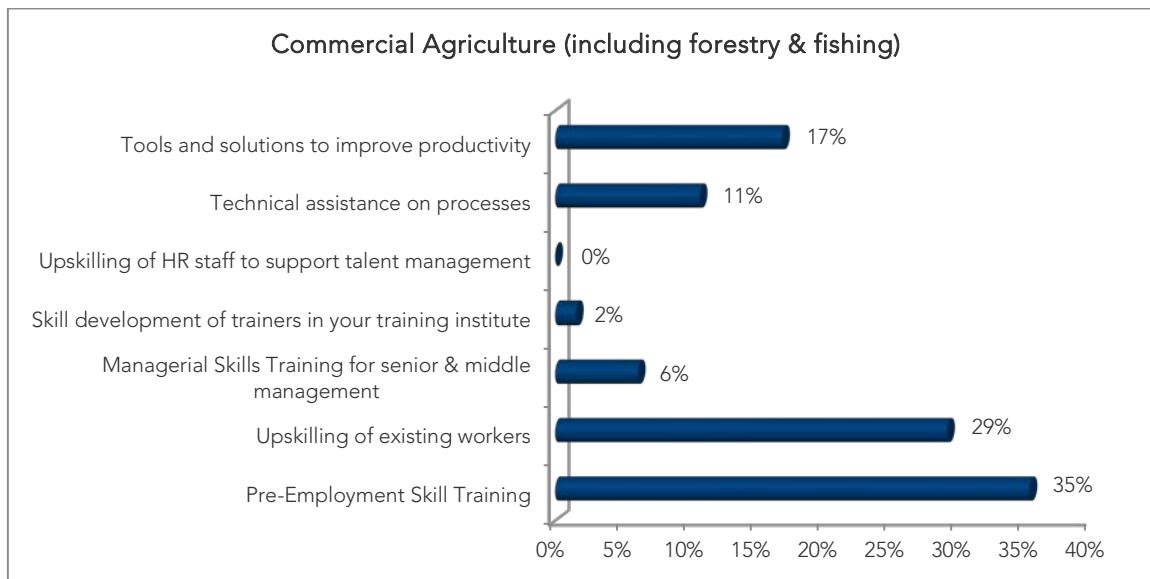
Figure 30: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=36

The companies also indicated that financial and technical support would be the best modality of any possible skill development partnerships for them.
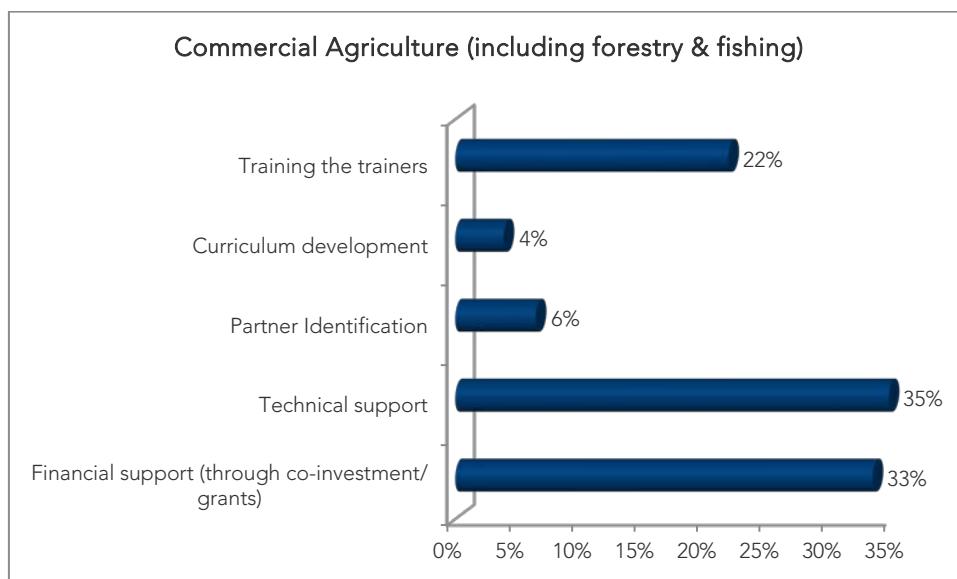

Figure 31: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=36

56% of the companies surveyed indicated that wage growth is expected to be between 5% and 20% per annum due to skill development of employees.

Commercial Agriculture (including forestry & fishing)

Legend:
- No expected rise
- 5% or less per annum
- >5 to 10% per annum
- >10 to 15% per annum
- 15 to 20% per annum
- >20% per annum
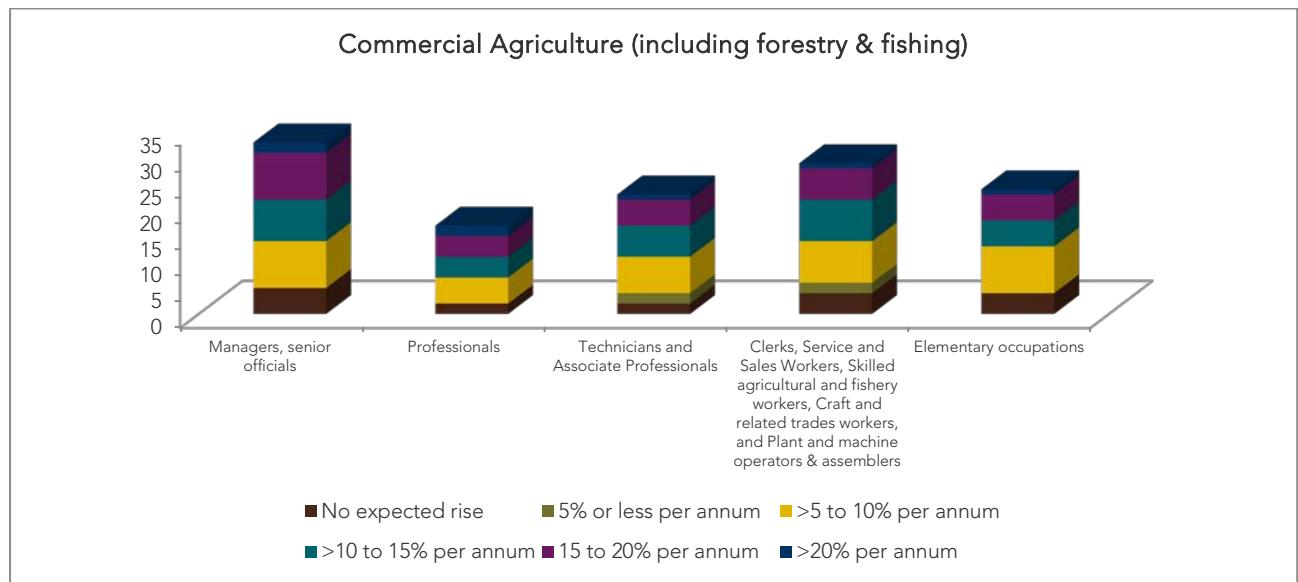
Figure 32: Expected wage rise of employees, N=36

4. Manufacturing Sector

Some of the key findings from the survey include:

- Out of the 38 companies surveyed, little over 8% of companies are currently exporting overseas while a significant 55% companies mentioned that it has no intention of exporting overseas.
- Out of the 36 companies surveyed, only one company has equity investment from outside Nepal.
- However, 26 companies (i.e. 72% of the sample) mentioned that they import raw material from overseas.
- In terms of growth of revenue over the last two years (2016-2018), 33% of the companies surveyed mentioned that their revenue increased by more than 5% per annum. However, the companies were bullish about their prospects with 75% of the companies surveyed mentioned they expect a growth rate of more than 5% the next five years (2020-2024).
- Over the same period (2016-2018), 30.5% of the companies surveyed mentioned that they had experienced a workforce growth of more than 5% per annum and 42% have seen a workforce growth rate of between 0% to 5% per annum during this period.
- These 36 companies employed 2130 employees – an average of 59 employees per firm.
- In terms of demographic proportions, 88.4% are Nepalese. The foreign employees were reported to be from India. For these 36 companies, 25% of these employees are women, with the attrition of 6.2% per annum. The companies surveyed reported an average attrition rate of 20.7% per annum
- In terms of wage increases, 45% of the companies surveyed mentioned that their wages have increased by more than 5% over the last two years.
- Out of the total current employment across these 36 companies, only 1% of the employees are People with Disabilities (PwDs). Out of the total current employment across these 35 companies, 41.1% of the employees are Disadvantaged Groups (DAGs).

Figure 33: Summary of the results for the Manufacturing Sector, N=38

Source: SEP Firm-Level Survey (2019)

4.1 Profile of Companies Interviewed

A total of 38 companies in the sector were interviewed across Nepal. A detailed list of stakeholders interviewed is provided in Annex 1.

Geographically, they are well-distributed across Provinces 5 of Nepal. However, a majority of them have a presence in Butwal-Bhairahawa region of the Province. The figure below indicates the number of surveyed companies with offices in the major cities (multiple options).

The distribution of companies by the location of operation in Province 5 is indicated below:

Manufacturing Sector
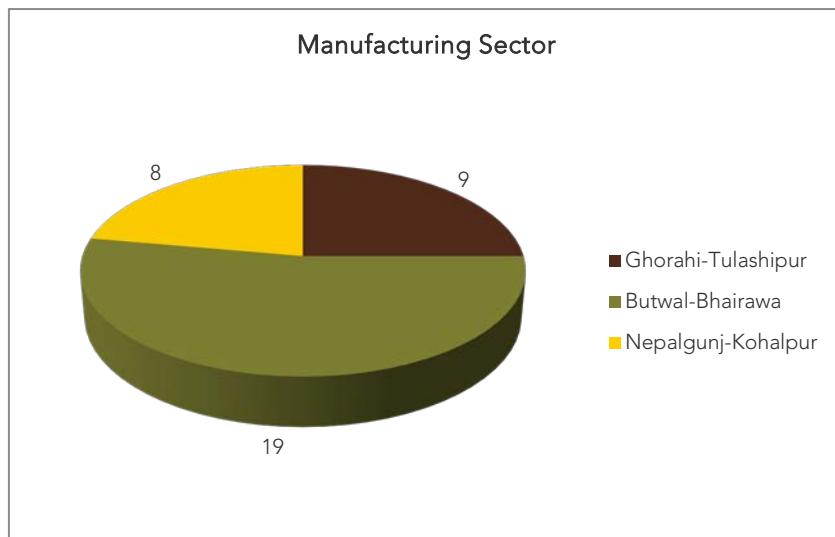
Figure 34: Distribution of companies surveyed by locations, N=38

The distribution of the companies by size is indicated in the figure below.

Manufacturing Sector
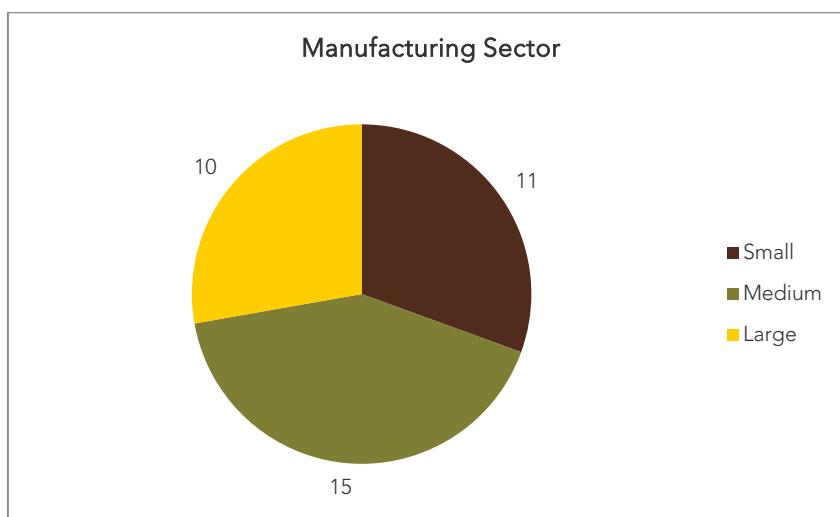
Figure 35: Distribution of companies surveyed by size, N=38

Out of the companies surveyed, little over 8% of companies are currently exporting overseas while a significant 55% companies mentioned that they have no intention of exporting overseas. From the countries exporting, the major destinations are Burundi and Africa. Also, a significant 60% of the companies that export mentioned that more than 40% of their revenue comes from exports. Further,

out of the companies surveyed, close to 6% (two companies) mentioned that they have intentions of exporting overseas, with preferred destination as India. Among the companies which have no intention of exports, they mentioned that they intend to target local market and face high-level competition as significant challenges.

Out of the companies surveyed, 91% are currently exporting within Nepal while only 8% mentioned that they have no intention of exporting within Nepal. Out of the companies exporting within Nepal, 58% of the companies mentioned that these exports contribute more than 40% of their revenues. Amongst the companies exporting within Nepal, popular destinations are Province 3 (18%) and Province 4 (18%) followed by Province 6 (17%) and Province 7 (16%). None of the companies mentioned that they intend to export over the next 2-4 years. Non-exporting companies mentioned they do not wish to export within Nepal due to small size of business and highly competitive export market.

Out of the 38 companies surveyed, only one company has equity investment from outside Nepal. However, 26 companies (i.e. 72% of the sample) mentioned that they import raw material from overseas. This shows there is high-level international exposure for the Nepalese Manufacturing sector.

In terms of growth of revenue over the last two years (2016-2018), 50% of the companies surveyed mentioned that they have a positive growth rate. However, the companies were bullish about their prospects with 64% of the companies surveyed mentioned they expected a growth rate of over 5% the next five years (2020-2024).
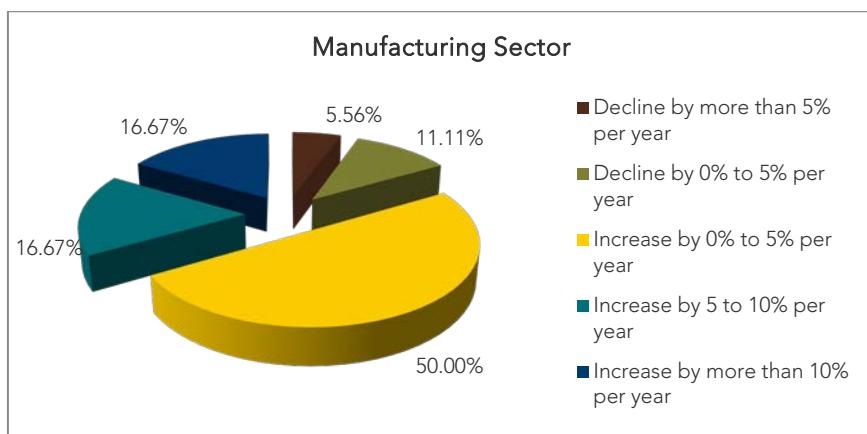

Figure 36: Distribution of companies surveyed by revenue growth in the last two years, N=38

*Source: SEP Firm-Level Survey (2019)*

The companies surveyed indicated that their top three challenges to achieving their growth targets include high cost of electricity, lack of favourable government policies or regulations and high cost of raw materials. The skill-related challenge was identified by more than 11% of the respondents.
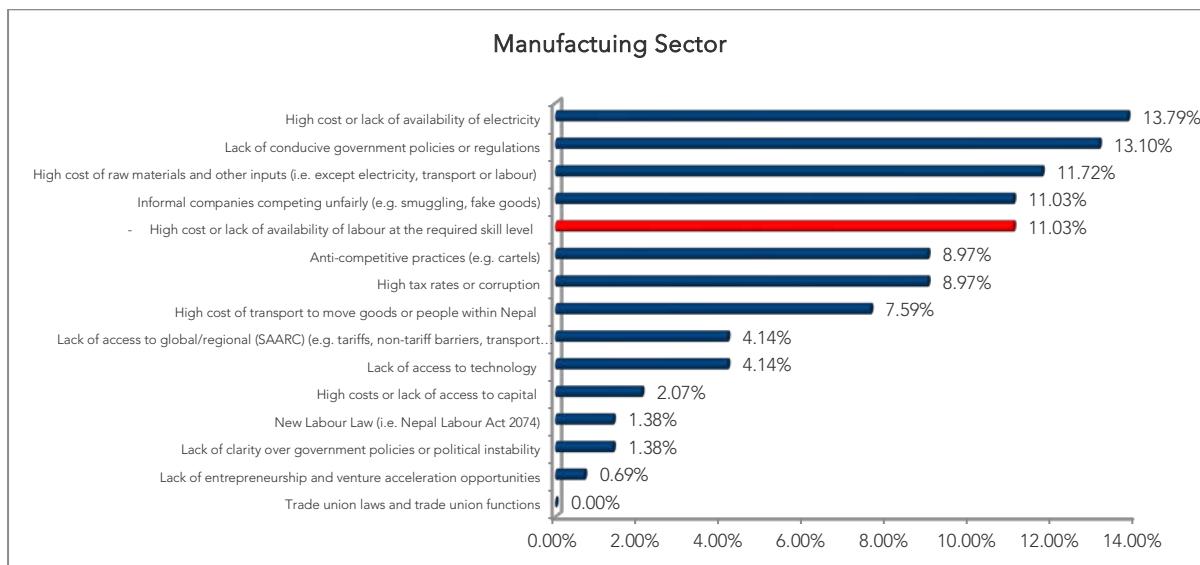
Figure 38: Distribution of responses on top challenges that hamper their company from achieving their growth targets, N=38

Source: SEP Firm-Level Survey (2019)

Over the same period (2016-2018), 28% of the companies surveyed mentioned that they had experienced a workforce decline whereas a significant 42% have seen a workforce growth rate of up to 5% per annum during this period. For the next years, most of the companies (44) expect a positive growth rate in workforce (increase by more than 5% per annum).
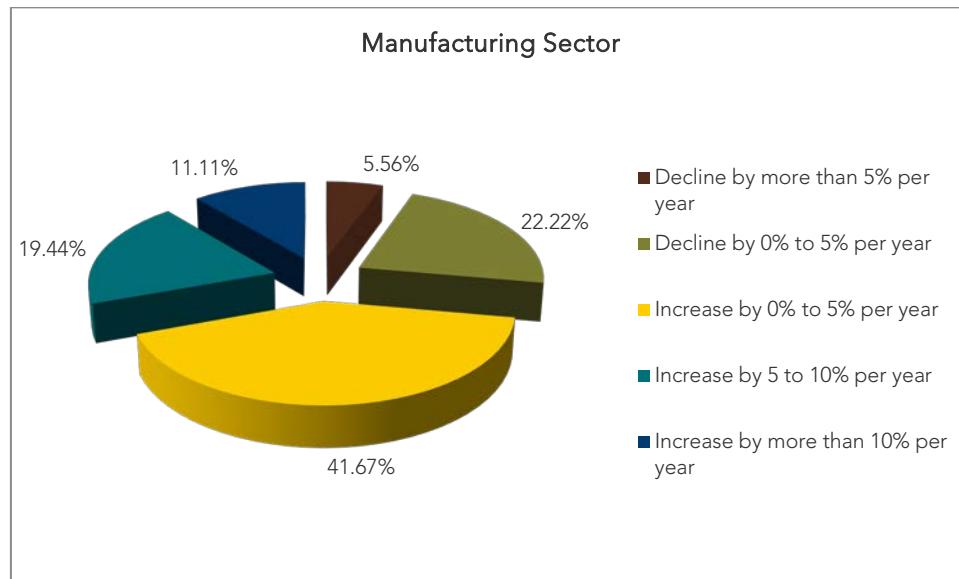
Figure 39: Distribution of companies surveyed by workforce growth in the last two years, N=38

Source: SEP Firm-Level Survey (2019)

Manfucturing Sector

- 0.00% — Decline by more than 5% per year
- 2.78% — Decline by 0% to 5% per year
- 33.33% — Increase by 0% to 5% per year
- 19.44% — Increase by 5 to 10% per year
- 44.44% — Increase by more than 10% per year
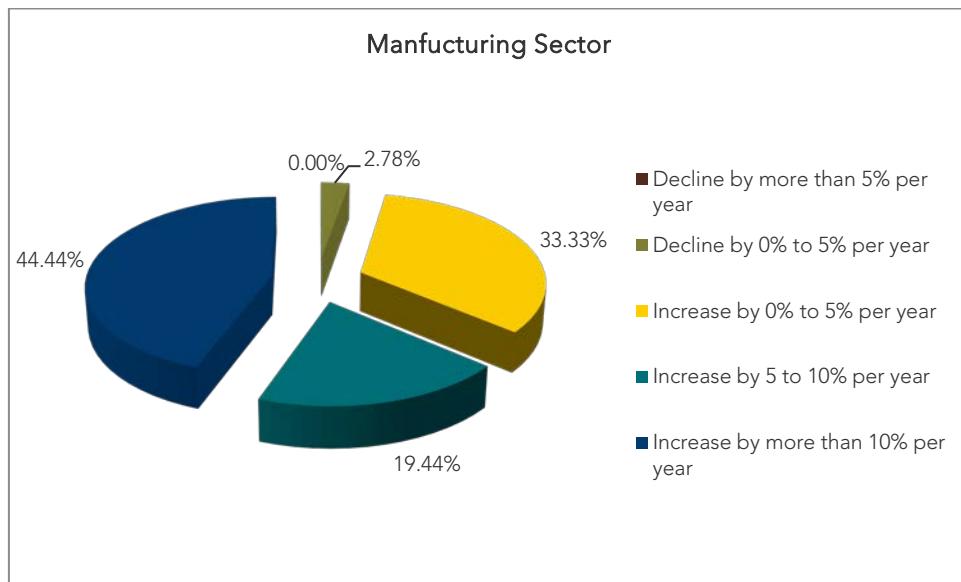
Figure 40: Distribution of companies surveyed by expected workforce growth in the next five years, N=38

Source: SEP Firm-Level Survey (2019)

4.2 Labour Profile of the Companies Interviewed

These 38 companies employed 2130 employees – an average of 59 employees per firm.

The breakdown by job categories of the total employees and by demographic segments is indicated in the figure below.


Manufactuirng Sector

Category	%
Managers, senior officials	5.2%
Professionals	5.4%
Technicians and Associate Professionals	16.2%
Clerks, Service and Sales Workers, Skilled agricultural and fishery workers, Craft and related trades workers, and Plant and machine operators & assemblers	33.1%
Elementary occupations	40.0%
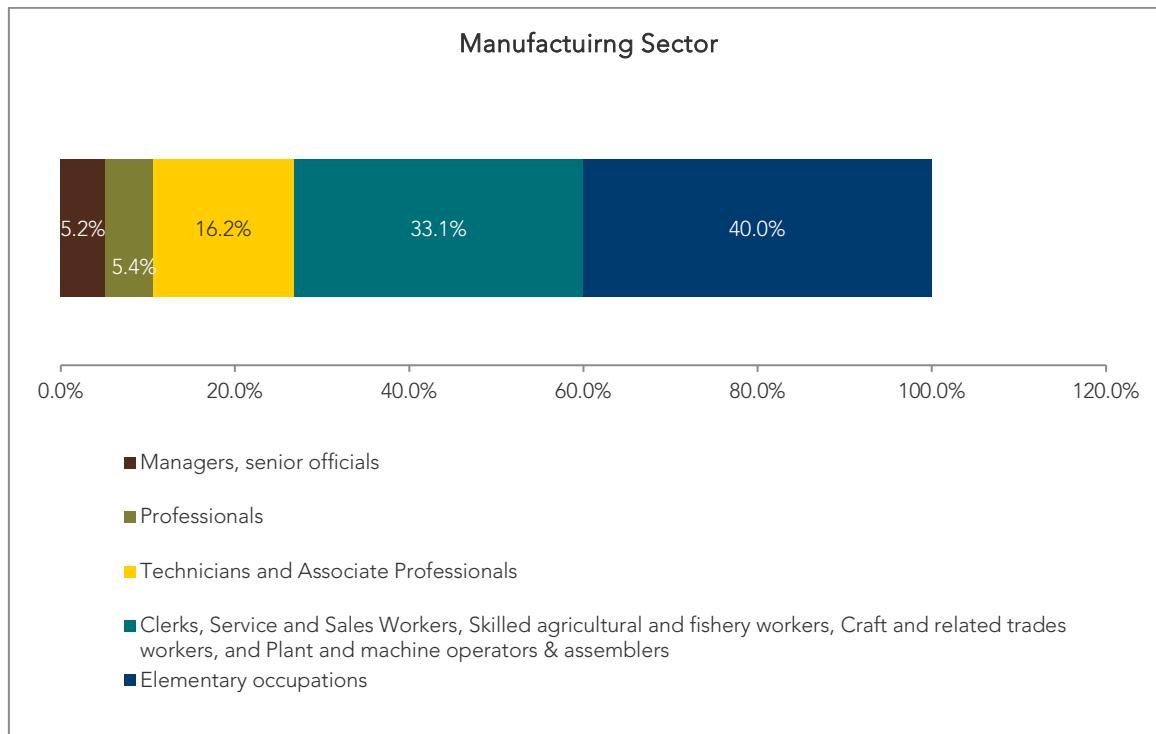
Figure 41: Distribution of employees by job categories, N=38

Source: SEP Firm-Level Survey (2019)

In terms of demographic proportions, **88.4%** are Nepalese. The foreign employees were reported to be from India.

Manufacturing Sector

| Job Category	Indian	Nepalese	Female Employees
Managers, Seniors officials	6%	94%	15%
Professionals	6%	94%	3%
Technicians and Associate Professionals	11%	89%	21%
Clerks, services and Sales Workers, skilled agricultural and fishery workers, Craft and related trades workers, and Plant and machine operators & assemblers	13%	87%	14%
Elementary occupations	12%	88%	40%
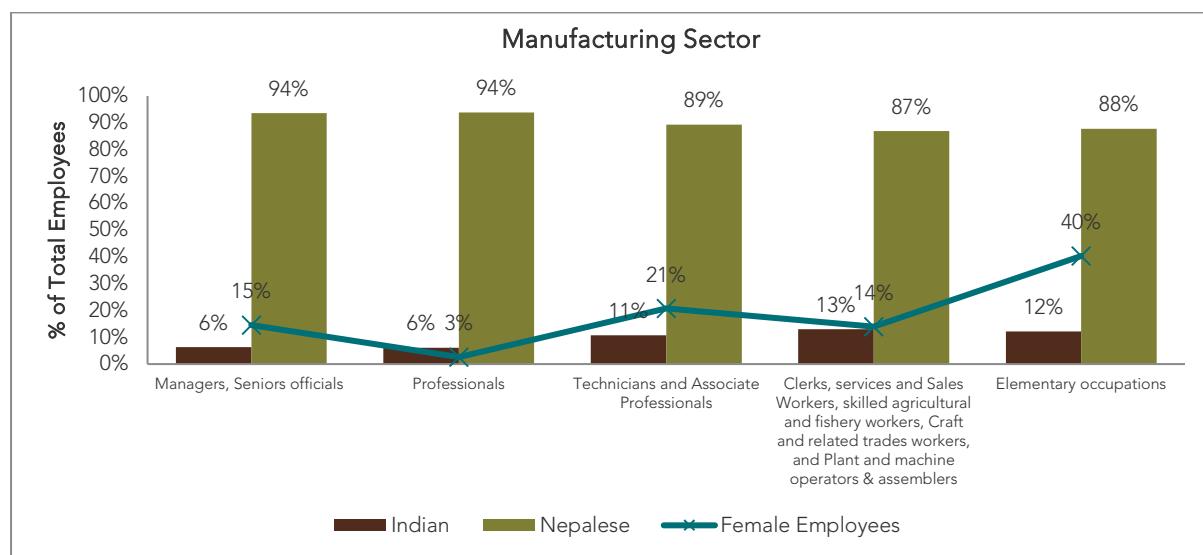
Figure 42: Share of employees by nationalities across job categories, N=38

Source: SEP Firm-Level Survey (2019)

In terms of the nature of employment, 76% employees are on full-time employment whereas remaining are part-time or contract basis.
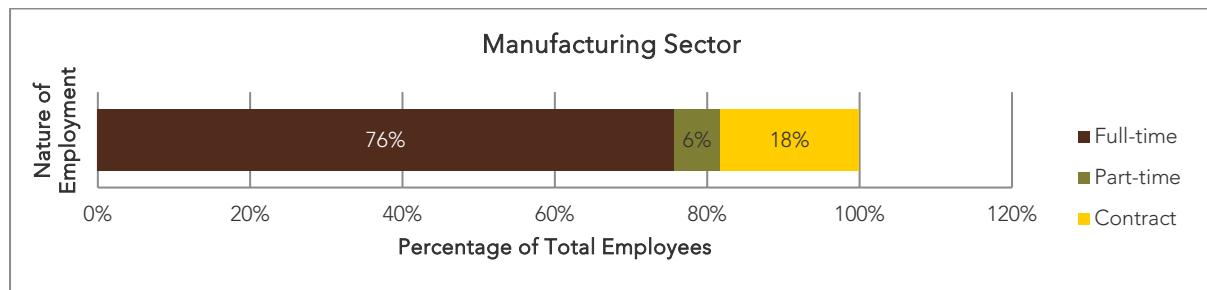
Figure 43: Nature of employment across all employees, N=38

In terms of wage increases, 20% of the companies surveyed mentioned that their wages have not increased over the last two years. 46% of the companies mentioned that wages have increased by more than 5% per annum for the same period.
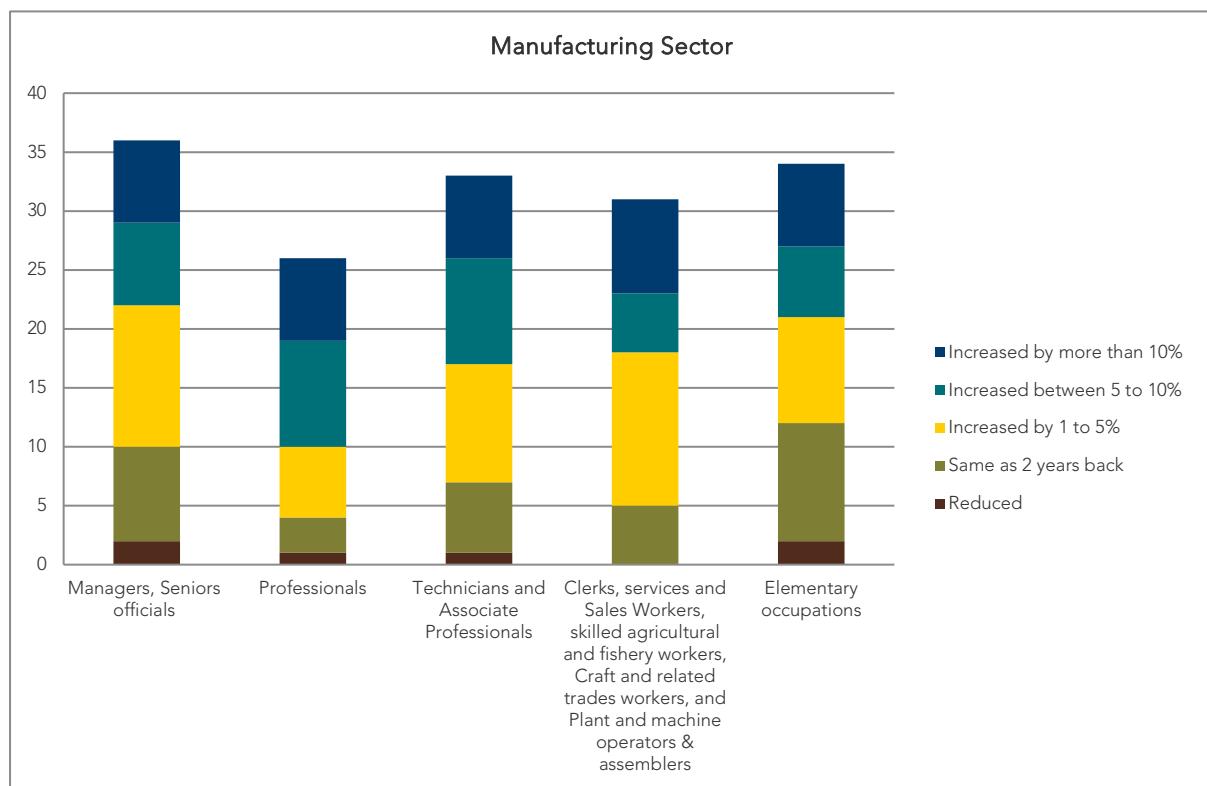

Figure 44: Wage Changes over the last two years, N=38

The companies surveyed reported an average attrition rate of 20.7% per annum. The top reasons mentioned for overall attrition were finding an opportunity with higher income or finding better employment overseas or family reasons.
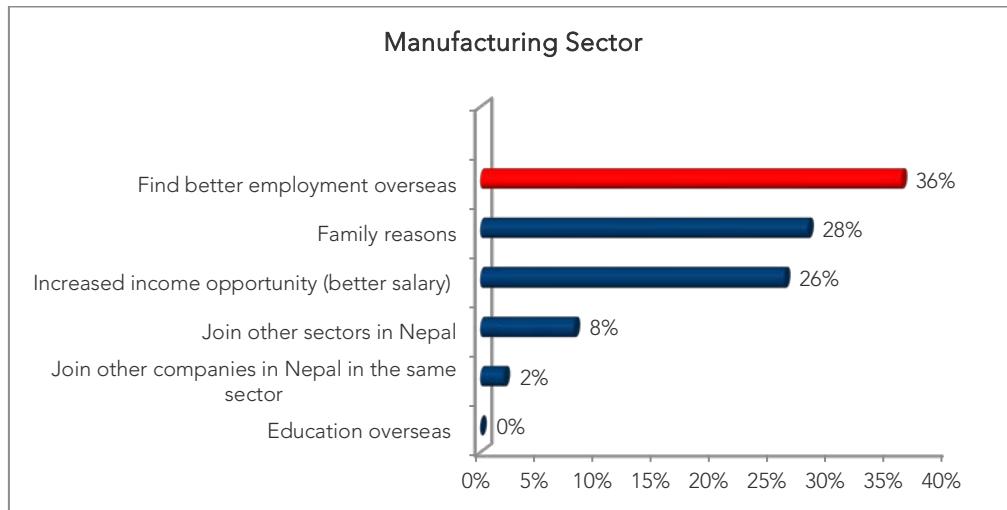
Figure 45: Reasons for Attrition of Employees, N=31

Of all the roles available, companies mentioned that the role of Chief Executive; senior officials and legislators, Finance Managers and Sales and Marketing Development Managers are the highest in demand. In cross-sectorial job roles, roles of Manufacturing labours followed by Manufacturing Supervisors and Plant and Machine manufacturers are in high demand.
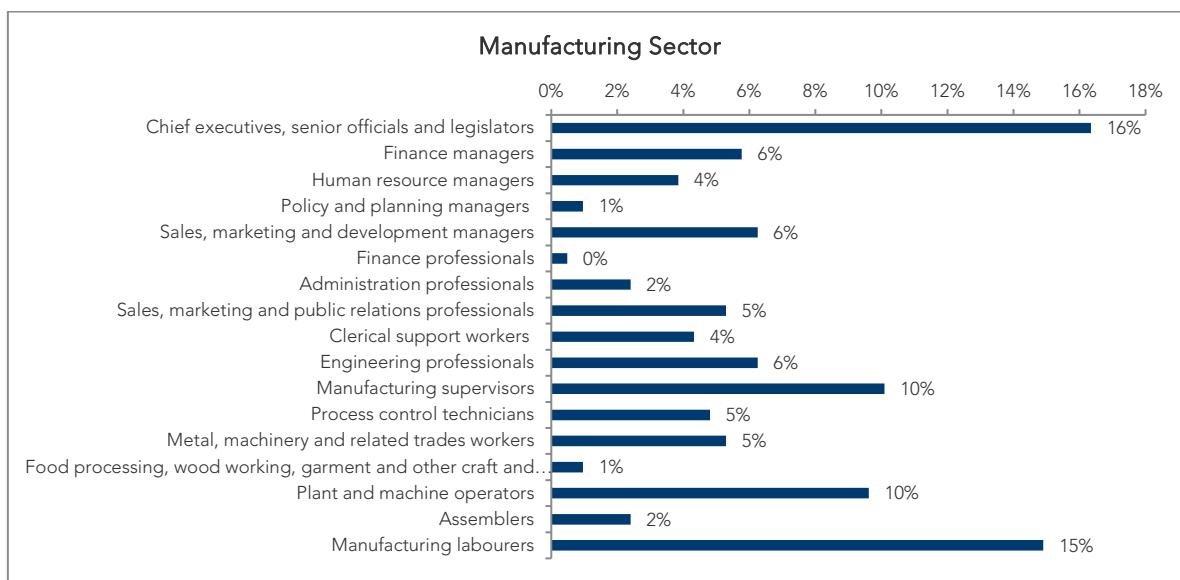
Figure 46: Job roles in demand, N=38

For some job roles, the respondents indicated difficulty in hiring. For example, there is a lack of availability of people for the roles of Chief Executive Officers and seniors, and at the same time there is lack of skill match for those available. In the cross-sectorial roles, companies indicated that they found it challenging to find manufacturing labours and plant and machine operators. Further, there is lack of skill match for the roles manufacturing labours and supervisors.
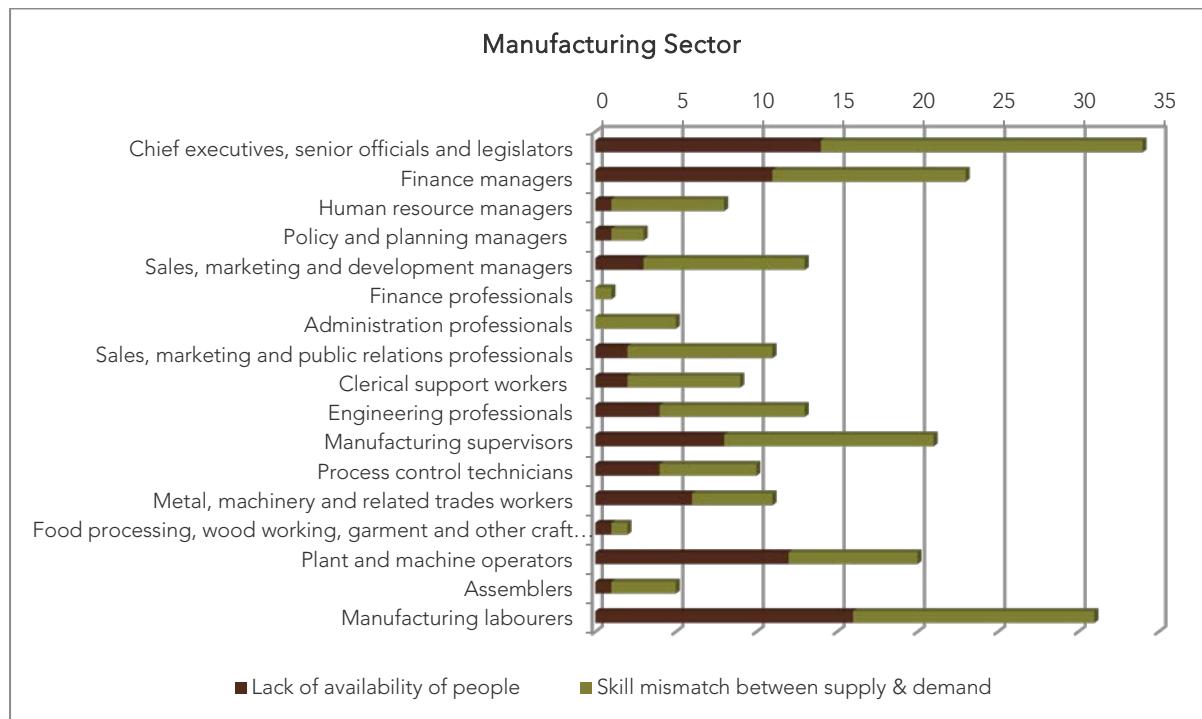
Figure 47: Difficulty in hiring for various job roles, N=38

According to the survey findings, the companies indicated that they would be increasing their total employment by 54%. The significant increase will be for the roles Policy and Planning Managers (167%), Sales, marketing and development managers (105%) and Sales, marketing and public relations professionals (105%). For the cross-sectorial roles, the companies indicated that they plan to increase the employment for role of Food processing, woodworking, garment and other craft and related trades workers (77%), Engineering supervisors (63%) and followed by manufacturing supervisors (62%). The breakdown of the increase is indicated in the figure below:

Figure 48: Expected increase in the share of number of employees over the next five years as compared to existing staff, N=38

The 38 companies surveyed expect an average revenue growth rate of 7.7% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	0	0.0%	0.0
Decline by 0% to 5% per year	1	2.8%	-0.07
Increase by 0% to 5% per year	9	22.2%	0.6
Increase by 5 to 10% per year	5	11.1%	0.8
Increase by more than 10% per year	23	63.9%	6.4
Total	38		7.7

Table 10: Projected Average Revenue Growth Rate – next five years

The 38 companies surveyed expect an average workforce growth rate of 6.7% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	0	0%	-0.1
Decline by 0% to 5% per year	1	2.8%	-0.2
Increase by 0% to 5% per year	13	33.3%	0.7
Increase by 5 to 10% per year	8	19.4%	2.2
Increase by more than 10% per year	16	44.4%	3.2
Total	38		5.7

Table 10: Projected Average Workforce Growth Rate – next five years

Based on the above, the productivity of the labour force is expected to grow at a rate of 0.9% per annum.

4.2.1 Labour Profile – Women, DAGs, and PwDs

<u>Women</u>

For these 38 companies, **25%** of these employees are women (See Figure 42). The companies surveyed reported an average attrition rate of women employees to be 6.2% per annum. For women, the top reason for attrition was cited as family reasons.


Manufacturing Sector

Reason	%
Family reasons	57%
Increased income opportunity (better salary)	20%
Join other companies in Nepal in the same…	14%
Lack of mobility and no accommodation…	6%
Education Overseas	3%
Join other sectors in Nepal	0%
Join better employment overseas	0%
Harrasment	0%
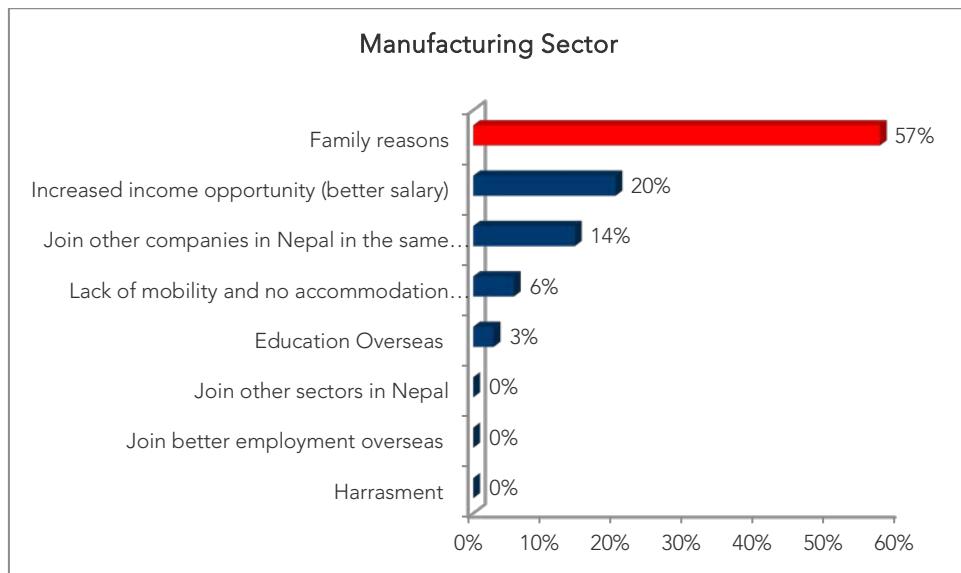
Figure 49: Reasons for Attrition of Women Employees, N=33

Source: SEP Firm-Level Survey (2019)

The companies also indicated that specific job roles have the potential to increase women employment in that job role. The table below indicates the share of respondents who agree that women employees can be increased in the respective job roles – e.g. 16% of the respondents agree that more women can be Chief Executives, senior officials and 13.5% agree that more women can be manufacturing labours, whereas 12.4% agree that women can be finance managers.

Manufacturing Sector

Job Role	%
Chief executives, senior officials and legislators	16.2%
Finance managers	12.4%
Human resource managers	3.8%
Policy and planning managers	1.1%
Sales, marketing and development managers	5.4%
Finance professionals	0.5%
Administration professionals	2.7%
Sales, marketing and public relations professionals	5.4%
Clerical support workers	4.9%
Engineering professionals	4.9%
Manufacturing supervisors	9.7%
Process control technicians	4.3%
Metal, machinery and related trades workers	4.3%
Food processing, wood working, garment and other…	1.1%
Plant and machine operators	7.6%
Assemblers	2.2%
Manufacturing labourers	13.5%

Figure 50: Share of respondents who agree there is a potential for women employment in the job role

Source: SEP Firm-Level Survey (2019)

PwDs

Out of the total current employment across these 38 companies, only 1% of the employees are People with Disabilities (PwDs) of which close to 53% are hearing-impaired. The small numbers are attributed to several reasons such labour-intensive nature of the work or challenging nature of the work and difficulty to explain the job.

The companies expect to increase the number of PwDs (mainly hearing impaired) by 30% as per the current employment numbers over the next five years. The most significant jump is expected to be for people who are speech (4x) motor-impaired (4.6x) followed by hearing impaired (3x).

DAGs

Out of the total current employment across these 38 companies, 41.1% of the employees are Disadvantaged Groups (DAGs). Close to 58% of the DAGs which these companies have hired are disadvantaged *janajatis*, while another 28% are *Dalits*.

The companies also expect that over the next five years, an additional 161 employees will be hired that belong to Disadvantaged *Janajati* followed by 121 employees will be hired that belong to *Dalit*.
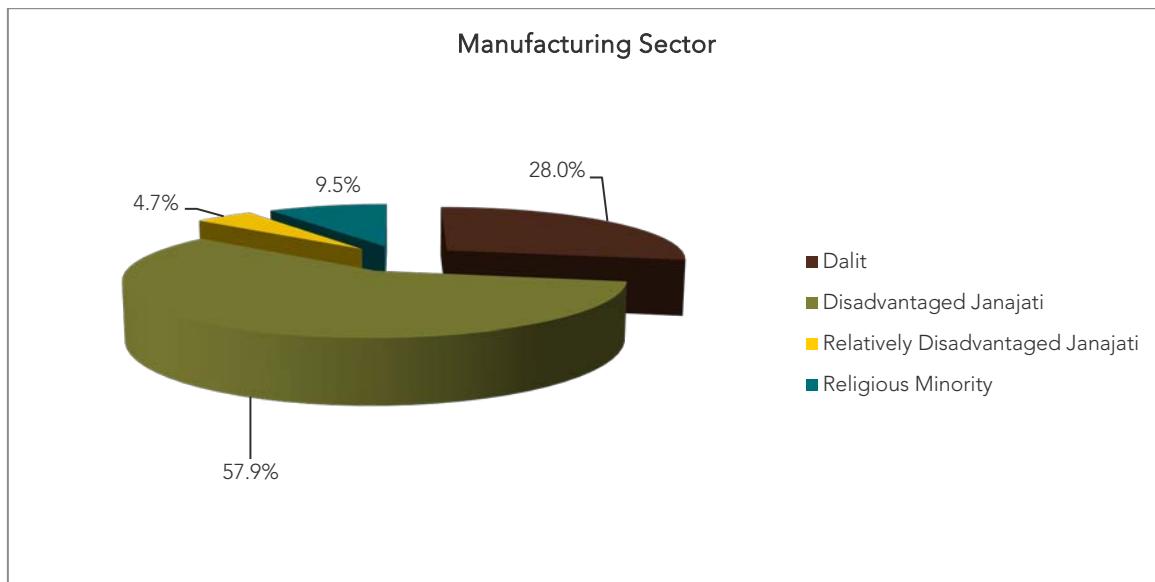

Figure 51: Share of DAGs in the labour force (2019) and (2020-2024e), N=38

Source: SEP Firm-Level Survey (2019)

4.3 Perception and Attitude towards Skill Development

The respondents indicated the preferred educational qualification for various job roles. Most of the companies preferred employees with General University degree for the job roles except for the role of manufacturing labour where the companies indicated that the no specific qualification is required, but relevant experience is preferred.
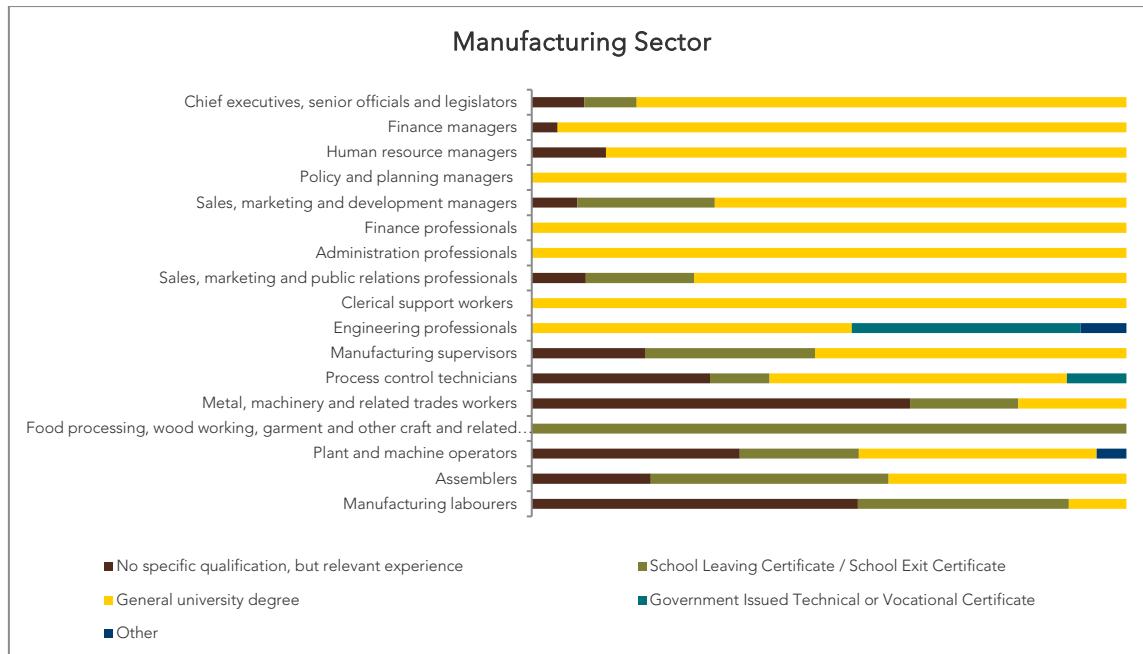

Figure 52: Preferred educational qualification for various job roles, N=38

Across the companies, all the skill categories were deemed to be of high importance by approximately 50% of the companies surveyed, except for digital literacy where 50% of the companies surveyed mentioned digital literacy might not be very relevant. For basic/foundation skills, 44% of the companies surveyed mentioned that these skills are of high importance, whereas another 36% of the companies surveyed mentioned that these skills might not be very relevant for the job roles assigned.
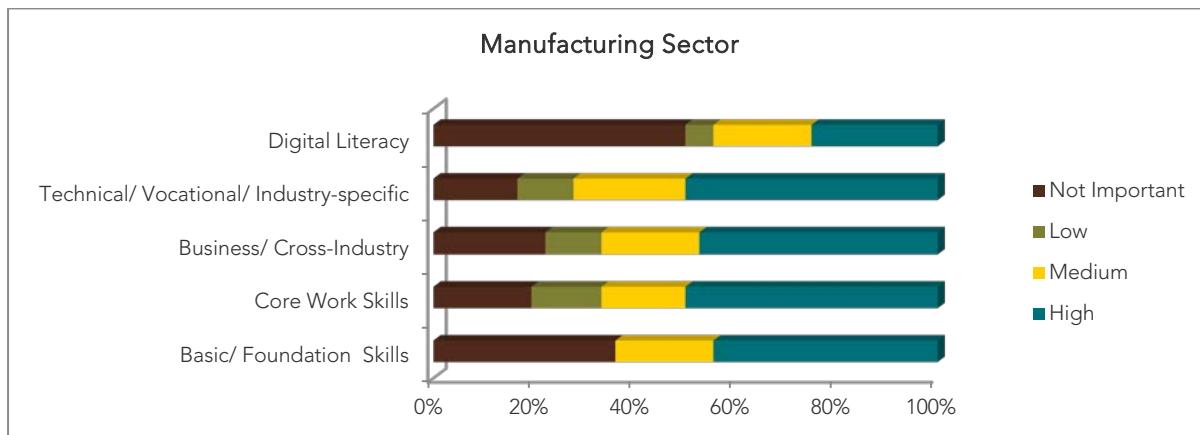

Figure 53: Importance of Skill Categories (percentage of respondents), N=38

Close to 80% of the companies also mentioned that the significant skill gap might not be of high importance. However, close to 20% of the companies surveyed believed the gaps in necessary/foundation skills, Core work skills and Business/Cross-Industry are of high importance for the

job roles assigned to the existing employees. The typical range of skills gaps that were highlighted by the respondents included lack of software skills and digital skills.
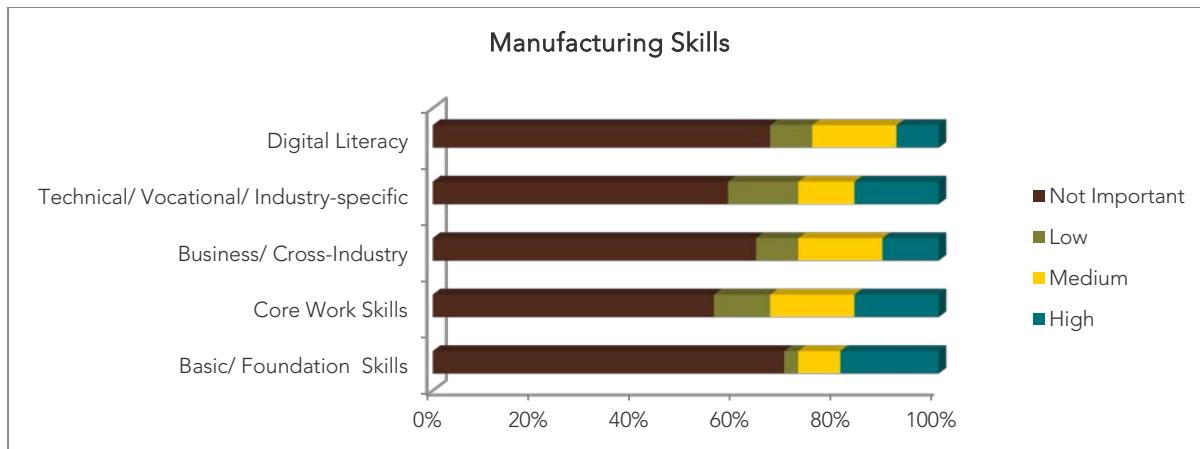

Figure 54: Skill gaps across Skill Categories (percentage of respondents), N=38

The companies cited an inability to attract skilled talent at an affordable wage and unavailability of skilled talent for their companies as top two challenges in finding and building skilled workforce.
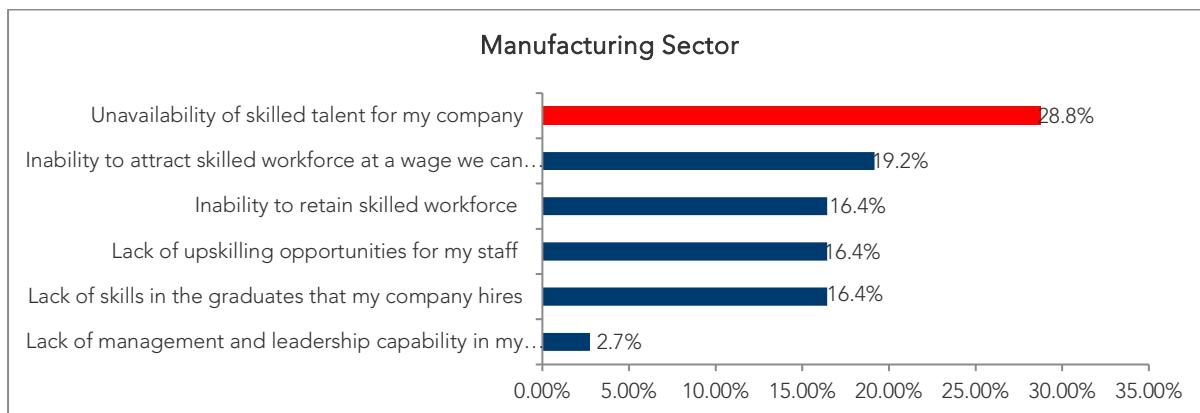

Figure 55: Challenges to finding & building a skilled workforce (percentage of respondents), N=35

While 47% of the companies mentioned that they are willing to send their existing staff to training which is of less than one week in duration, a significant 33% mentioned that they are willing to send their staff for training between two weeks and a month. At the same time, around 11% mentioned that they are not willing to send their staff for training at all.
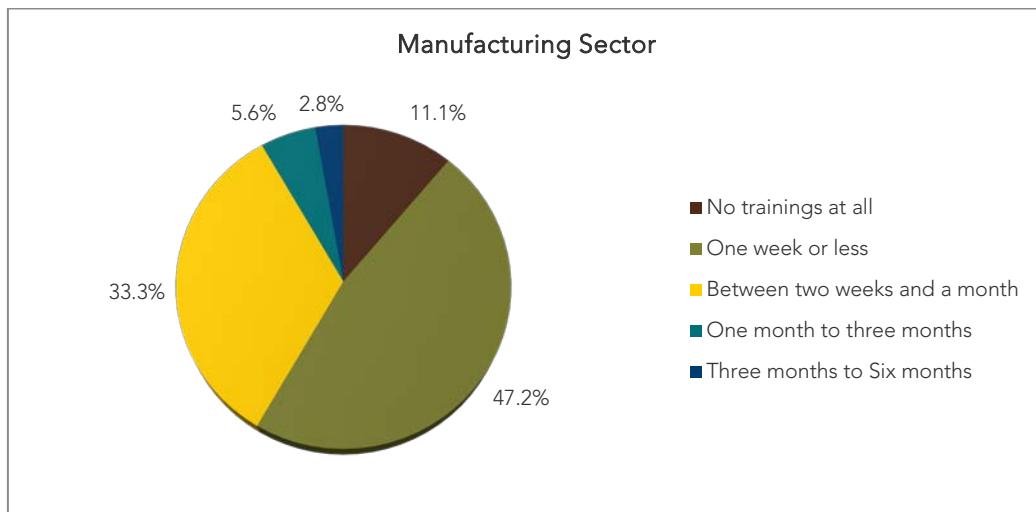
Figure 5657: Preference of the duration of the skill development training (percentage of respondents), N=38

In terms of spending on skill development, 46.9% of the companies surveyed mentioned that they did not spend anything, while 25% spent between 1 and 2% of their revenues on skill development.
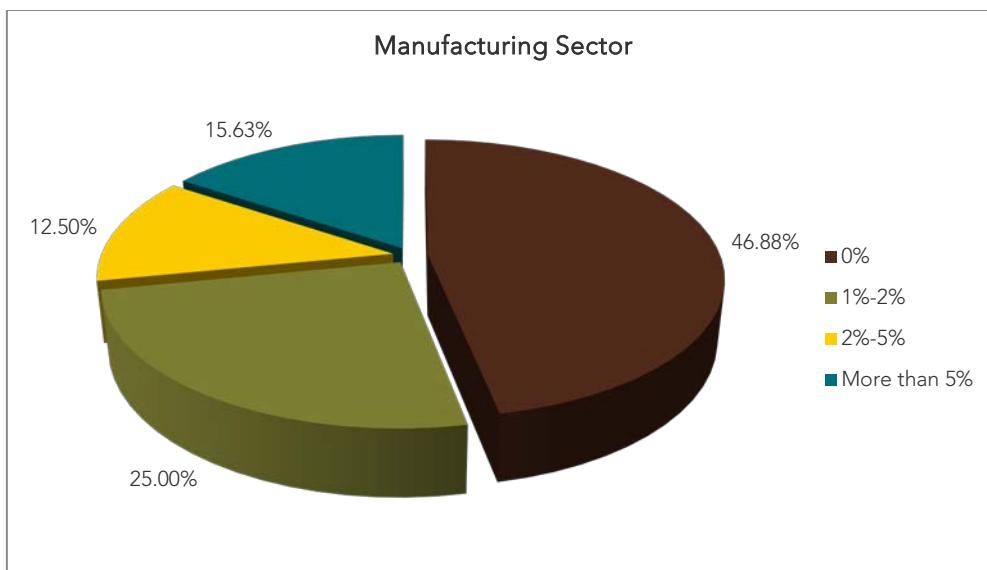
Figure 58: Spending on skill development training as a percentage of revenue (percentage of respondents), N=32

Out of the companies surveyed, a significant 44% mentioned that the introduction of new legislation to support federalisation would not impact their businesses, while 27% mentioned that would increase the cost of doing business and 12% mentioned that might consider changing their recruitment strategy.

Manufacturing Sector

Category	Percentage
Others - Not Affected	43.9%
We will expand our business because the government red tape has…	0.0%
We will expand our business because finance is now more accessible to us	2.4%
Our investment in skill development programmes will reduce	7.3%
We will have to employ more informal workers (e.g. daily wagers)	4.9%
Our cost of doing business will go up	26.8%
We will have to change the permanent employees to contract employees	2.4%
We will change our recruitment strategy	12.2%

Figure 59: Impact of new legislation to support federalisation (percentage of respondents), N=35

Source: SEP Firm-Level Survey (2019)

4.4 Potential Collaboration with DFID SEP

The survey also tried to understand the potential plans of the respondent companies towards skill development.

While 48% of companies' surveyed plan to upscale existing programmes, a significant 35% of the companies may continue the existing programmes. This is expected given the perceived efficacy of the programmes deployed by the companies.


Manufacturing Sector

Category	Percentage
Develop new programmes	17%
Scale-down existing programmes	0%
Scale up existing programmes	48%
Continue existing programmes	35%
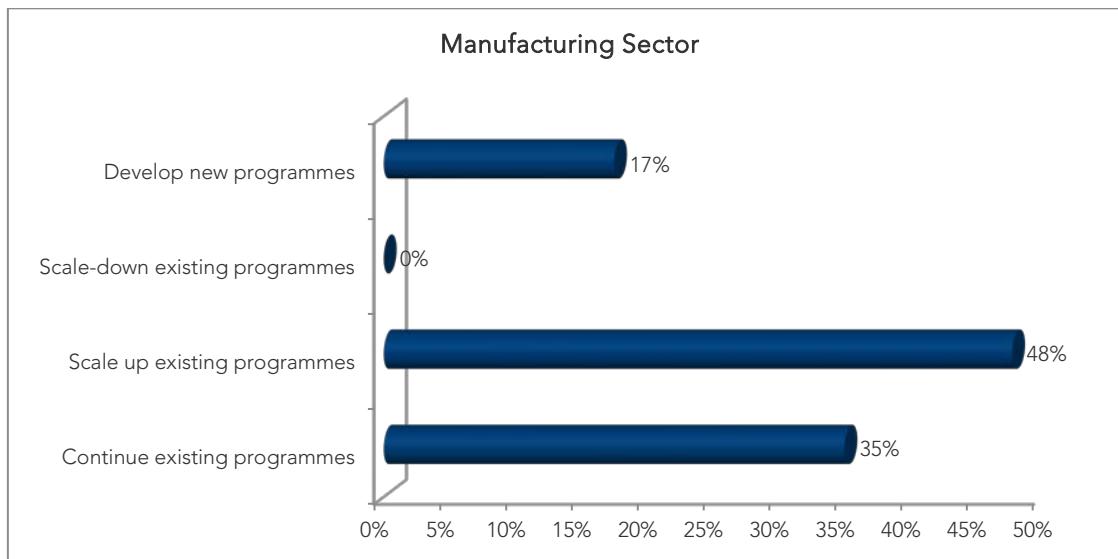
Figure 60: Future plans to develop/invest in skills of staff over the next five years (percentage of respondents), N=38

Source: SEP Firm-Level Survey (2019)

However, when asked about willingness to bear the cost of the training and skilling workers, close to 75% companies mentioned that they are willing to spend on the same.
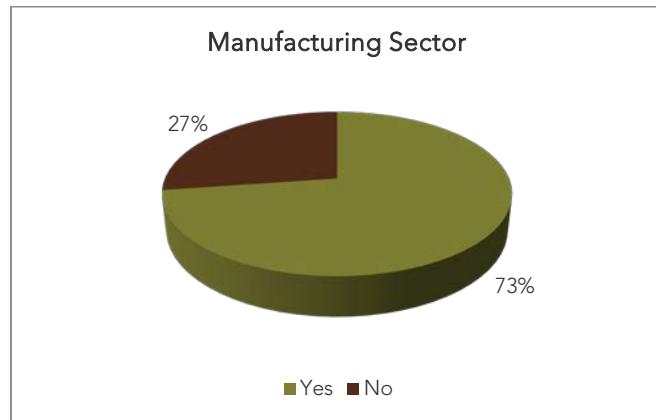
Figure 61: Willingness to bear the cost, N=3

While on-the-job experience remains the favourite of companies, other skill development models such as mentorship programmes and pre-employment work-readiness training have significant preference among the respondents. Further, the companies are willing to spend NPR 2,856 per employee on their training and skilling.
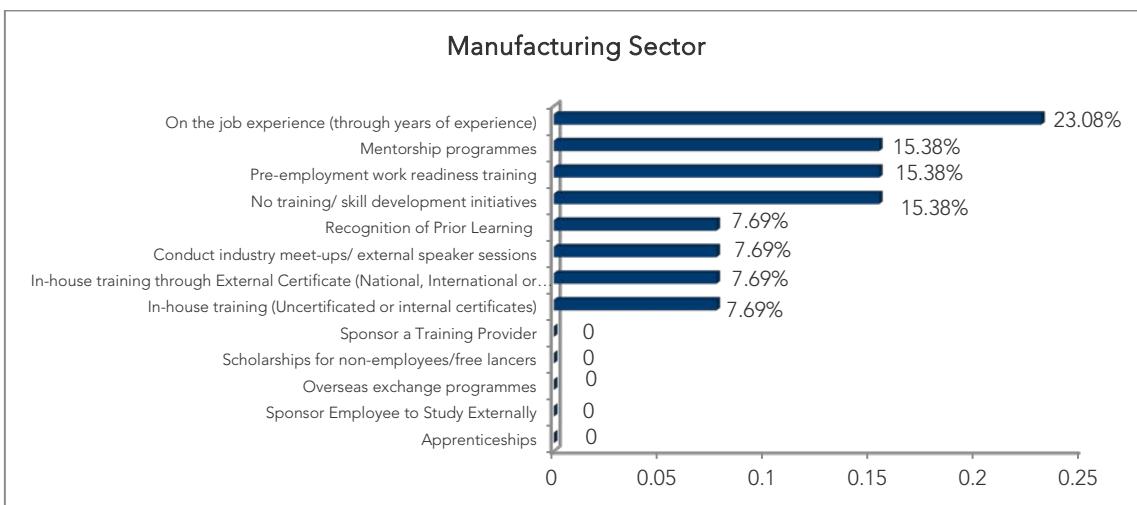

Figure 62: Preferred skill development models (percentage of respondents), N=3

The companies indicated that they needed support for pre-employment training –31% of the respondents mentioned this. Another 19% of the respondents mentioned that they needed support in upskilling the existing workers.

Figure 63: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=38

The companies also indicated that technical support would be the best modality of any possible skill development partnerships for them followed by training to the trainers and financial support.
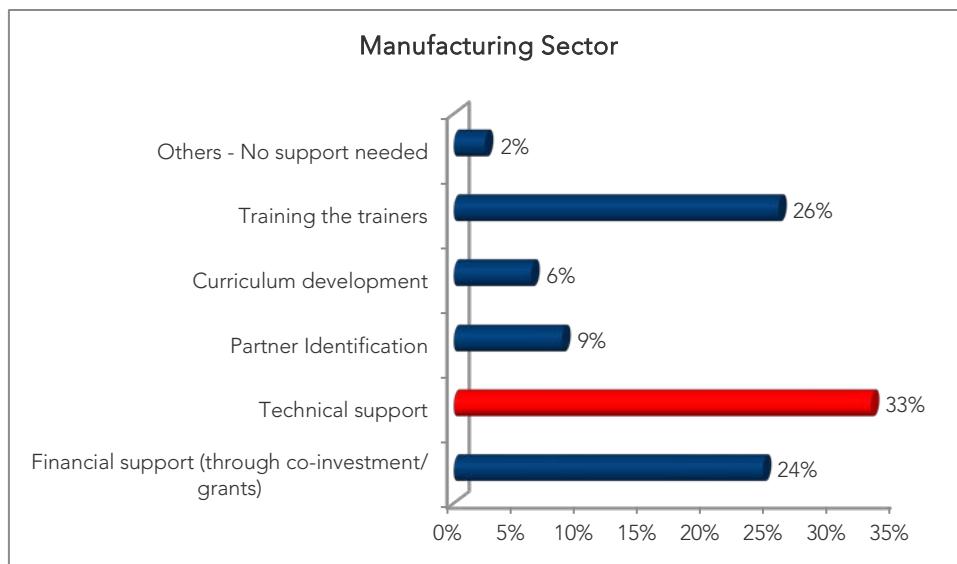
Figure 64: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=38

The companies also indicated that wages growth is expected to be between 5% and 10% per annum due to skill development of employees.

Manufacturing Sector

Chart legend:
- Elementary occupations Primary level of education
- Clerks, Service and Sales Workers, Skilled agricultural and fishery workers, Craft and related trades workers, and Plant and machine operators & assemblers Post-secondary, non-tertiary education OR Upper secondary level of education OR Lower secondary lev
- Technicians and Associate Professionals First stage of tertiary education (short or medium duration)
- Professionals Second stage of tertiary education (leading to an advanced research qualification) OR First stage of tertiary education, 1st degree (medium duration)
- Managers, senior officials Second stage of tertiary education (leading to an advanced research qualification) OR First stage of tertiary education, 1st degree (medium duration)

Figure 65: Wage rise of employees, N=38

Source: SEP Firm-Level Survey (2019)

5. Construction Sector

Some of the key findings from the survey include:

- Out of the 36 companies surveyed, none of the companies is currently exporting overseas while only one company mentioned that it has no intention of exporting overseas.
- Out of the companies surveyed, ten companies (i.e. 29% of the sample) mentioned that they import raw material from overseas.
- In terms of growth of revenue over the last two years (2016-2018), 31% of the companies surveyed mentioned that they had experienced a growth of more than 5% per annum.
- In terms of demographic proportions, 92.9% are Nepalese. For these 35 companies, 13.9% of these employees are women.
- Over the same period (2016-2018), 17% of the companies surveyed mentioned that they had experienced a workforce growth of more than 5% per annum
- In terms of wage increases, 51.4% of the companies surveyed mentioned that their wages have increased by more than 5% per annum over the last two years.
- The skill-related challenge was identified by more than 15% of the respondents.
- Out of the total current employment across these 35 companies, only 0.14% of the employees are People with Disabilities (PwDs). Out of the total current employment across these 35 companies, 47.7% of the employees are Disadvantaged Groups (DAGs).
- While 57% of the companies mentioned that they are willing to send their existing staff to train which is of less than one week in duration, a significant 23% mentioned that they are willing to send their staff for training between two weeks and a month.
- Out of the companies surveyed, 27% mentioned that the introduction of new legislation to support federalisation would increase the cost of doing business, and 33% mentioned that they might consider changing their recruitment strategy.
- The companies indicated that they needed support for pre-employment training – close to 33% of the respondents mentioned this.


Construction Sector – Province 5

Profile of the Firms	Labour Profile	Social Inclusion	Skill Development
36 firms interviewed	**42** Average employees per firm	**92.9%** Share of Nepalese employees	**15%** believe skill is a limiting factor for growth
0% of the firms export	**74%** Mentioned wages have grown in last 2 years	**13.9%** Share of Women employees	**Preferred Models** OTJ experience, Pre-employment readiness, Mentorship programmes
2.7% Average annual growth in revenue (historic)	**24.5%** Annual Attrition in workforce	**47.7%** Share of DAG employees	**Job Roles** Chief executives, senior officials and legislators; Finance Manager; Construction managers, Science and engineering professionals, Civil engineering labourers
6.3% Expected annual growth in revenue future	**5.3%** Expected annual growth in workforce size	**0.14%** Share of PwD employees	

Figure 66: Summary of the results for the Construction Sector, N=36

Source: SEP Firm-Level Survey (2019)

5.1 Profile of Companies Interviewed

A total of 36 companies in the sector were interviewed across Nepal. A detailed list of stakeholders interviewed is provided in Annex 1.

Geographically, they are well-distributed across Provinces 5 of Nepal. However, a majority of them have a presence in Ghorahi-Tulsipur region of the Province. The figure below indicates the number of surveyed companies with offices in the major cities (multiple options).

The distribution of companies by the location of operation in Province 5 is indicated below:
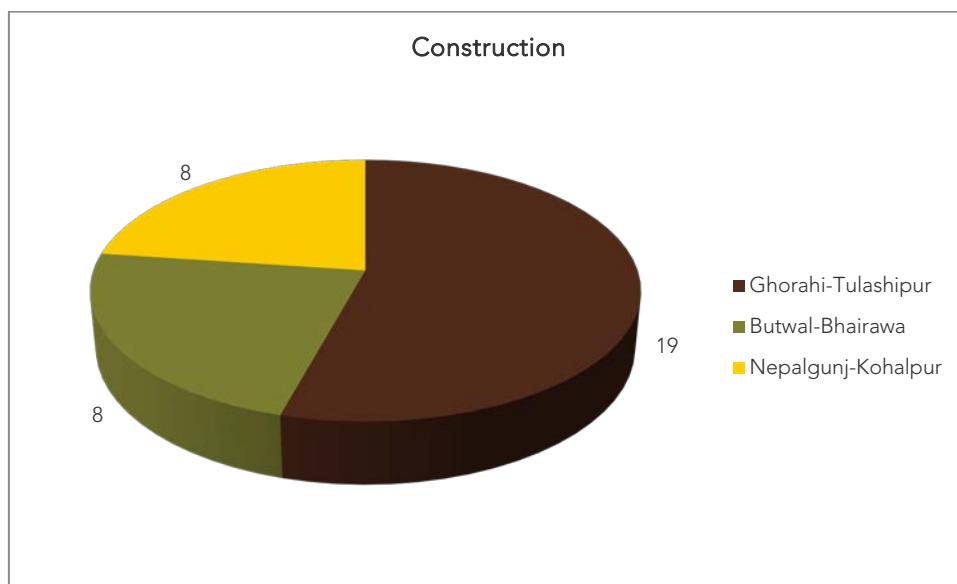
Figure 67: Distribution of companies surveyed by location, N=36

Source: SEP Firm-Level Survey (2019)

The distribution of the companies by size is indicated in the figure below.
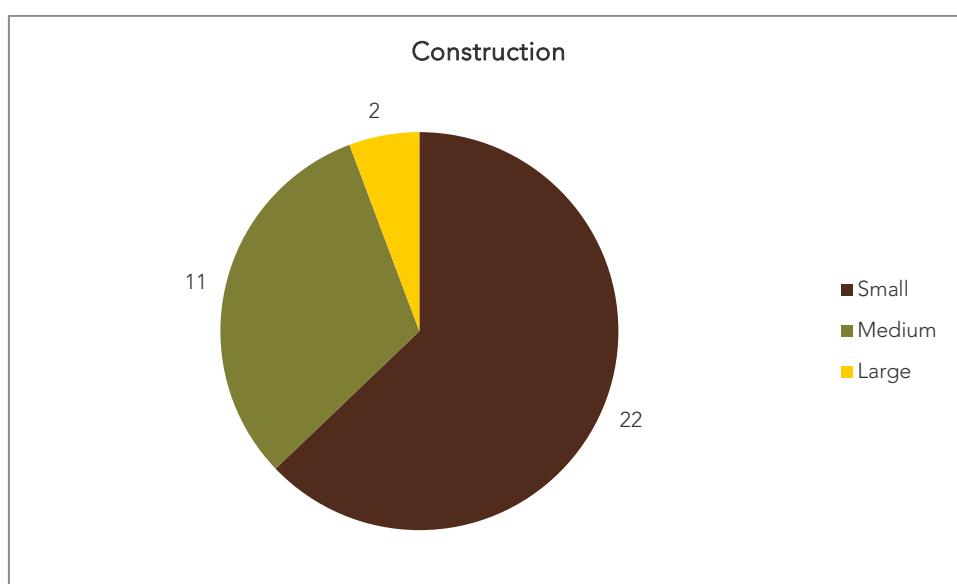
Figure 68: Distribution of companies surveyed by size, N=36

Source: SEP Firm-Level Survey (2019)

Out of the companies surveyed, none of the companies is currently exporting overseas, and only one company mentioned that it has intention of exporting overseas. Among the companies which have no intention of exports, they mentioned that they intend to target local market as priority.

Out of the companies surveyed, close to 9% (only 3 companies) are currently exporting within Nepal while a significant 83% mentioned that they have no intention of exporting within Nepal. Out of the companies exporting within Nepal, only 33% of the companies mentioned that these exports contribute more than 40% of their revenues. Amongst the companies exporting within Nepal, popular destinations are Province 3 (43%) followed by Province 4 (29%). None of the companies mentioned that they intend to export over the next 2-4 years. Non-exporting companies mentioned they wish to export within Nepal only if tender contracts and government support is available. Further, they mentioned that a lack of skilled workers is also one of the challenges.

Out of the 35 companies surveyed, none of the companies has equity investment from outside Nepal. However, ten companies (i.e. 29% of the sample) mentioned that they import raw material from overseas. This shows there is limited international exposure for the Nepalese Energy sector.

In terms of growth of revenue over the last two years (2016-2018), 31% of the companies surveyed mentioned that they had experienced a growth of over 5% per annum. However, the companies were bullish about their future prospects with 65.7% of the companies surveyed mentioned they expected growth of more than 5% per annum over the next five years (2020-2023).
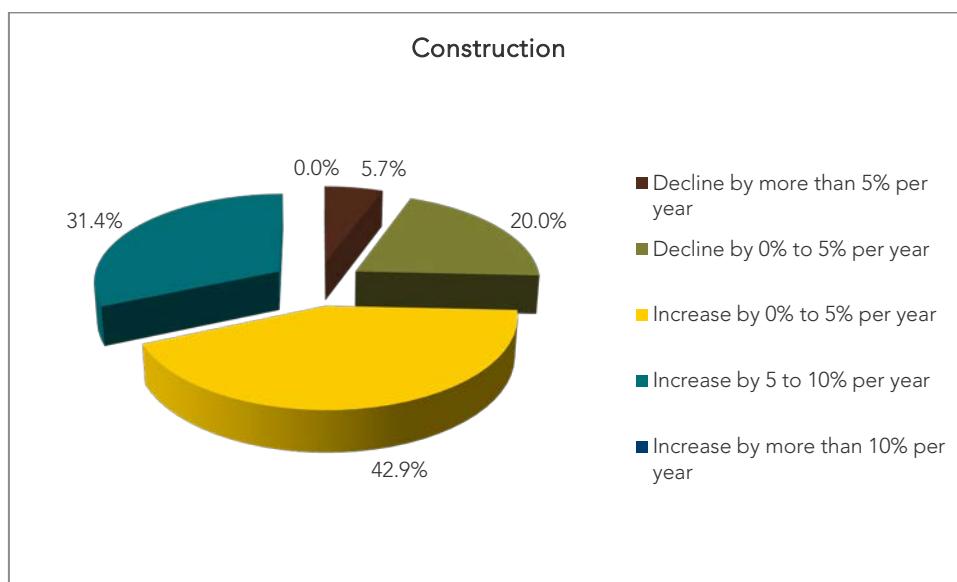

Figure 69: Distribution of companies surveyed by revenue growth in the last two years, N=36

Source: SEP Firm-Level Survey (2019)
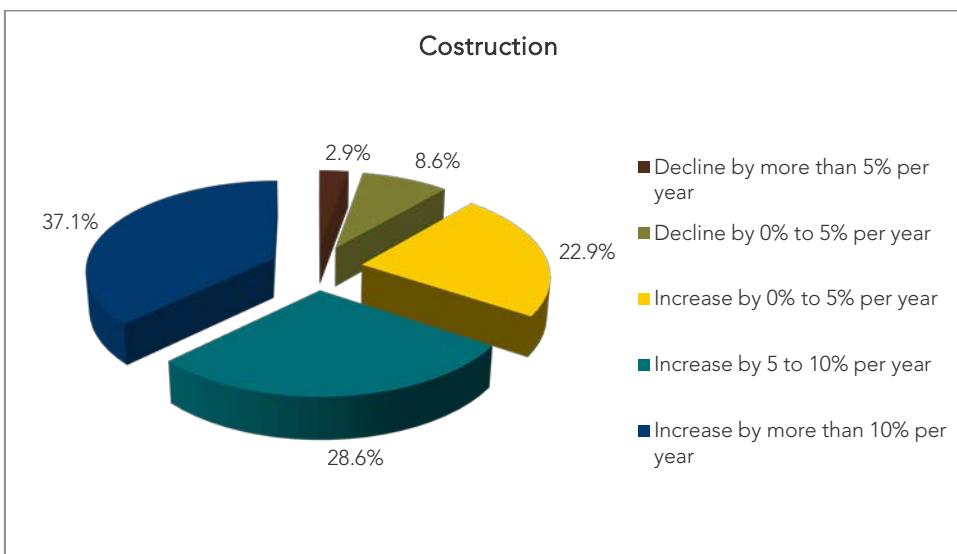
Figure 70: Distribution of companies surveyed by revenue growth expectations for the next five years, N=36

The companies surveyed indicated that their top challenges to achieving the growth targets include lack of government policies or regulations which help businesses grow, high cost or lack of availability of labour at required skill level, and high cost of raw material. The skill-related challenge was identified by close to 15% of the respondents.
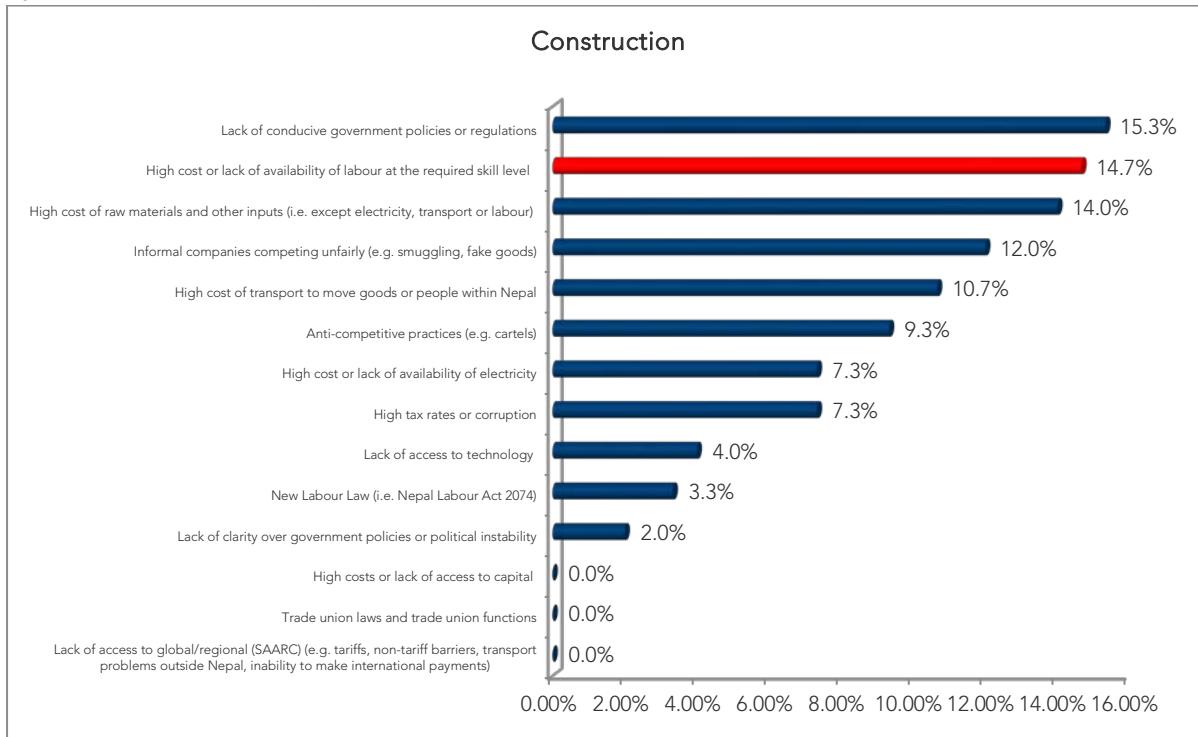

Figure 71: Distribution of responses on top challenges that hamper their company from achieving their growth targets, N=36

Over the same period (2016-2018), 43% of the companies surveyed mentioned that they had experienced a workforce growth of less than 5% per annum. However, 40% have seen a decline in the workforce numbers during this period. For the next years, most of the companies (91.5%) expect a positive growth rate in workforce; whereas 9% of the companies surveyed mentioned that they expect their workforce to decline in this period five years.
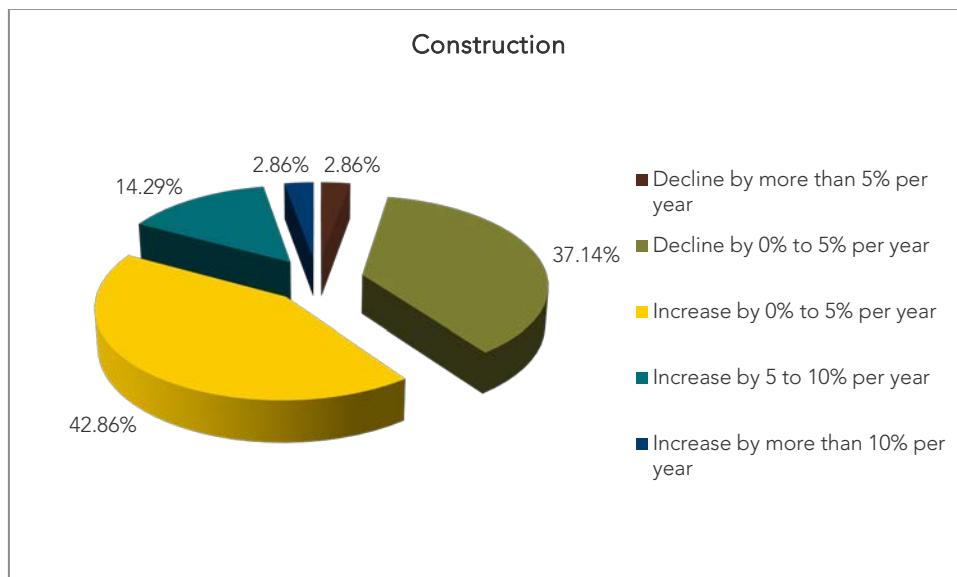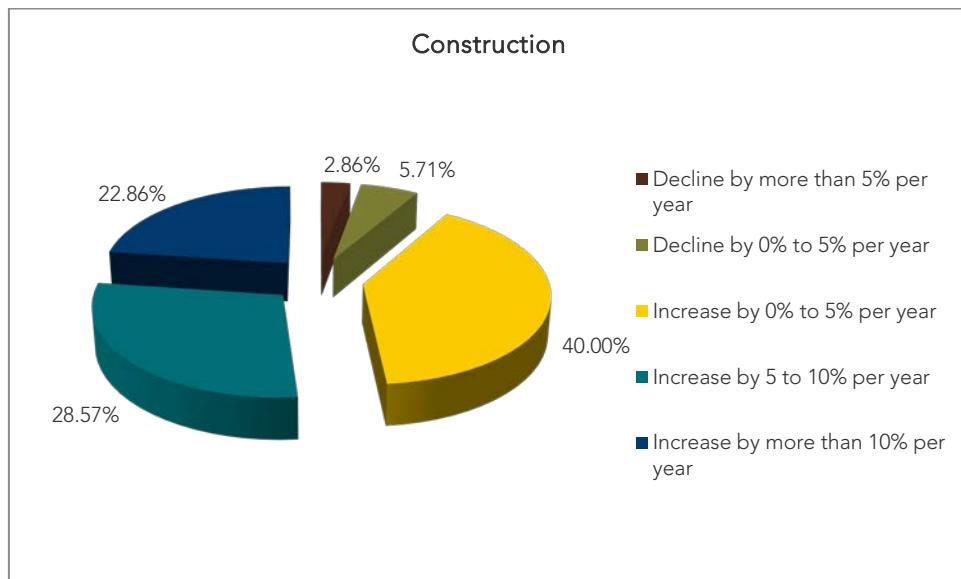
Figure 73: Distribution of companies surveyed by expected workforce growth in the next five years, N=36

Source: SEP Firm-Level Survey (2019)

5.2 Labour Profile of the Companies Interviewed

These 36 companies employed 1,464 employees – an average of 42 employees per firm.

The breakdown by job categories of the total employees and by demographic segments is indicated in the figure below.
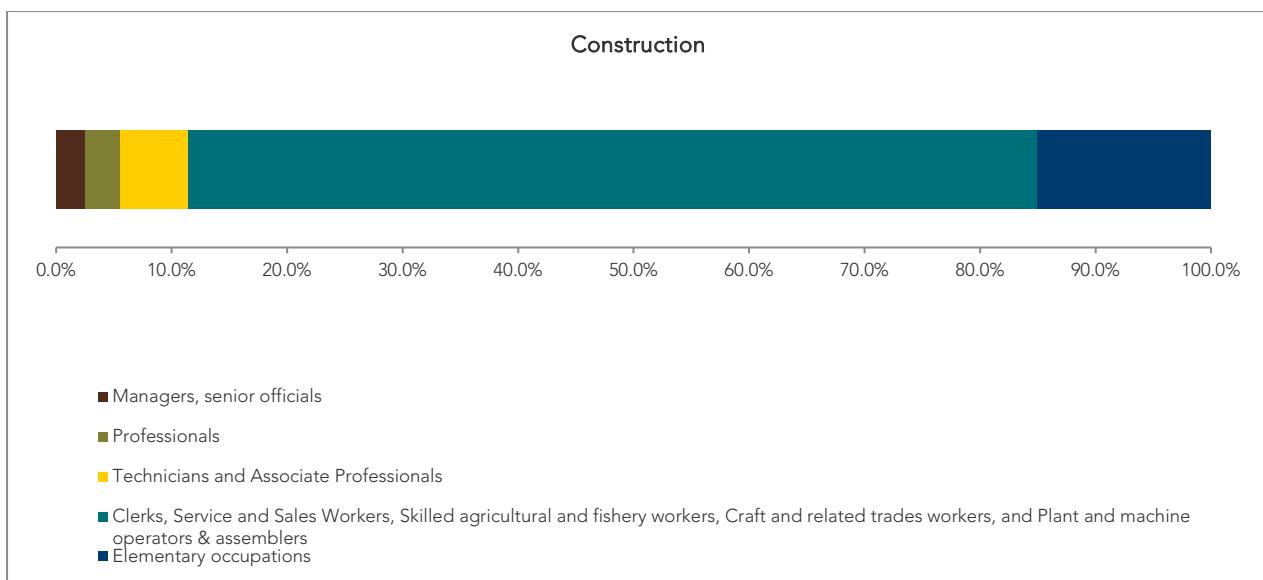

Figure 74: Distribution of employees by job categories, N=36

Source: SEP Firm-Level Survey (2019)

In terms of demographic proportions, **92.9%** are Nepalese. The foreign employees were reported to be from India.
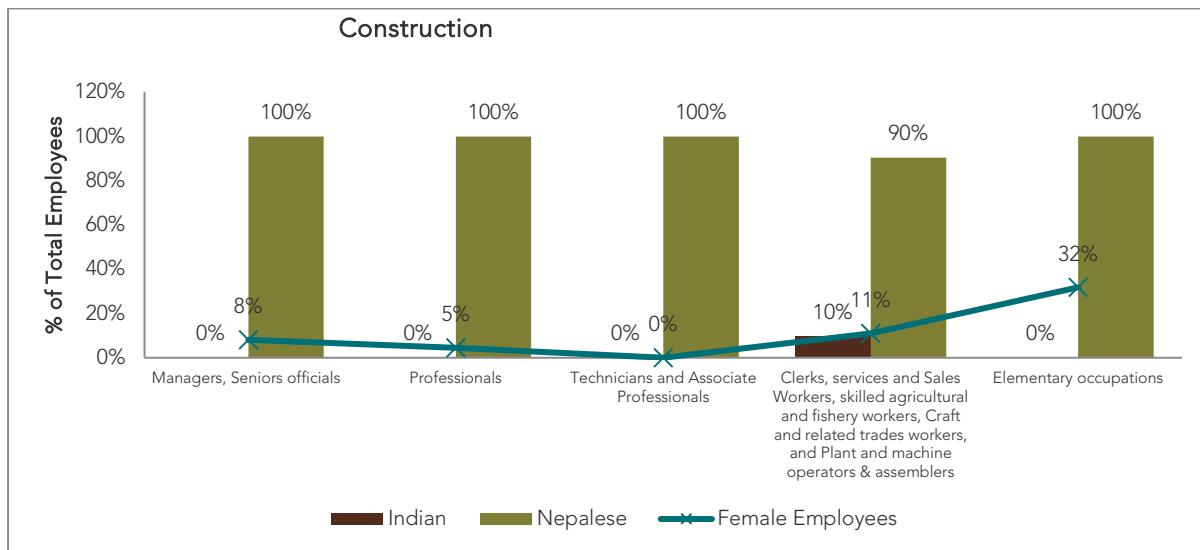
Figure 75: Share of Nepalese employees across job categories, N=36

In terms of the nature of employment, 75% employees are on full-time employment whereas remaining are part-time or contract basis.
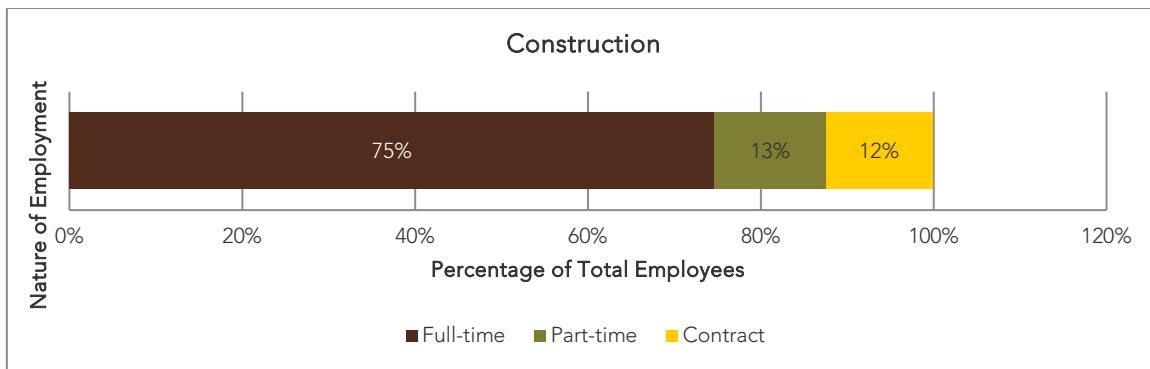

Figure 76: Nature of employment across all employees, N=36

In terms of wage increases, 29% of the companies surveyed mentioned that their wages have not increased over the last two years. 58% of the companies mentioned that wages have increased by less than 5% per annum over the same period.
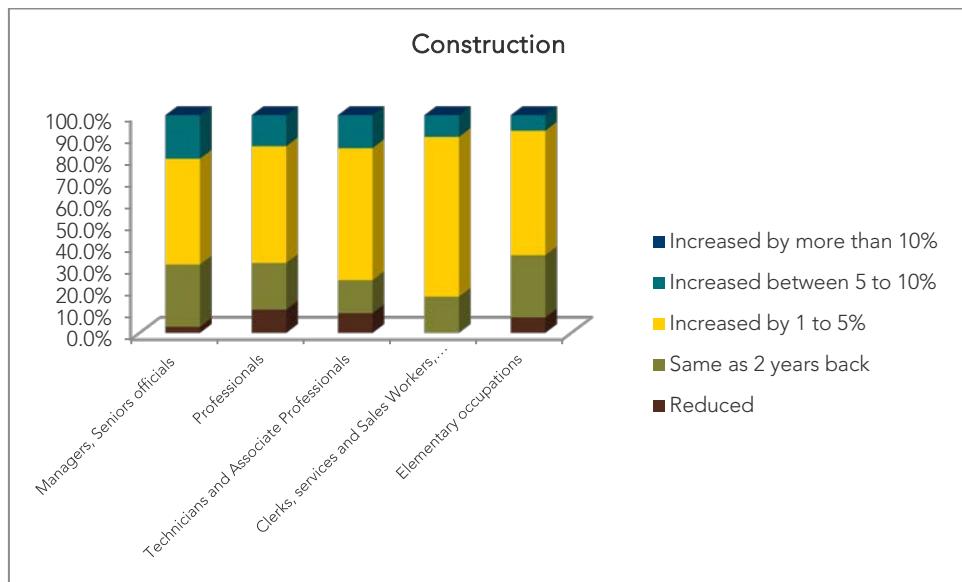
Figure 77: Wage Changes over the last two years, N=36

The companies surveyed reported an average attrition rate of 24.5% per annum. The top reasons mentioned for overall attrition were finding an opportunity with higher income or finding better employment overseas or family reasons.
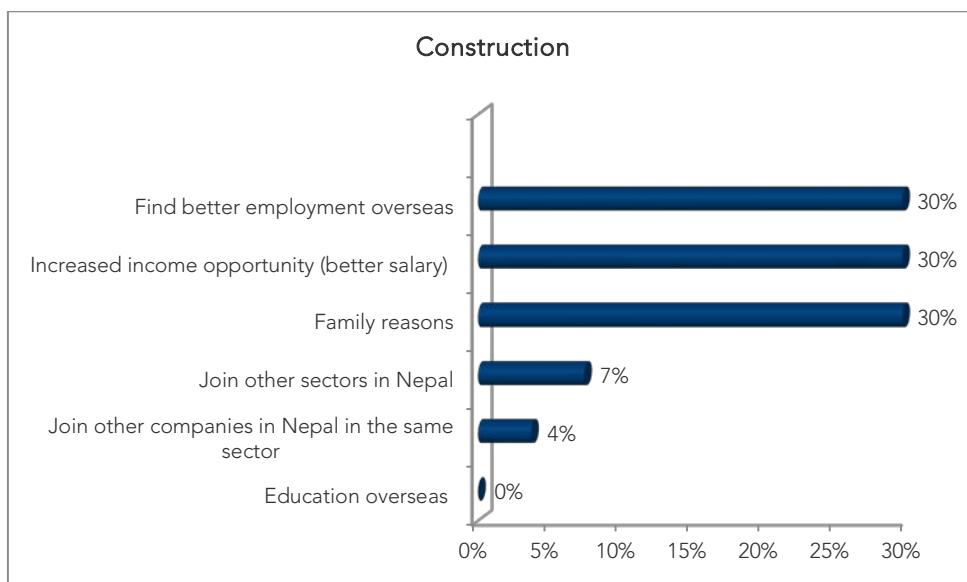
Figure 78: Reasons for Attrition of Employees, N=36

Of all the roles available, companies mentioned that the most the role of Chief Executive; senior officials and legislators are the highest in demand followed by roles of finance managers. In cross-sectorial job roles, roles of Construction Managers, Science Engineering Managers and Civil Engineering are in high demand.
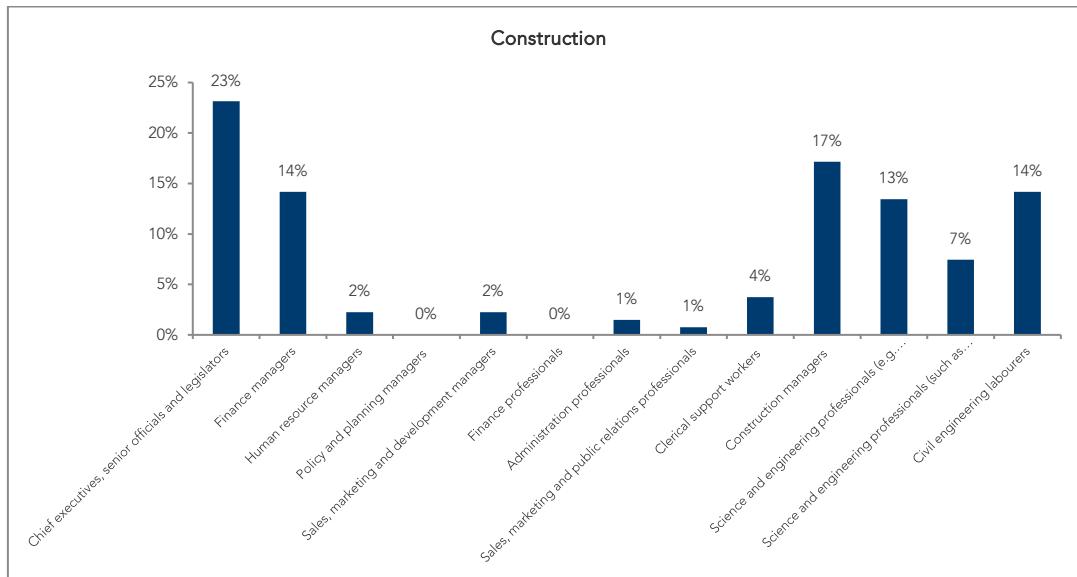
Figure 79: Job roles in demand, N=36

For lower-level job roles, the respondents indicated difficulty in hiring. For example, there is lack of availability of people for the roles of Chief Executive Officers & Seniors, Science and engineering professionals and Civil engineering labours skill followed by the roles of Finance Managers and Construction Managers. Also, there is high-level skill mismatch for the roles of Chief Executive officers & Seniors, Science and engineering professionals and Civil engineering labourers and Construction Managers.
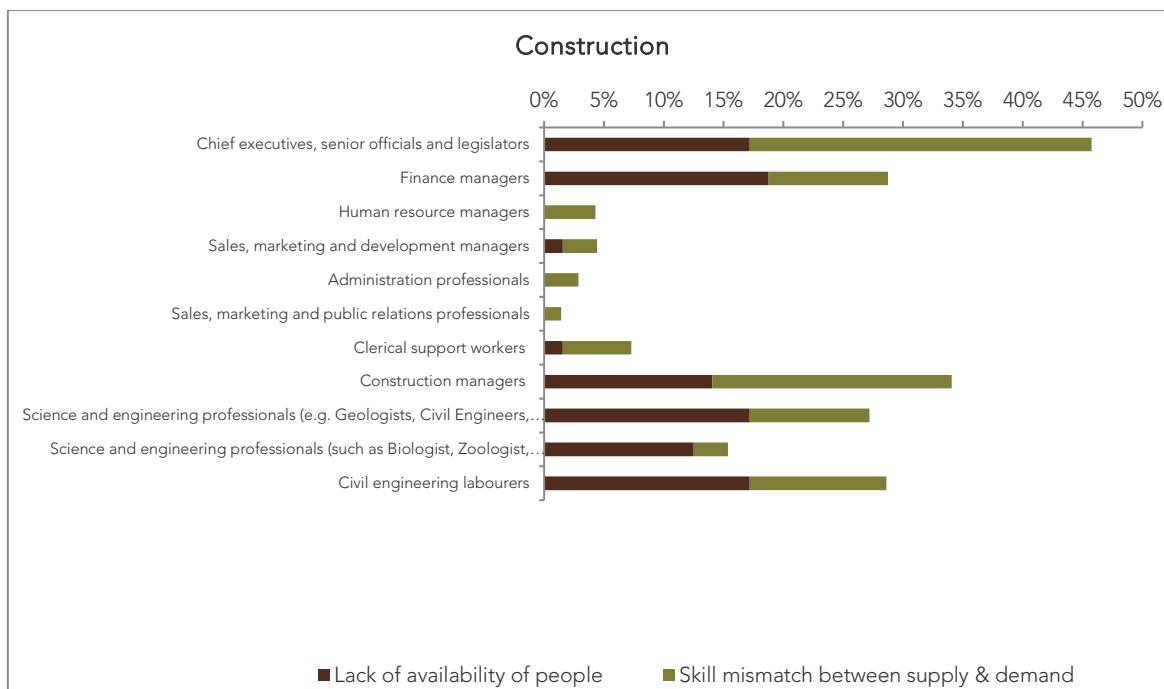
Figure 80: Difficulty in hiring for various job roles, N=36

According to the survey findings, the companies indicated that they would be increasing the total employment by approximately 61% with a significant increase in the roles of Sales, marketing and development managers and professionals followed by Administration professionals.

The breakdown of the increase is indicated in the figure below:
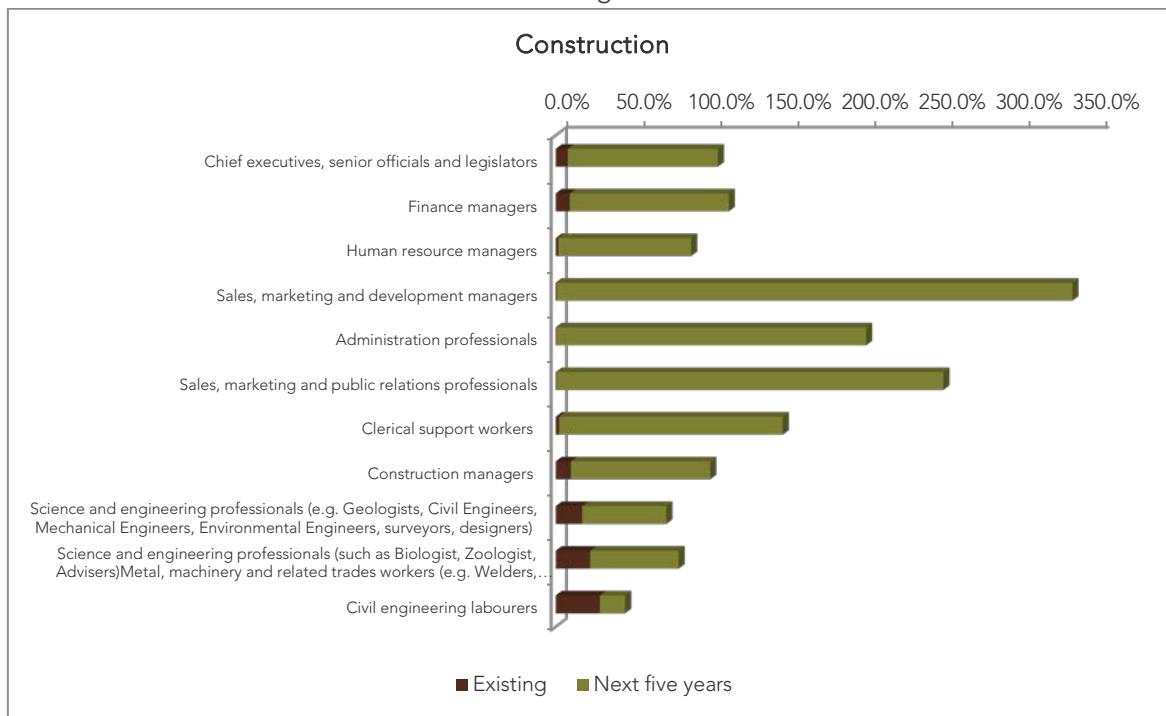
Figure 81: Expected increase in the share of the number of employees over the next five years as compared to existing staff, N=36

The 36 companies surveyed expect an average revenue growth rate of 6.25% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	1	0%	-0.1
Decline by 0% to 5% per year	3	8.8%	-0.2
Increase by 0% to 5% per year	8	23.5%	0.6
Increase by 5 to 10% per year	11	29.4%	2.2
Increase by more than 10% per year	13	38.2%	3.8
Total	36		6.3

Table 11: Projected Average Revenue Growth Rate – next five years

The 36 companies surveyed expect an average workforce growth rate of 5.3% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	1	2.9%	-0.14
Decline by 0% to 5% per year	2	5.9%	-0.14
Increase by 0% to 5% per year	14	41.2%	1
Increase by 5 to 10% per year	10	29.4%	2.2
Increase by more than 10% per year	9	23.5%	2.4
Total	36		5.3

Table 12: Projected Average Workforce Growth Rate – next five years

Based on the above, the productivity of the labour force is expected to grow at a rate of 0.9% per annum.

5.2.1 Labour Profile – Women, DAGs, and PwDs

Women

For these 36 companies, **13.9%** of these employees are women (See Figure 74). The companies surveyed reported an average attrition rate of women employees to be 10.36% per annum. For women, the top reason for attrition was cited as family reasons.
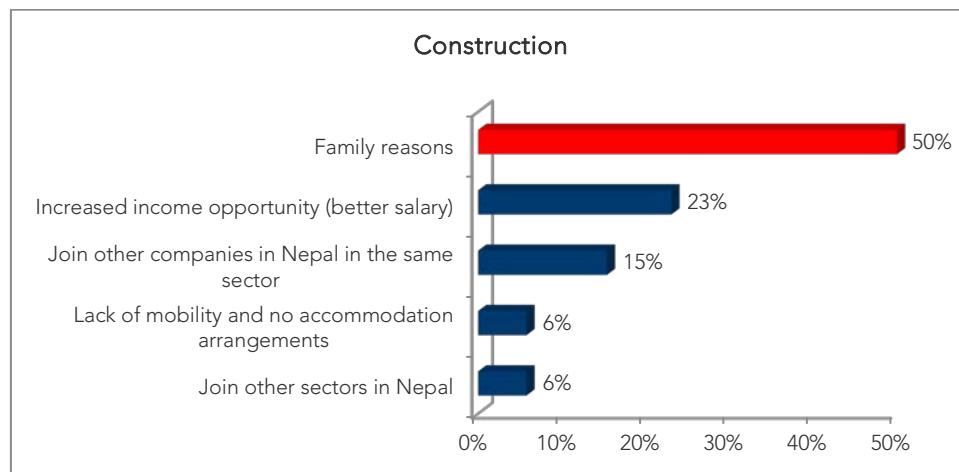
Figure 82: Reasons for Attrition of Women Employees, N=33

The companies also indicated that certain job roles have the potential to increase women employment. The table below indicates the share of respondents who agree that women employees can be increased in the respective job roles – e.g. 18% of the respondents agree that more women can be Chief executives, senior officials and Construction managers (17.6%) followed by other roles such as Civil Engineer and Finance Managers (14.5%).
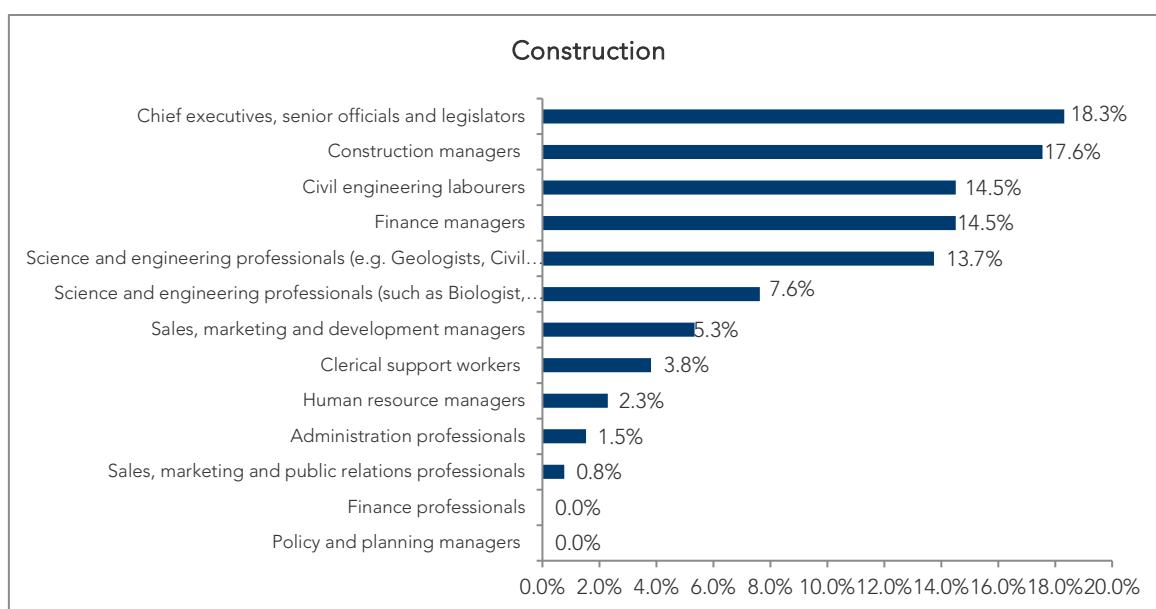
Figure 83: Share of respondents who agree there is a potential for women employment in the job role

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SKILLS FOR EMPLOYMENT
PROGRAMME

UK aid
from the British people

PwDs

Out of the total current employment across these 36 companies, only 0.1% of the employees are People with Disabilities (PwDs). All the PwDs working currently are speech-impaired. The small numbers are attributed to several reasons such labour-intensive nature of the work, or challenging nature of the work.

The companies expect to increase the number of PwDs in their workforce by around 3.2% over the next five years. The most significant jump in absolute terms is expected to be for people who have impaired by hearing (29 employees) followed by additional 33 employees who are speech impaired.

DAGs

Out of the total current employment across these 36 companies, 47.7% of the employees are Disadvantaged Groups (DAGs). Approximately 48% of the DAGs which these companies have hired are disadvantaged *janajatis*, while another 40% are *Dalits*.

The companies also expect that over the next five years, the number of employees belonging to Relatively Disadvantaged Janajatis will be increased by close to 3x and Religious Minority Group be increased by 2.5x times.
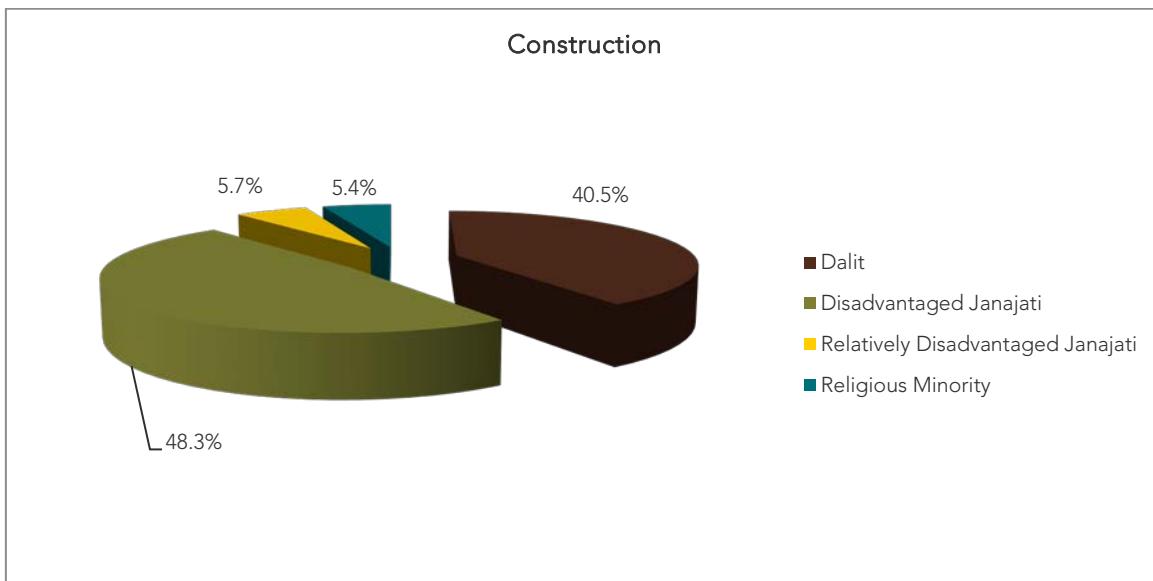
Figure 84: Share of DAGs in the labour force (2019), N=36

Source: SEP Firm-Level Survey (2019)

5.3 Perception and Attitude towards Skill Development

The respondents indicated the preferred educational qualification for various job roles. Most of the companies preferred employees with General University degree for the majority of job roles such as Chief Executive, Senior officials Finance Managers and Construction Managers. For the roles of Science engineering professionals, companies mentioned that relevant experience is required.
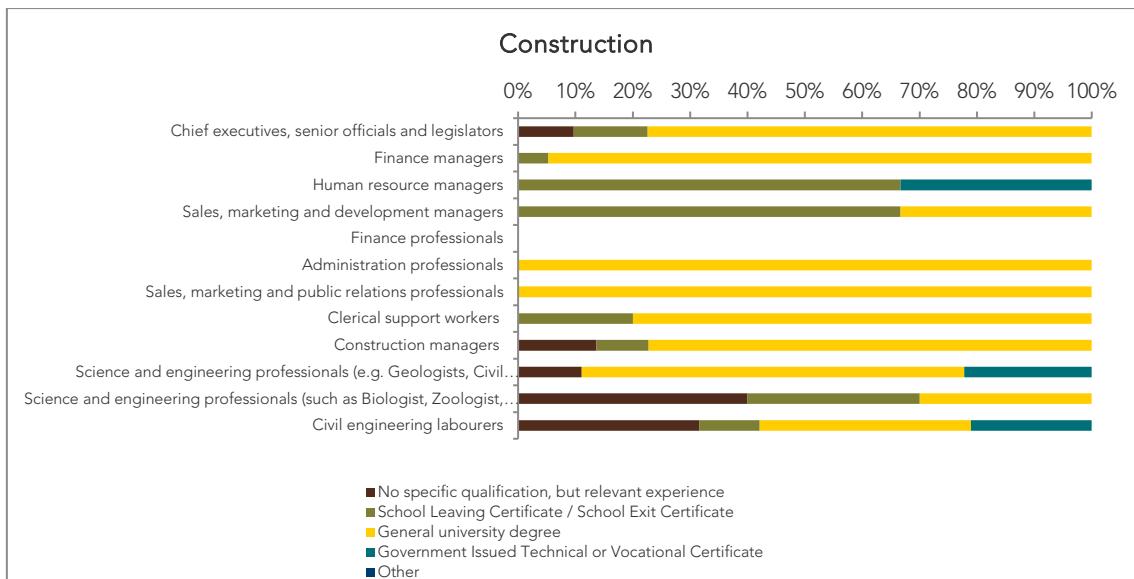
Figure 85: Preferred educational qualification for various job roles, N=36

Across all the companies, on an average 46% of the companies mentioned that all skill categories were deemed to be of high importance for the job roles assigned, except for digital literacy, which is deemed to be not important for 46% of the companies on an average.
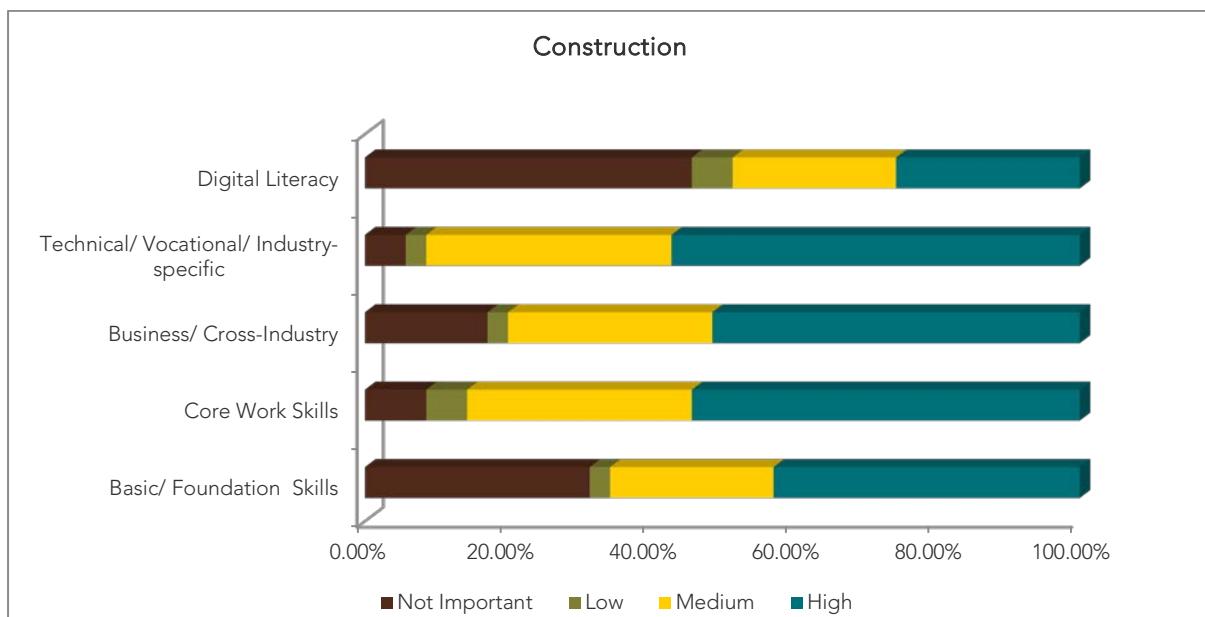
Figure 86: Importance of Skill Categories (percentage of respondents), N=36

Close to 14% on an average mentioned that above-mentioned skill gaps are of high importance, whereas on an average 46% of the companies mentioned that these gaps are not very important for

the job roles assigned. On an average 28% of the companies mentioned that Core Work Skills and Technical/ Vocational/ Industry-specific employees are of importance for the job roles assigned.
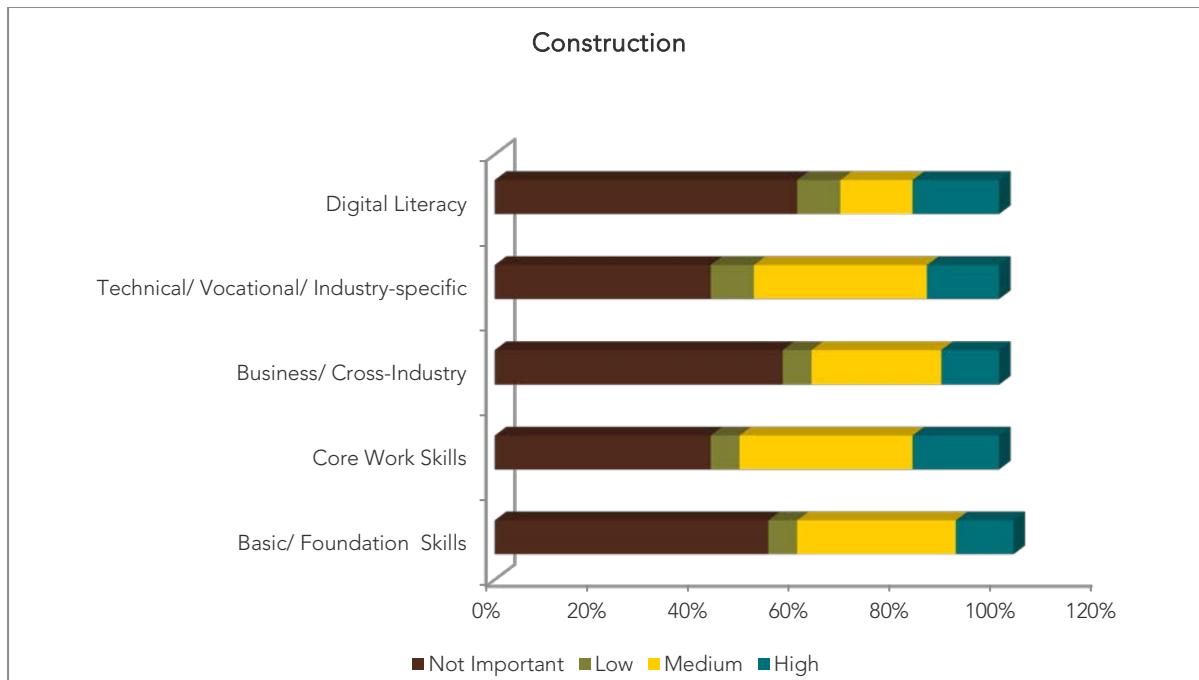
Figure 87: Skill gaps across Skill Categories (percentage of respondents), N=36

The companies cited the inability to attract skilled talent at an affordable wage and unavailability of skilled talent for their companies as top two challenges in finding and building skilled workforce.

Figure 88: Challenges to finding & building a skilled workforce (percentage of respondents), N=36

While 57% of the companies mentioned that they are willing to send their existing staff for training which is of less than one week in duration, a significant 23% mentioned that they are willing to send their staff for training between two weeks and a month. At the same time, around 20% mentioned that they are not willing to send their staff for training at all.
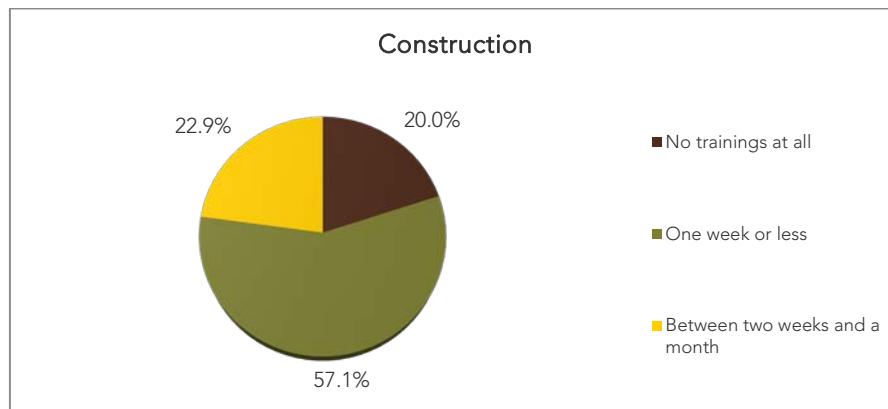
Figure 89: Preference of the duration of the skill development training (percentage of respondents), N=36

In terms of spending on skill development, 43% of the companies surveyed did not spend anything, while 23% spent between 1 and 2% of their revenues on skill development.
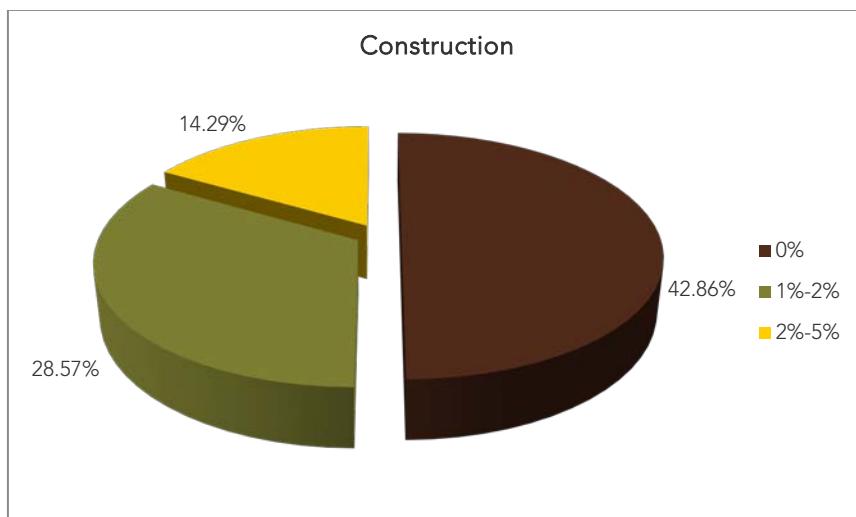
Figure 90: Spending on skill development training as a percentage of revenue (percentage of respondents), N=36

Out of the companies surveyed, 27% mentioned that the introduction of new legislation to support federalisation would increase the cost of doing business, and 33% mentioned that may consider changing their recruitment strategy.
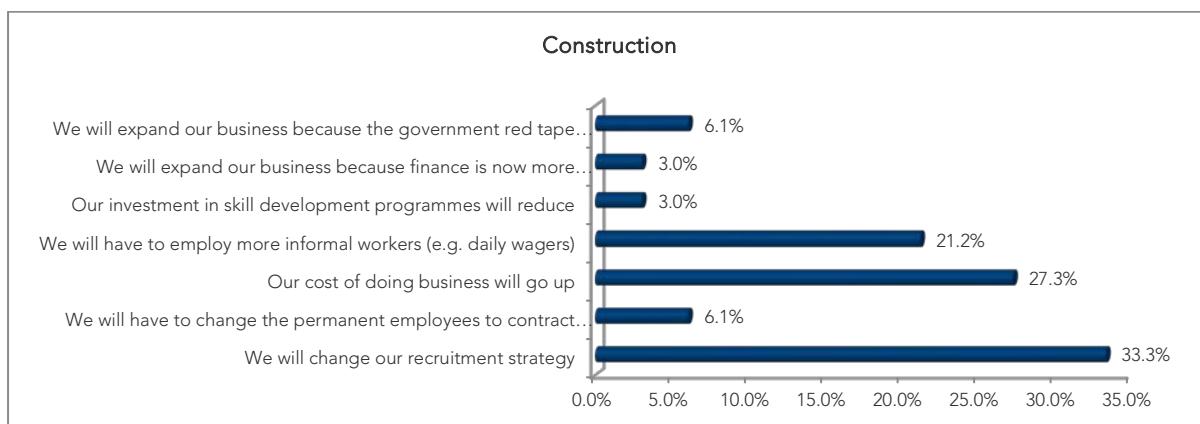
Figure 91: Impact of new legislation to support federalization (percentage of respondents), N=36

5.4 Potential Collaboration with DFID SEP

The survey also tried to understand the potential plans of the respondent companies towards skill development.

While most companies plan to upscale existing programmes or continue existing programmes. This is expected given the perceived efficacy of the programmes deployed by the companies.
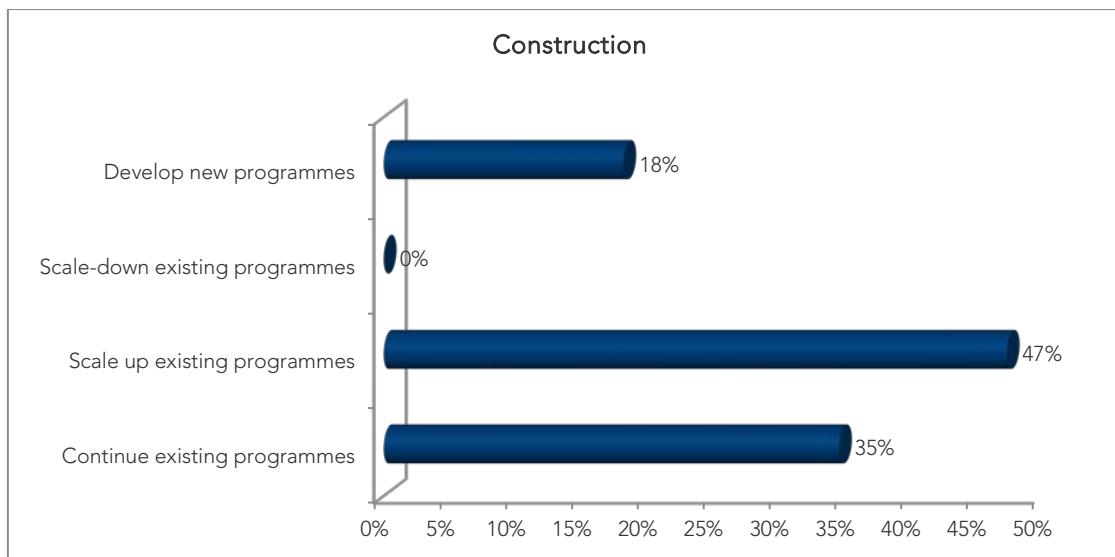
Figure 92: Future plans to develop/invest in skills of staff over the next five years (percentage of respondents), N=36

Source: SEP Firm-Level Survey (2019)

However, when asked about willingness to bear the cost of the training and skilling workers, 50% companies mentioned that they are willing to spend on the same.
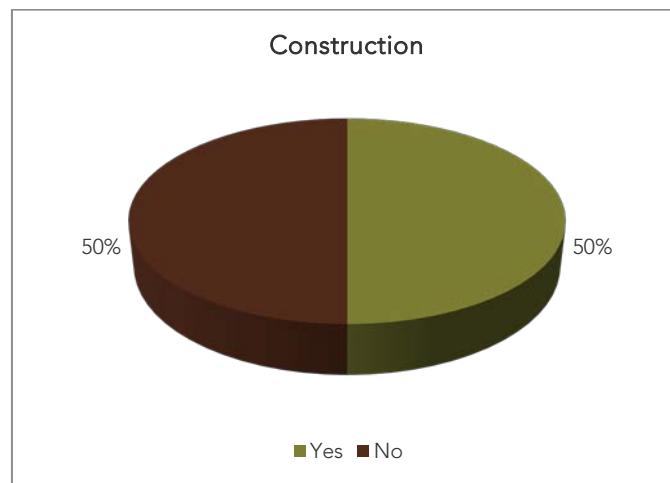
Figure 93: Willingness to bear the cost, N=3

Source: SEP Firm-Level Survey (2019)

While on-the-job experience and prior learning remains a favourite of the companies, skill development models such as mentorship programmes have significant preference among the respondents. Further, the companies are willing to spend NPR 1,023 per employee on their training and skilling.
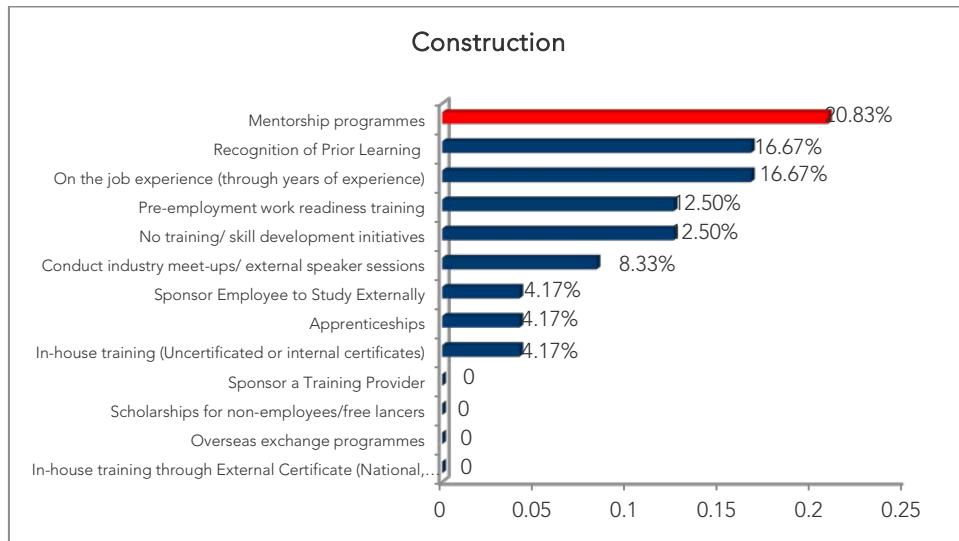
Figure 94: Preferred skill development models over the next five years (percentage of respondents), N=5

The companies indicated that they needed support for pre-employment training – close to 33% of the respondents mentioned this. Another 31% of the respondents mentioned that they needed support in upskilling the existing workers.
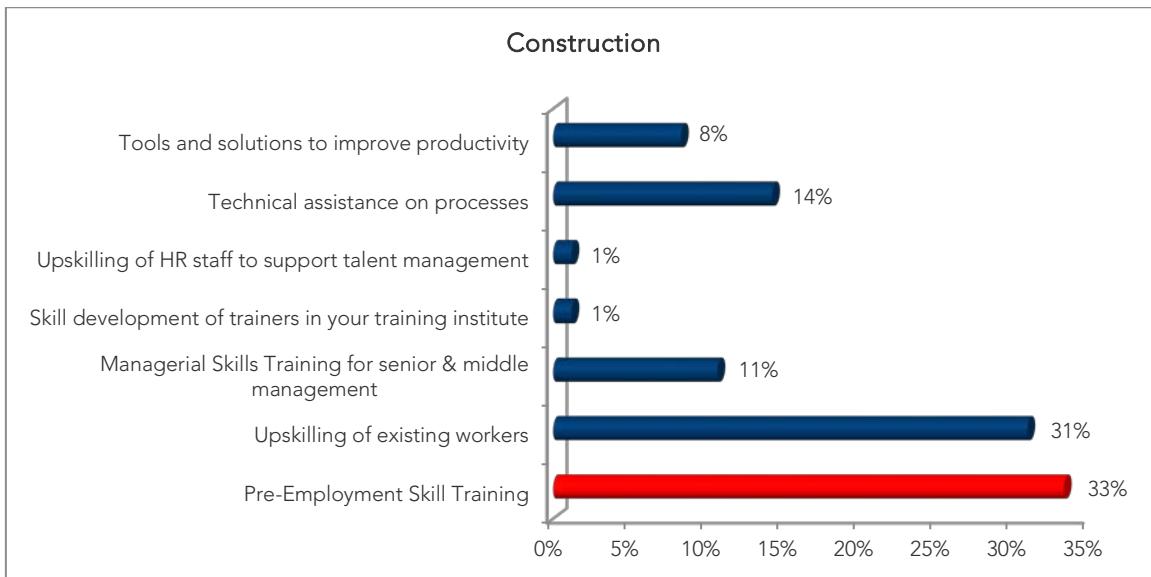
Figure 95: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=36

The companies also indicated that technical support would be the best modality of any possible skill development partnerships for them.
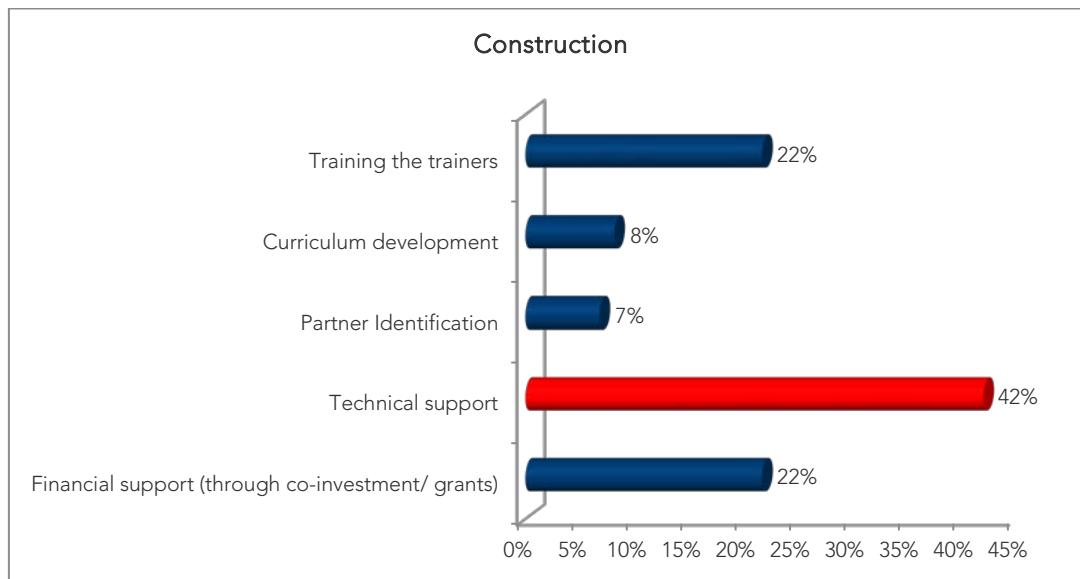
Figure 96: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=36

The companies also indicated that wages growth is expected to be between 5% and 10% per annum due to skill development of employees.
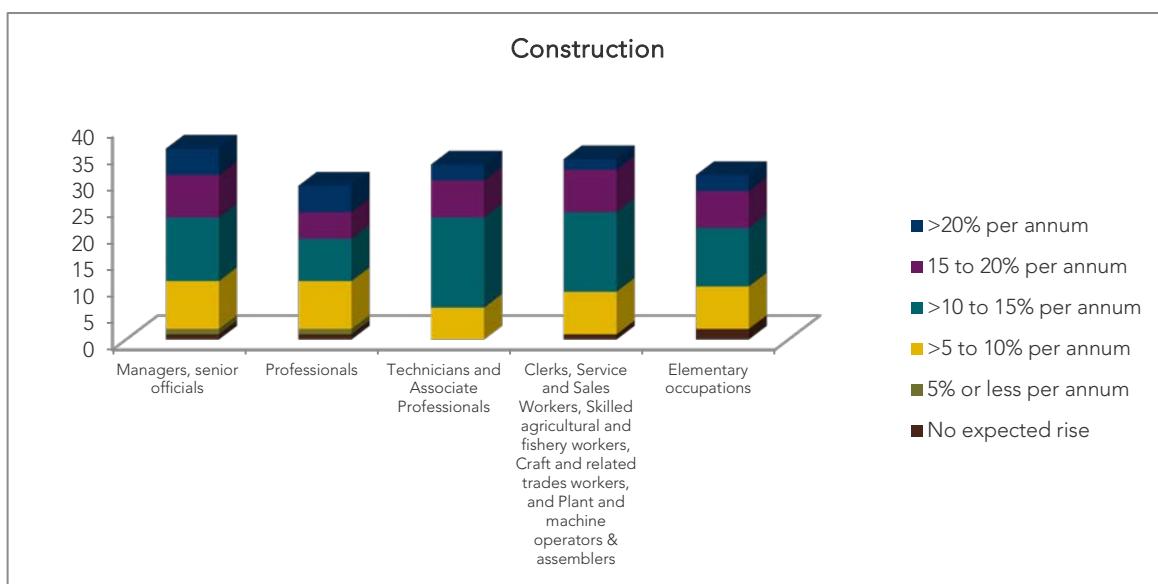
Figure 97: Wage rise of employees, N=36

6. Tourism Sector

Some of the key findings from the survey include:

- Out of the 33 companies surveyed, none are currently exporting overseas; neither has any of the companies mentioned the intention of exporting overseas.
- The skill-related challenge was identified by 61% of the respondents.
- The companies surveyed reported an average attrition rate of 19.6% per annum, while the average attrition rate of women employees to be 3% per annum.
- The companies expect revenue growth of 6.9% per annum for next five years whereas growth of 6.1% in workforce for the same period.
- 33% of these employees are women, only 0.6% of the employees are People with Disabilities (PwDs), and 24% of the employees are from Disadvantaged Groups (DAGs).
- Typical examples of skills gaps that were highlighted by the respondents included lack of managerial skills and lack of technical/ digital know-how.
- On-the-job experience, along with recognition of prior learning, in-house training and mentorship programmes seem to have a significant preference among the respondents.
- The companies indicated that they needed support for pre-employment skill training – close to 70% of the respondents mentioned these. Another 45% of the respondents mentioned that they needed support in upskilling the existing workers, and 24% needed support in providing managerial skills training for senior and middle management.
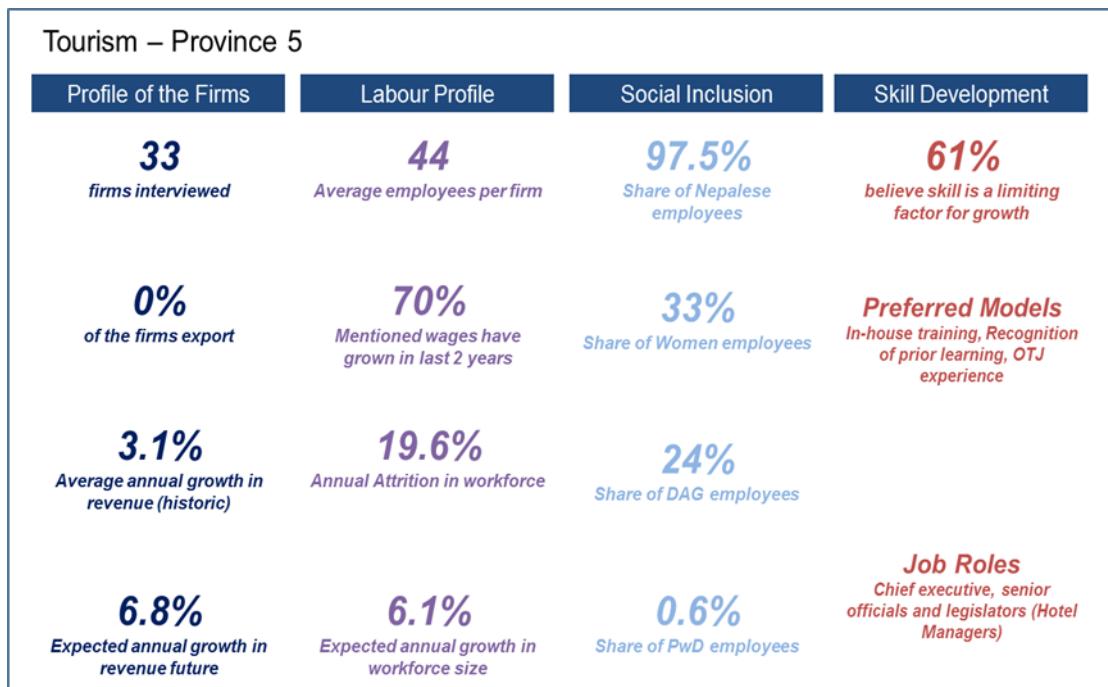
Figure 98: Summary of the results for the Tourism Sector, N=34

Source: SEP Firm-Level Survey (2019)

6.1 Profile of Companies Interviewed

A total of 33 companies in the sector were interviewed across Nepal. A detailed list of stakeholders interviewed is provided in Annex 1.

Geographically, the distribution is skewed in favour of Butwal-Bhairahawa area. More than half of the hotels mentioned their presence across Butwal-Bhairahawa, while rest of them were equally distributed across Ghorahi-Tulsipur and Nepalgunj-Kohalpur. The distribution of the companies by location of operations is indicated in the figure below.


Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)

- Butwal-Bhairawa: 19
- Ghorahi-Tulashipur: 7
- Nepalgunj-Kohalpur: 7
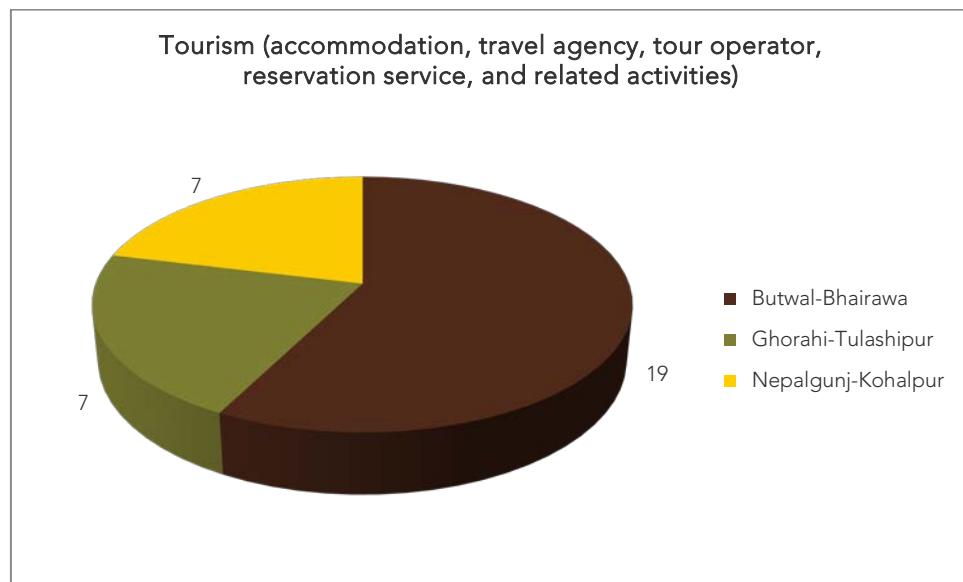
Figure 99: Distribution of companies surveyed by location, N=34

Source: SEP Firm-Level Survey (2019)

The figure below indicates the number of surveyed companies by size.

Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)

- Small: 13
- Medium: 15
- Large: 4
- FDI: 1
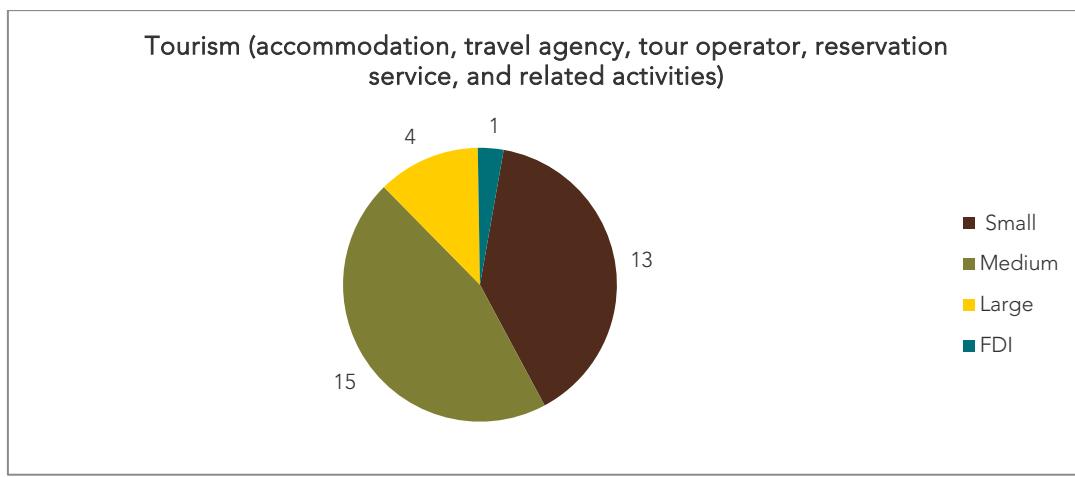
Figure 100: Distribution of companies surveyed by size, N=34

Source: SEP Firm-Level Survey (2019)

Out of the companies surveyed, none of the respondents had any exports to a foreign destination. Also, none of the companies mentioned any future intentions to export.

Out of the companies surveyed, none of the respondents had any current exports within Nepal. Only one respondent expressed future intention of exporting services in the next 2-5 years, with Nepalgunj,

Biratnagar, and Dhangadi as a possible destination. This shows high level of localised nature within Tourism Industry. (till Q-14)

In terms of growth of revenue over the last two years (2016-2018), 33% of the companies surveyed mentioned that they had experienced a growth of over 5% per annum. However, the companies were bullish about their future prospects with 70% of the companies surveyed mentioned they expected growth of more than 5% per annum over the next four years (2020-2024).

Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)

- Declined by more than 5% per year
- Declined by 0% to 5% per year
- Increased by 0% to 5% per year
- Increased by 5 to 10% per year
- Increased by more than 10% per year
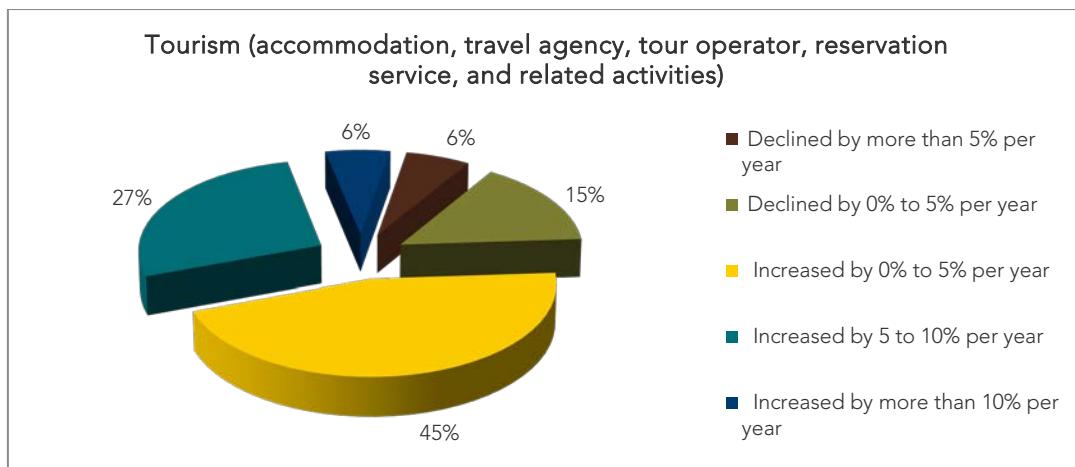
Figure 101: Distribution of companies surveyed by revenue growth in the last two years, N=34

Source: SEP Firm-Level Survey (2019)

Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)

- Decline by more than 5% per year
- Decline by 0% to 5% per year
- Increase by 0% to 5% per year
- Increase by 5 to 10% per year
- Increase by more than 10% per year
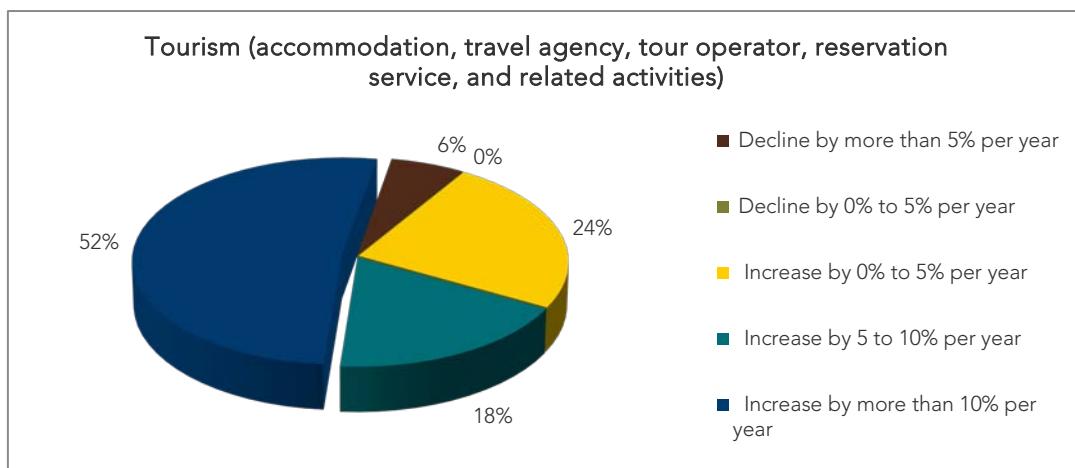
Figure 102: Distribution of companies surveyed by expected revenue growth in the next five years, N=34

Source: SEP Firm-Level Survey (2019)

The companies surveyed indicated that their top challenges to achieving their growth targets include lack of skill at affordable costs and lack of government policies or regulations which help businesses grow. The skill-related challenge was identified by more than 60% of the respondents.
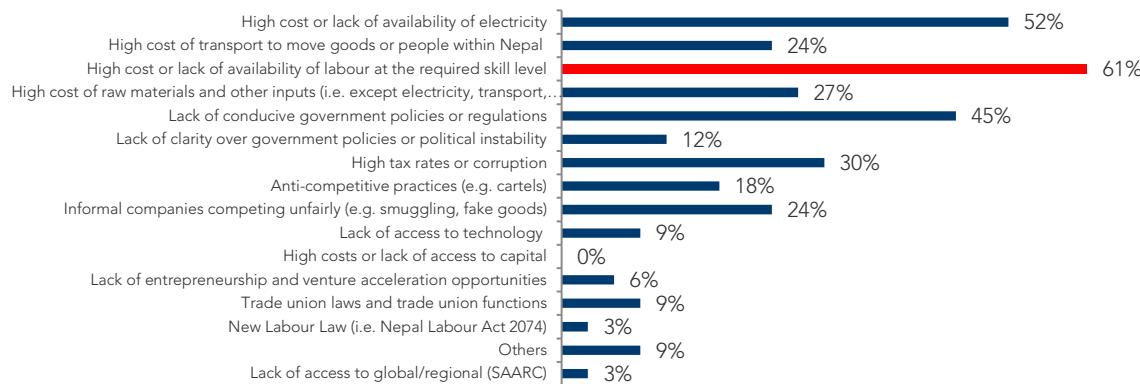
Figure 103: Distribution of responses on top challenges that hamper their company from achieving their growth targets, N=34

Over the same period (2016-2018), 27% of the companies surveyed mentioned that they had experienced a decline in terms of workforce growth. However, the companies surveyed felt their growth in number of workforce would be higher over the next four years.
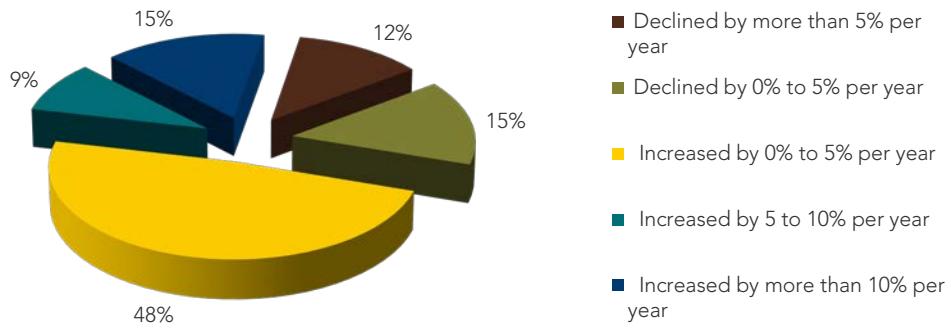
Figure 104: Distribution of companies surveyed by workforce growth in the last two years, N=34

Figure 105: Distribution of companies surveyed by expected workforce growth in the next five years, N=34

6.2 Labour Profile of the Companies Interviewed

These 33 companies employed 1,452 employees – an average of 44 employees per firm.

The breakdown by job categories of the total employees and by demographic segments is indicated in the figure below.
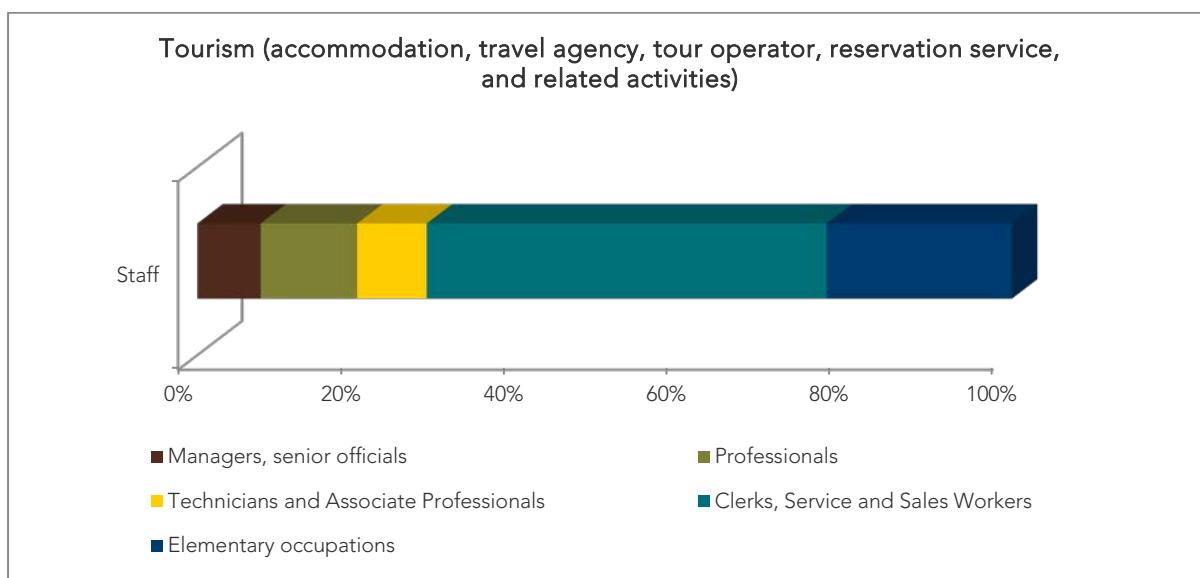
Figure 106: Distribution of employees by job categories, N=34

In terms of demographic proportions, **97.5%** are Nepalese. The foreign employees were reported to be mostly from India.
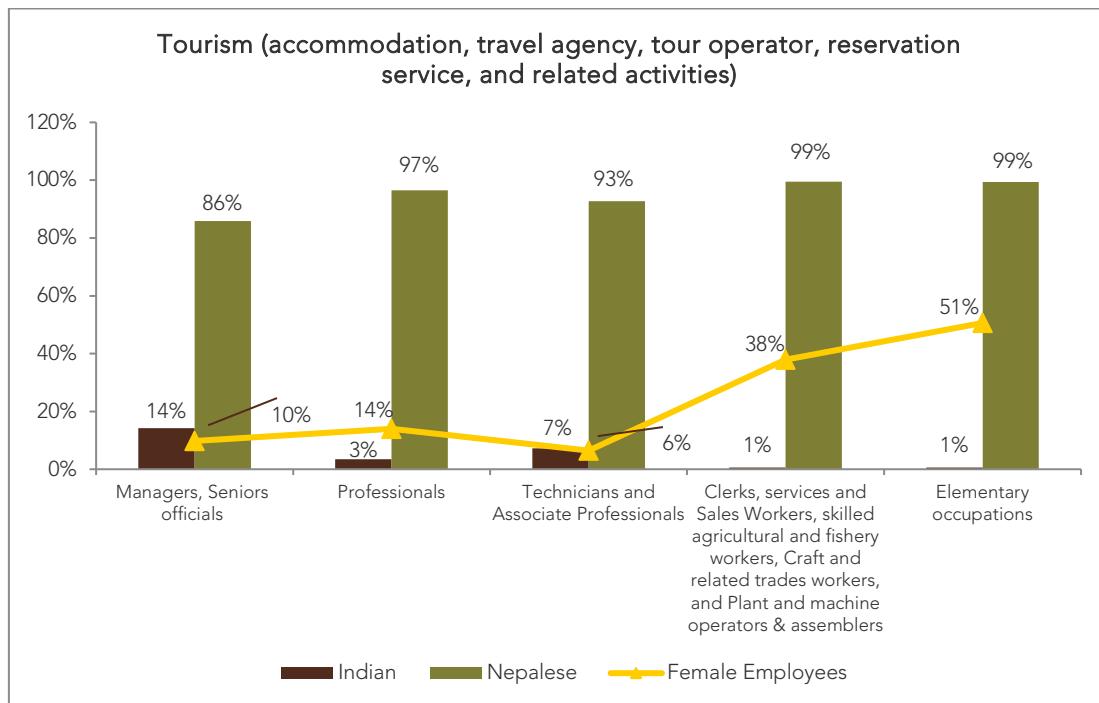
Figure 107: Share of Nepalese employees across job categories, N=34

In terms of the nature of employment, 58% employees are on full-time employment and a significant 39% are on a contract basis.
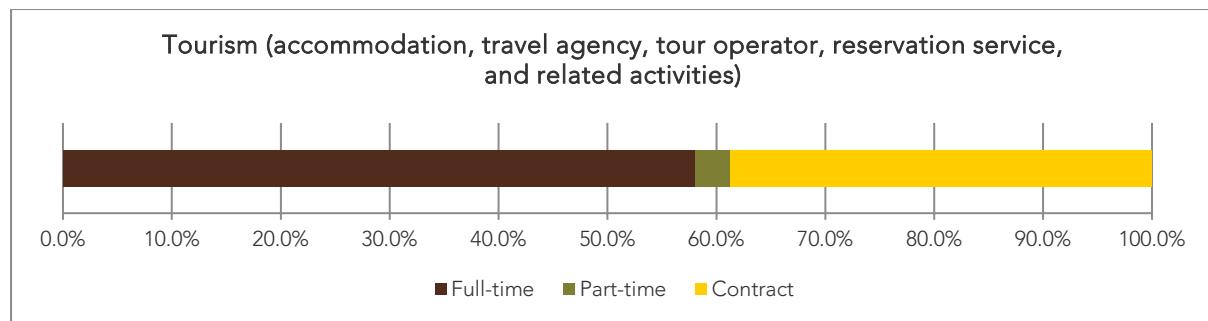
Figure 108: Nature of employment across all employees, N=34

In terms of wage increases, 27% of the companies surveyed mentioned that their wages have not increased over the last two years. However, 38% of the companies mentioned that wages have increased by over 5% over the same period.
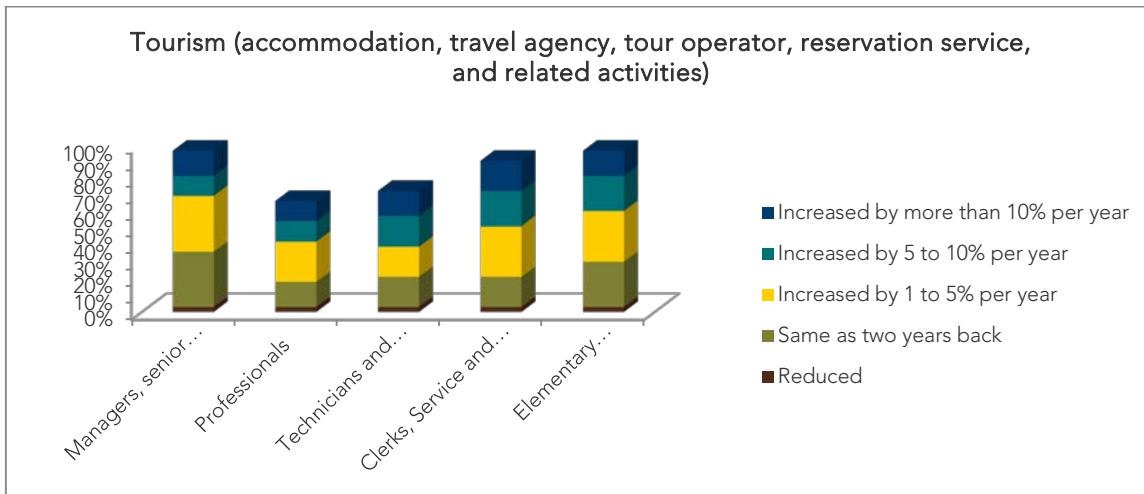
Figure 109: Wage Changes over the last two years, N=34

The companies surveyed reported an average attrition rate of 19.6% per annum. The top reasons mentioned for overall attrition were finding an opportunity with higher income or finding better employment overseas.
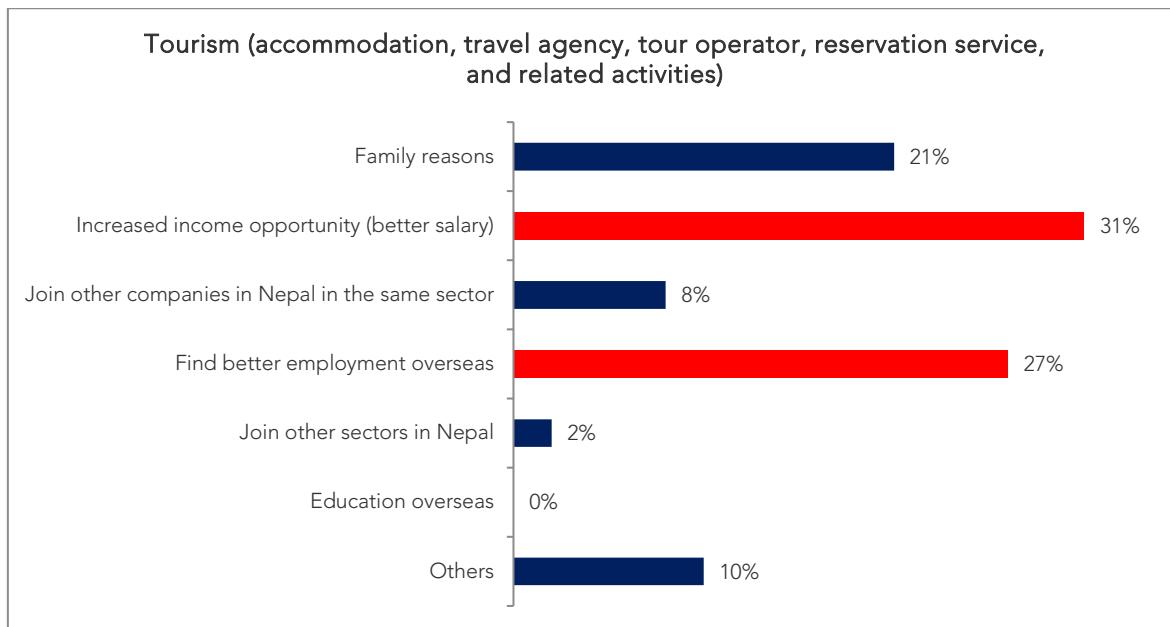
Figure 110: Reasons for Attrition of Employees, N=34

Of all the roles available, companies mentioned that the most the role of Chief Executive; senior officials and legislators are the highest in demand followed by finance managers.

Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)

Job role	Value
Chief executives, senior officials and legislators	91%
Finance managers	48%
Human resource managers	18%
Policy and planning managers	15%
Sales, marketing and development managers	12%
Finance professionals	9%
Administration professionals	12%
Sales, marketing and public relations professionals	6%
Clerical support workers	3%
Hotel managers	61%
Restaurant managers	61%
Hotel receptionists	70%
Travel attendants, conductors and guides	9%
Cooks	88%
Waiters and bartenders	76%
Cleaning and housekeeping supervisors in hotels	55%
Cleaners and helpers	79%

Figure 111: Job roles in high demand, N=34

Source: SEP Firm-Level Survey (2019)

For lower-level job roles, the respondents indicated difficulty in hiring. For example, for cooks, approximately 88% of the respondents mentioned that they had difficulty in hiring for this role. The figure below indicates the share of respondents who mentioned that they had difficulty in hiring for these roles – segmented into whether the difficulty is due to the lack of availability of people (i.e. not enough people available) or due to skill mismatch (i.e. not enough people with right skills are available).

Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)

■ Lack of availability of people ■ Skill mismatch between supply & demand
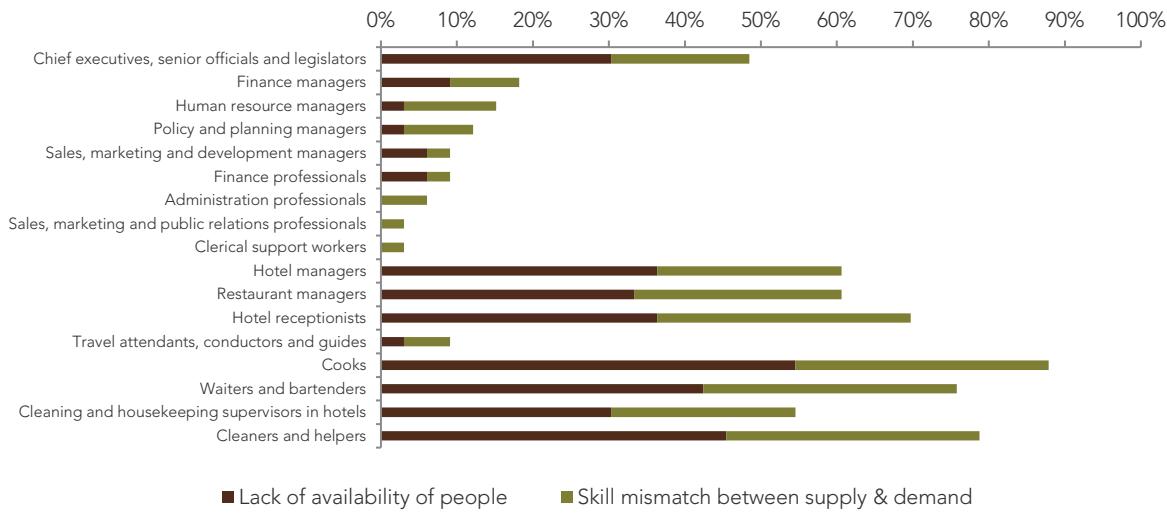
Figure 112: Difficulty in hiring for various job roles, N=34

Source: SEP Firm-Level Survey (2019)

According to the survey findings, the companies indicated that they would be increasing their total employment by 66% in next five years. The significant increase is expected to be for the roles of Sales, marketing and development managers, Human resource managers followed by Sales, marketing and public relations professionals and Clerical support workers. In cross-sectorial, a significant increase is expected to be for the roles of Cleaning and housekeeping supervisors in hotels, hotel managers and waiters and bartenders and cooks. The breakdown of the increase is indicated in the figure below:
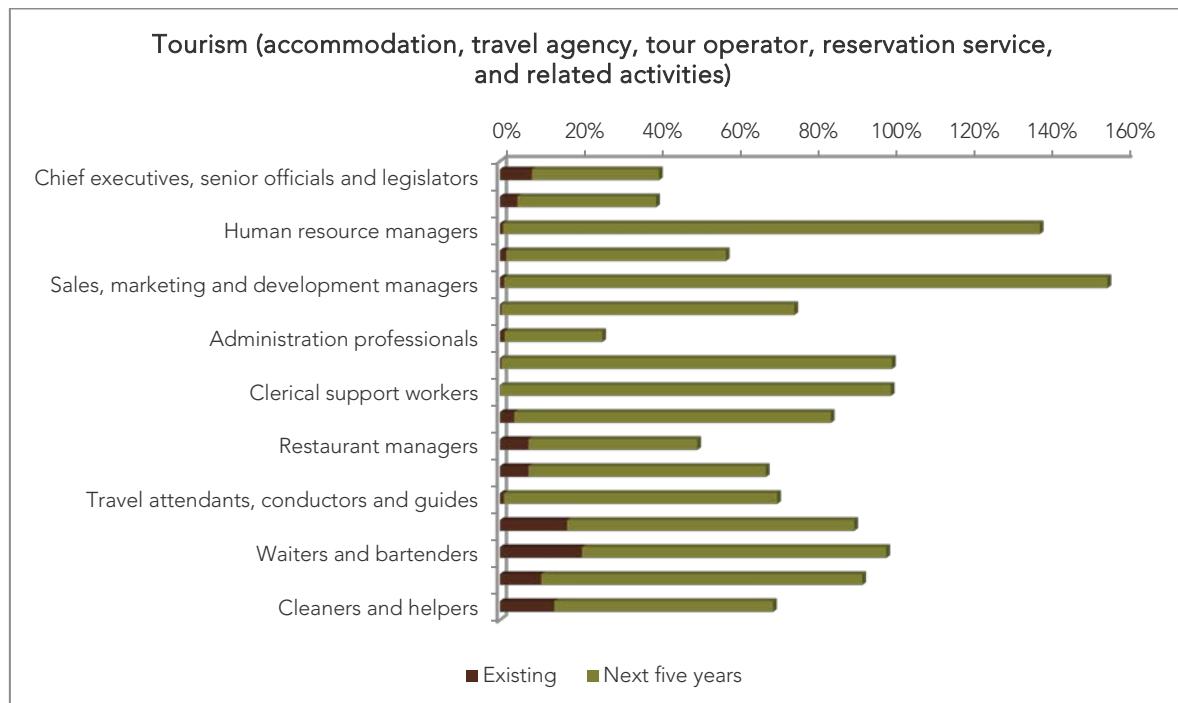
Figure 113: Expected increase in the share of the number of employees over the next five years as compared to existing staff, N=34

The 33 companies surveyed expect an average revenue growth rate of 6.8% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	2	6%	-0.3
Decline by 0% to 5% per year	0	0%	0
Increase by 0% to 5% per year	8	24%	0.6
Increase by 5 to 10% per year	6	18%	1.4
Increase by more than 10% per year	17	52%	5.1
Total	33		6.8

Table 13: Projected Average Revenue Growth Rate – next five years

The 33 companies surveyed expect an average workforce growth rate of 6.1% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	2	6%	-0.3
Decline by 0% to 5% per year	1	3%	-0.07
Increase by 0% to 5% per year	9	27%	0.7
Increase by 5 to 10% per year	7	21%	1.6
Increase by more than 10% per year	14	42%	4.2
Total	33		6.1

Table 14: Projected Average Workforce Growth Rate – next five years

Based on the above, the productivity of the labour force is expected to grow at a rate of 0.64% per annum.

6.2.1 Labour Profile – Women, DAGs, and PwDs
Women

For these 33 companies, only **33.3%** of these employees are women (See Figure 104). The companies surveyed reported an average attrition rate of women employees to be 3% per annum. For women, the top reasons for attrition were cited as family reasons, followed by increased income opportunities.

Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)

Family reasons	48%
Increased income opportunity (better salary)	36%
Others	27%
Join other companies in Nepal in the same sector	3%
Find better employment overseas	3%
Join other sectors in Nepal	3%
Lack of mobility and no accommodation arrangements	3%
Harassment	0%
Education overseas	0%
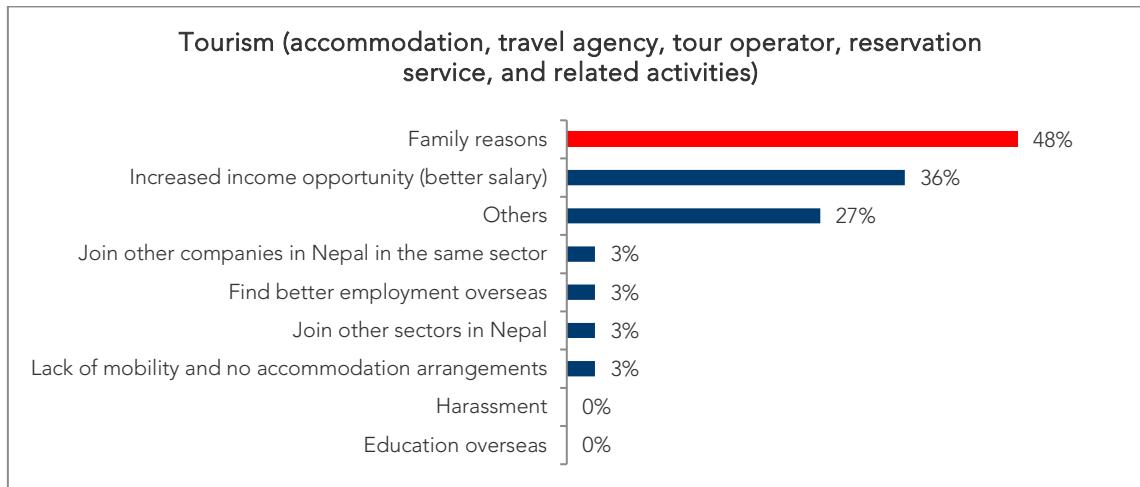
Figure 114: Reasons for Attrition of Women Employees, N=34

Source: SEP Firm-Level Survey (2019)

The companies also indicated that specific job roles have the potential to increase women employment in that job role. The table below indicates the share of respondents who agree that women employees can be increased in the respective job roles – e.g. 88% of the respondents agree that more women can be Chief executives, senior officials and legislators, and 79% agreed that women employment has potential as cooks.

Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)

Figure 115: Share of respondents who agree there is a potential for women employment in the job role, N=34

Source: SEP Firm-Level Survey (2019)

PwDs

Out of the total current employment across these 33 companies, only 0.6% of the employees are People with Disabilities (PwDs). Close to 55% of the PwDs which these companies have hired are speech-impaired, while 33% of the PwDs in these companies are facing mental disability. The small numbers are attributed to several reasons such as one's inability to carry out certain work, or difficulty in carrying out work with them.

The companies expect to increase the number of PwDs in their workforce by 4x over the next five years, to increase the share of PwDs is expected to be 2.7% of the total employment pool. The most significant jump in absolute terms is expected to be for people who have impaired speech or hearing.

DAGs

Out of the total current employment across these 33 companies, 24% of the employees are Disadvantaged Groups (DAGs). Close to 47% of the DAGs which these companies have hired are *Dalits*, while another 41% disadvantaged *janajatis*.

The companies, however, indicated that over the next four years they might be hiring 18.5% of the new employees will be from the disadvantaged groups, primarily relatively disadvantaged *janajatis*. While most companies mentioned that they do not discriminate on the basis of caste or religion, they were unable to cite any specific reasons.
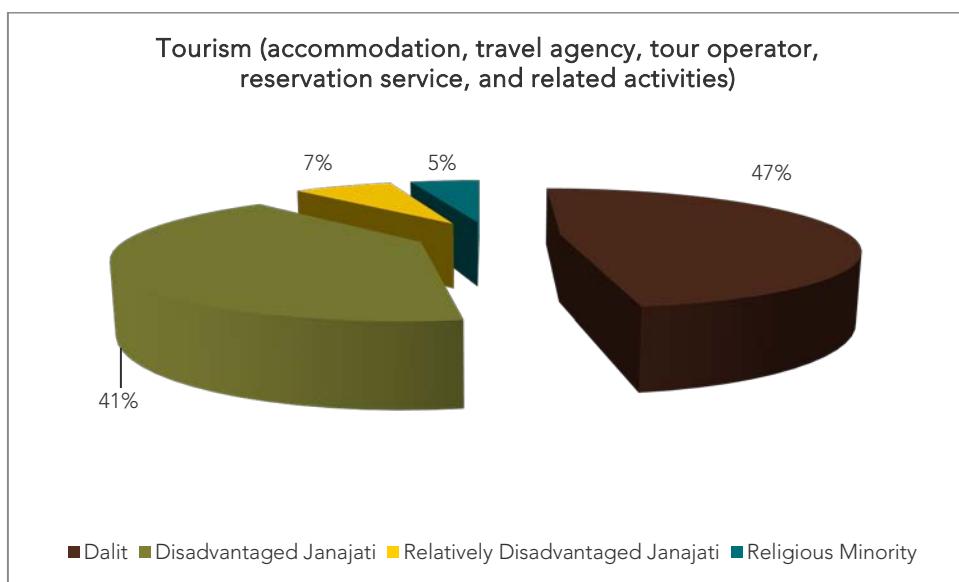
Figure 116: Share of DAGs in the labour force (2019) N=34

Source: SEP Firm-Level Survey (2019)

6.3 Perception and Attitude towards Skill Development

The respondents indicated the preferred educational qualification for various job roles. For lower-level employees, the companies are looking for people with relevant experience or school education. For the higher-level jobs, general university degree was preference.
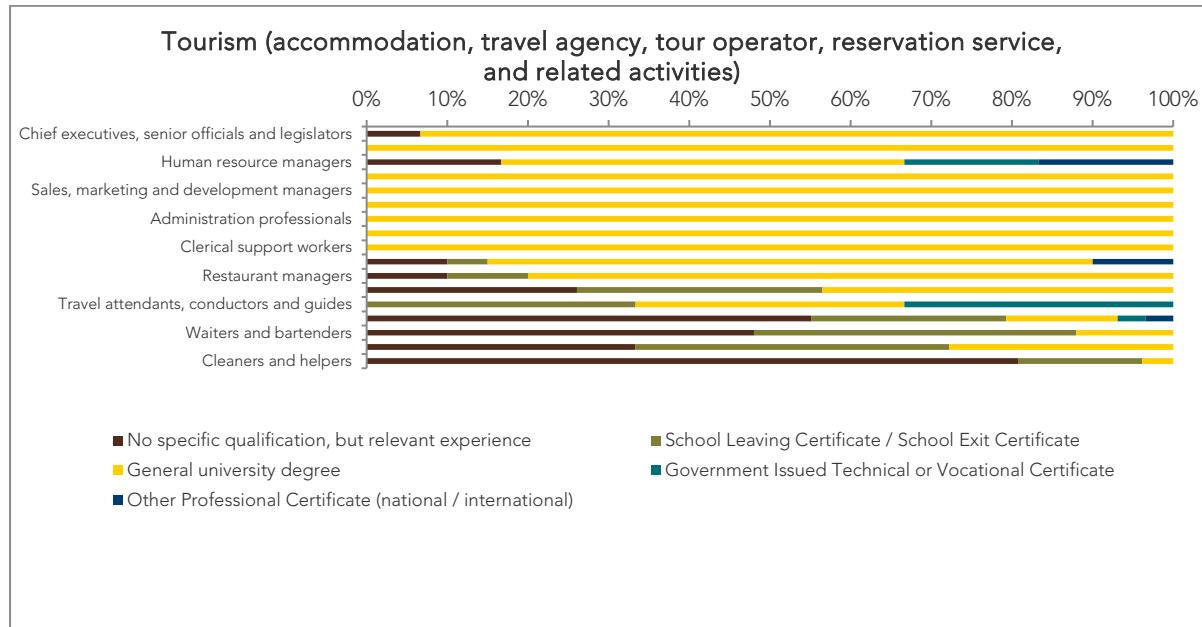
Figure 117: Expected educational qualifications for various job roles, N=34

Source: SEP Firm-Level Survey (2019)

Across the companies, all of the skill categories were deemed to be of medium or high importance for their employees – at least 75% of the respondents rated all skills to be medium or high on importance. Only digital skills were considered to be not crucial by 42% of respondents.
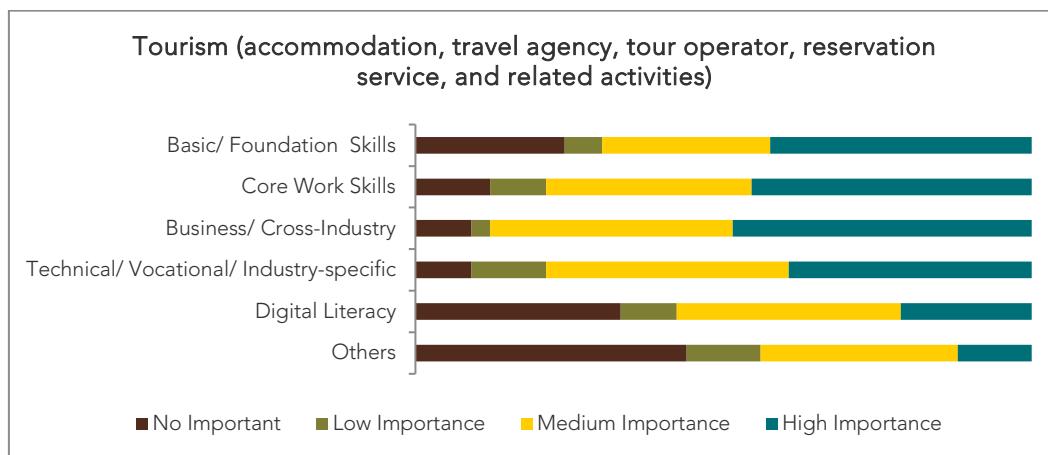
Figure 118: Importance of Skill Categories (percentage of respondents), N=34

Source: SEP Firm-Level Survey (2019)

The companies also believe that their existing employees do not have significant skill gaps – only Basic/Foundation skills (i.e. including the literacy and numeracy skills necessary for getting work that can pay enough to meet daily needs. These skills are also a prerequisite for continuing in education and training, and for acquiring transferable and technical and vocational skills that enhance the prospect of getting good jobs) and Core Work skills (i.e. the ability to learn and adapt; read, write and compute competently; listen and communicate effectively; think creatively; solve problems independently; manage oneself at work; interact with co-workers; work in teams or groups; handle basic

technology, lead effectively as well as follow supervision) were cited by over 45% of the respondents as skills where they had gaps. Typical examples of skills gaps that were highlighted by the respondents included lack of leadership skills and lack managerial skills.
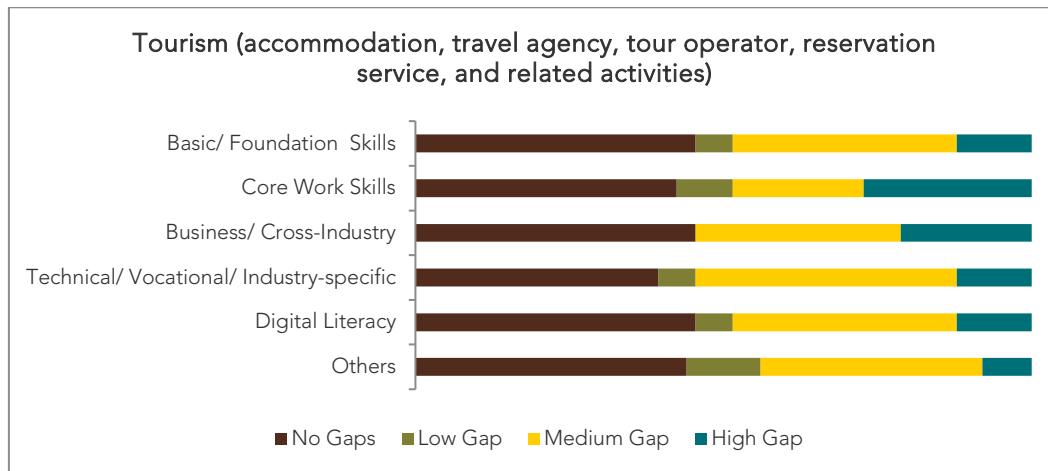
Figure 119: Skill gaps across Skill Categories (percentage of respondents), N=34

The company's unavailability of skilled talent for their companies and Inability to attract a skilled workforce at a wage we can afford as the top two challenges in finding and building skilled workforce.
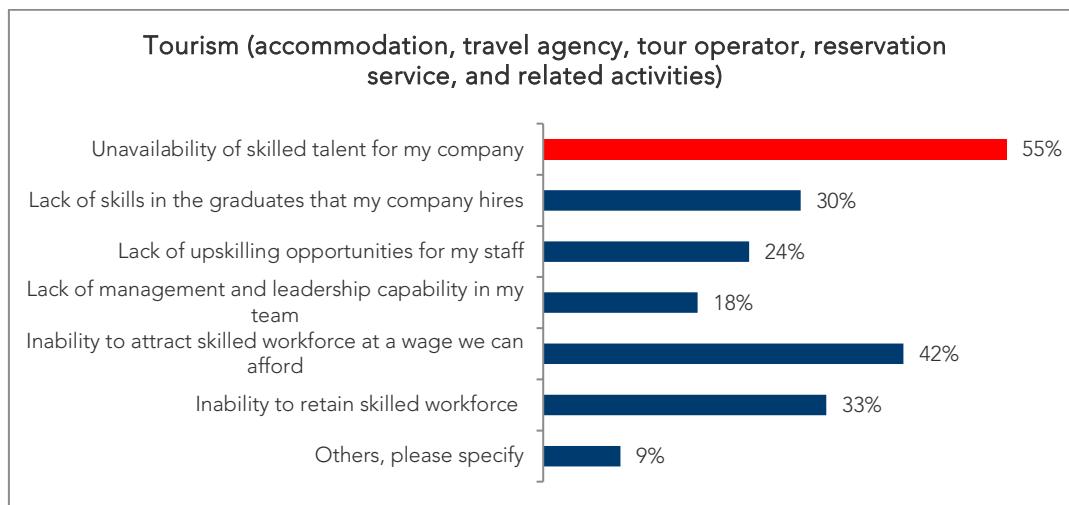
Figure 120: Challenges to finding & building a skilled workforce (percentage of respondents), N=34

While 55% of the companies mentioned that they are willing to send their existing staff to train which is of less than one week in duration, 9% mentioned that they are unwilling to send their staff for any training.
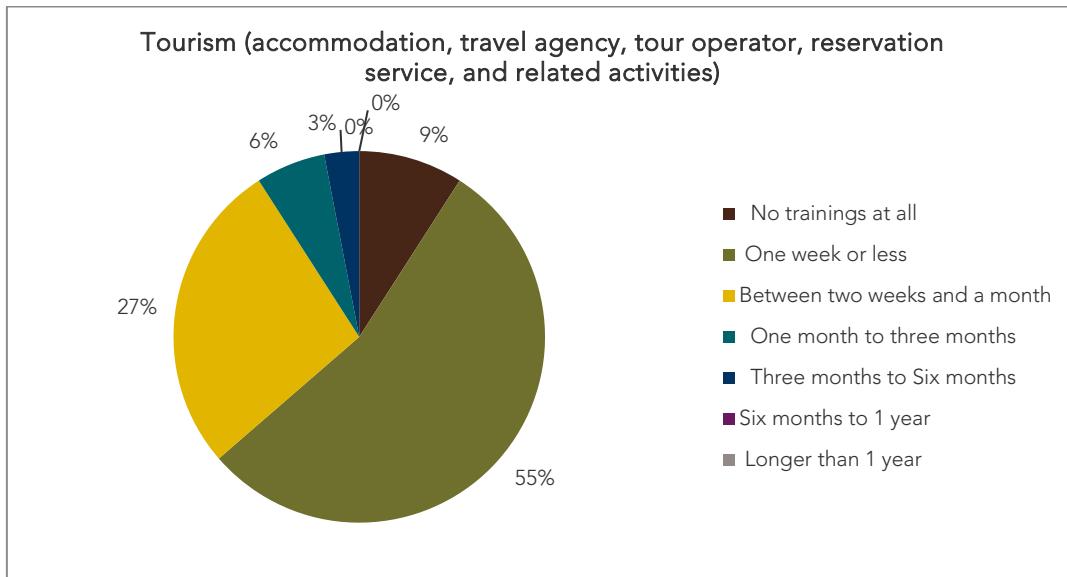
Figure 121: Preference of the duration of the skill development training (percentage of respondents), N=34

In terms of spending on skill development, 24% of the companies surveyed did not spend anything, while 33% spent between 1 and 2% of their revenues on skill development.
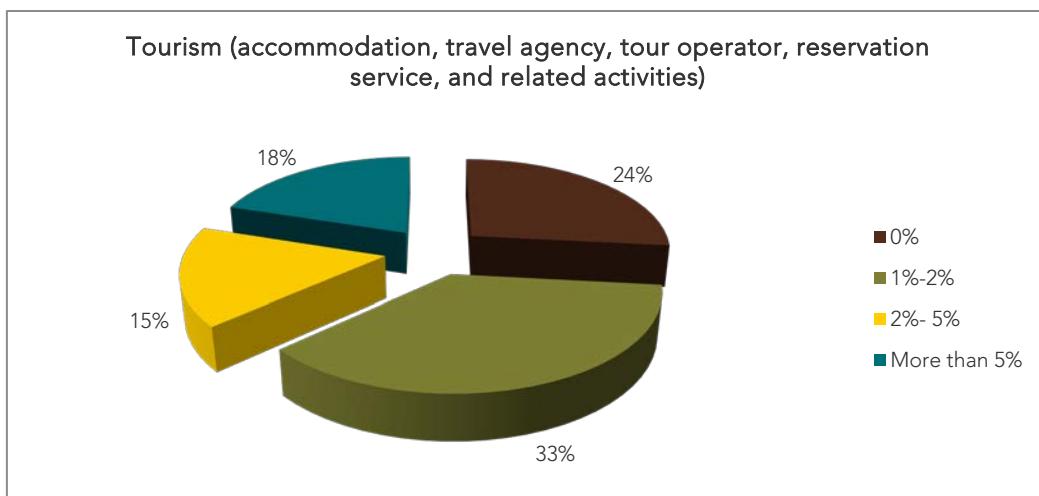
Figure 122: Spending on skill development training as a percentage of revenue (percentage of respondents), N=34

Out of the companies surveyed, 48% mentioned that the introduction of new legislation to support federalisation would make them change their recruitment strategy, and 27% mentioned that their cost of doing business would go up. Significant 36%.of the respondents believed that that would not be significant changes for them.
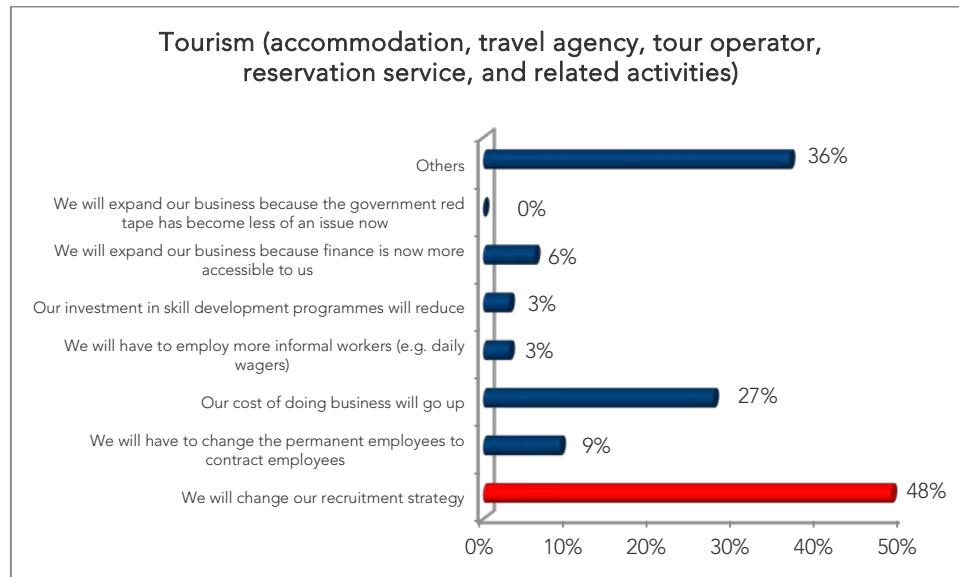
Figure 123: Impact of new legislation to support federalisation (percentage of respondents), N=34

/Source: SEP Firm-Level Survey (2019)

6.4 Potential Collaboration with DFID SEP

The survey also tried to understand the potential plans of the respondent companies towards skill development.

While most companies plan to scale up the existing programmes, a significant proportion also wanted to develop new programmes or to continue the existing programmes. This is expected given the perceived efficacy of the programmes deployed by the companies.
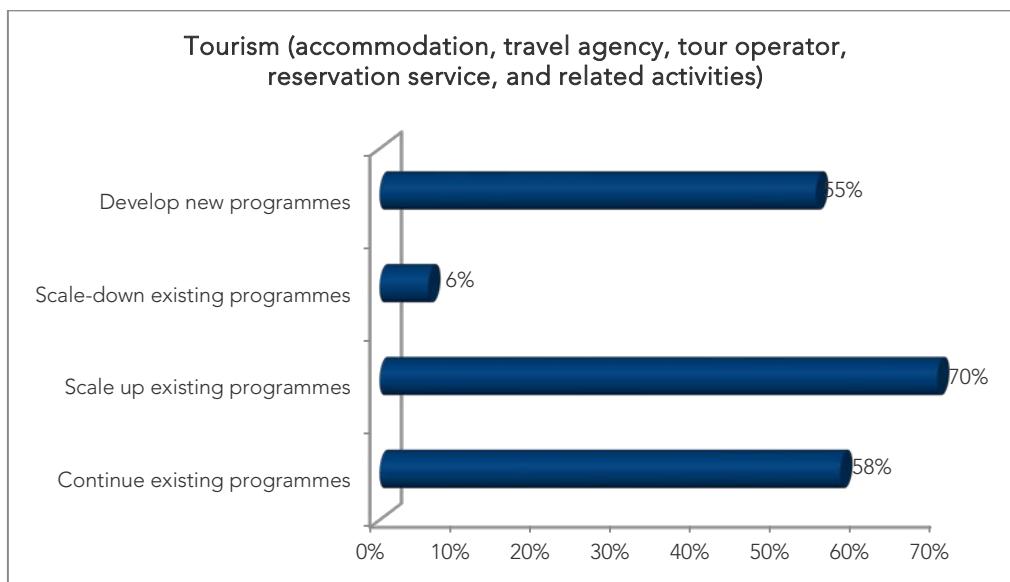
Figure 124: Future plans to develop/invest in skills of staff over the next four years (percentage of respondents), N=34

Source: SEP Firm-Level Survey (2019)

However, when asked about willingness to bear the cost of the pieces of training and skilling workers, only 33% companies mentioned that they are willing to spend on the same.
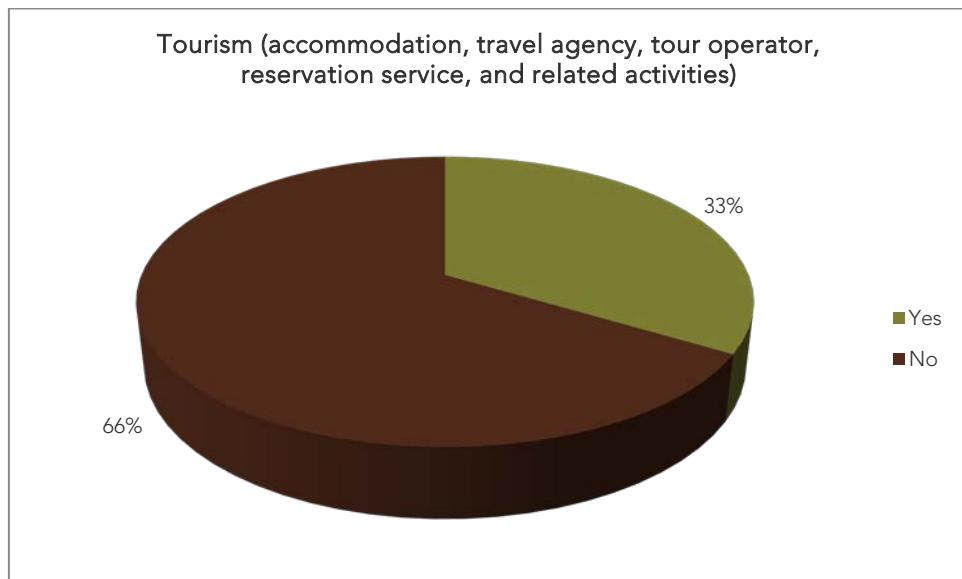
Figure 125: Companies' willingness to the bear the cost of training and skilling workers (percentage of respondents), N=12

Source: SEP Firm-Level Survey (2019)

The companies indicated that they needed support for pre-employment training – close to 73% of the respondents mentioned these. Another 45% of the respondents mentioned that they needed support in upskilling the existing workers and 24% mentioned the need for same in providing managerial skills training for senior and middle management.
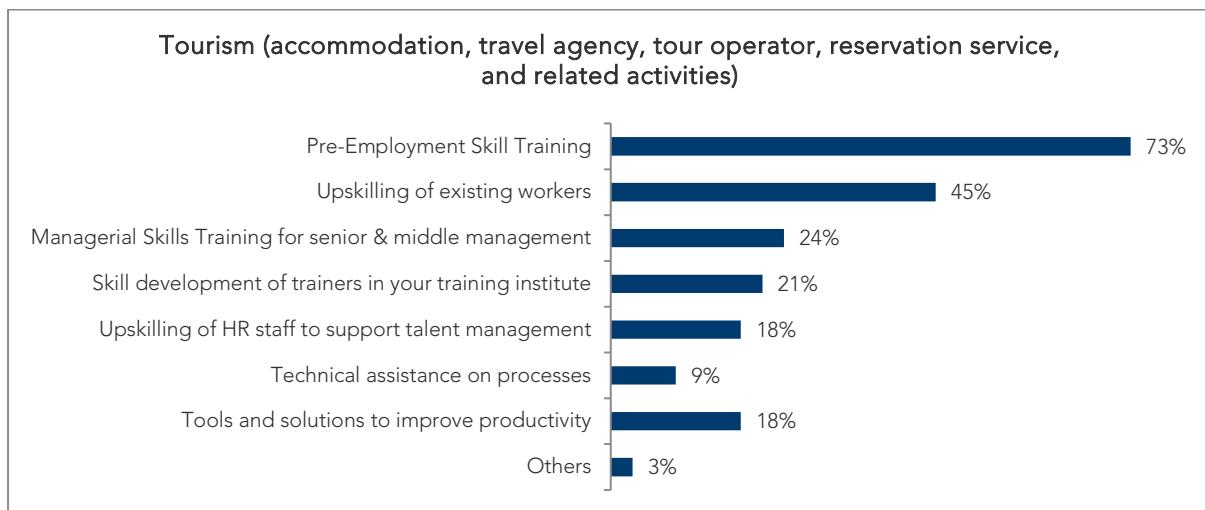
Figure 126: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=34

Source: SEP Firm-Level Survey (2019)

The companies also indicated that financial and technical support would be the best modality of any possible skill development partnerships for them.

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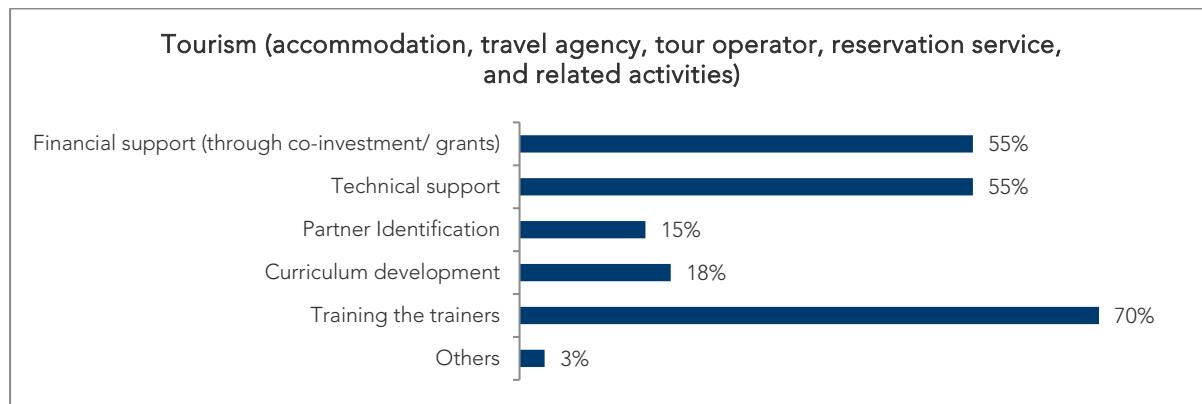
Figure 127: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=34

On the question of how much companies expected the wages to rise per year due to skill development of their employees at the various job levels, more than 50% of indicated that they expected a rose of more than 10% across different levels.
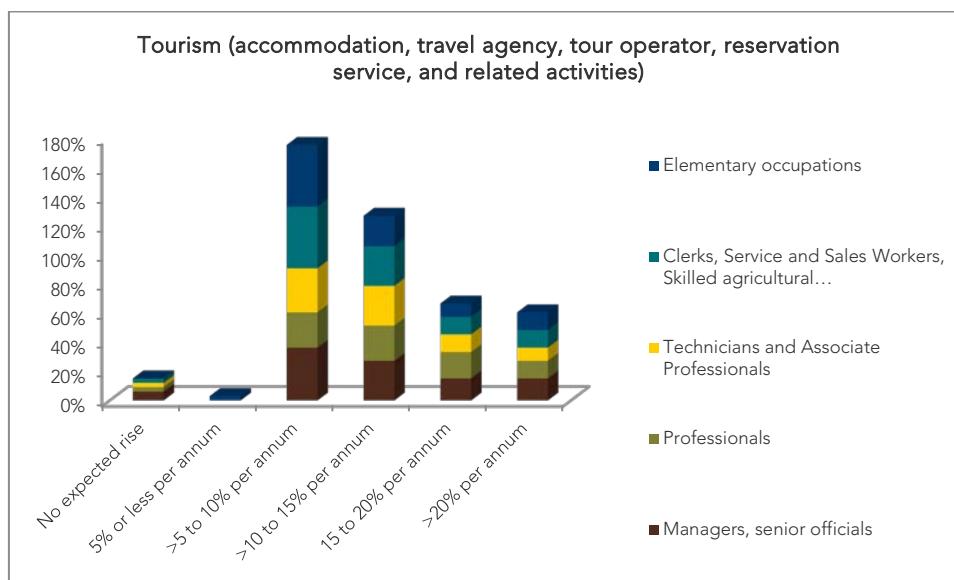
Figure 128: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=34

7. Information and Communications Technology (ICT) Sector

Some of the key findings from the survey include:

- Out of the 31 companies surveyed, none are currently exporting overseas while only one mentioned that the intention of exporting overseas n next five years.
- The skill-related challenge was identified by 39% of the respondents.
- The companies surveyed reported an average attrition rate of 20% per annum, while the average attrition rate of women employees to be less than 1% per annum.
- The companies indicated that they would be increasing their total employment by approximately 93% over the next five years.
- 20% of these employees are women, only 4% of the employees are People with Disabilities (PwDs), and 19% of the employees are from Disadvantaged Groups (DAGs).
- Typical examples of skills gaps that were highlighted by the respondents included leadership skills, lack of industry-specific skills and lack of basic computer skills.
- On-the-job experience, along with mentorship programme, seems to have a significant preference among the respondents.
- The companies indicated that they needed support for pre-employment and continuous-employment training – close to 84% of the respondents mentioned this. Another 77% of the respondents mentioned that they needed support in upskilling of existing workers and 35% needed support in technical assistance.
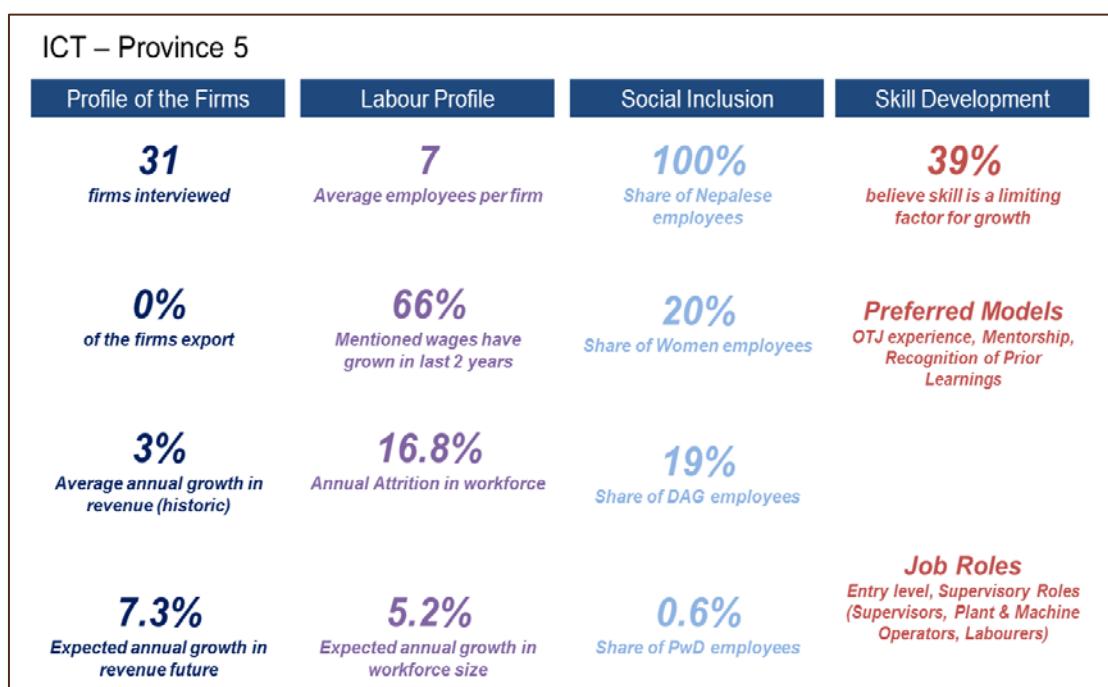
Figure 129: Summary of the results for Information and communications technology, N=31

Source: SEP Firm-Level Survey (2019)

7.1 Profile of Companies Interviewed

A total of 31 companies in the sector were interviewed across Nepal. A detailed list of stakeholders interviewed is provided in Annex 1.

Geographically, the distribution is skewed in favour of Butwal-Bhairahawa area. More than half of the hotels mentioned their presence across Butwal-Bhairahawa, while rest of them were equally distributed across Ghorahi-Tulsipur and Nepalgunj-Kohalpur. The figure below indicates the number of surveyed companies with offices in the major cities (multiple options).
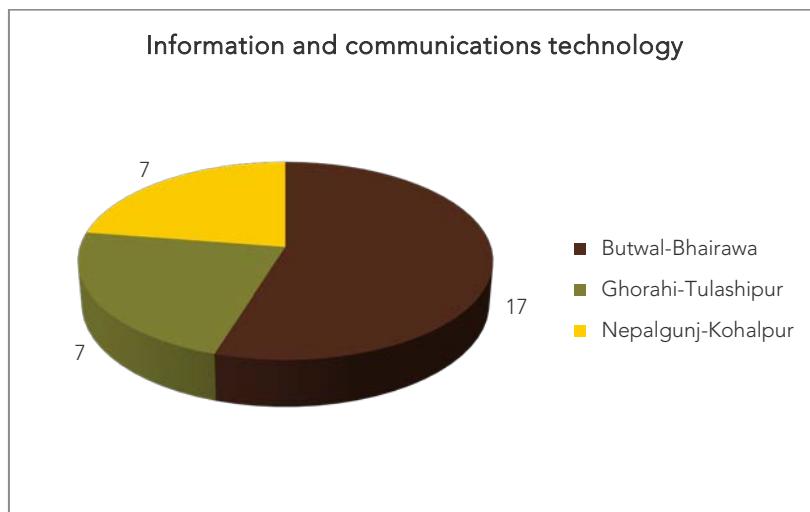
Figure 130: Distribution of companies surveyed by location, N=31

Source: SEP Firm-Level Survey (2019)

The distribution of the companies by size is indicated in the figure below.
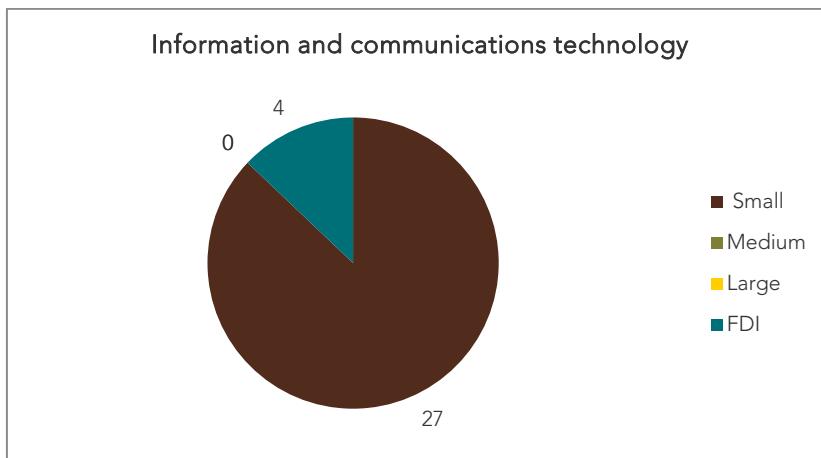
Figure 131: Distribution of companies surveyed by size, N=31

Source: SEP Firm-Level Survey (2019)

Out of the companies surveyed, none of the respondents had any *exports to a foreign* destination. Also, only one of the companies mentioned any future intentions to export.

Out of the companies surveyed, 23% of the respondents said they were currently *exporting to other provinces* within Nepal. Only one respondent expressed future intention of exporting services in the next 2-5 years, with Pokhara, Syanja and Waling as a possible destination. This shows high level of local market orientation in information and technology sector.

On the question of equity investment, 10% of the companies responded as having equity investment from outside.

In terms of growth of revenue over the last two years (2016-2018), 42% of the companies surveyed mentioned that they had experienced a growth of over 5% per annum. However, the companies were bullish about their future prospects with 81% of the companies surveyed mentioned they expected growth of more than 5% per annum over the next four years (2019-2023).
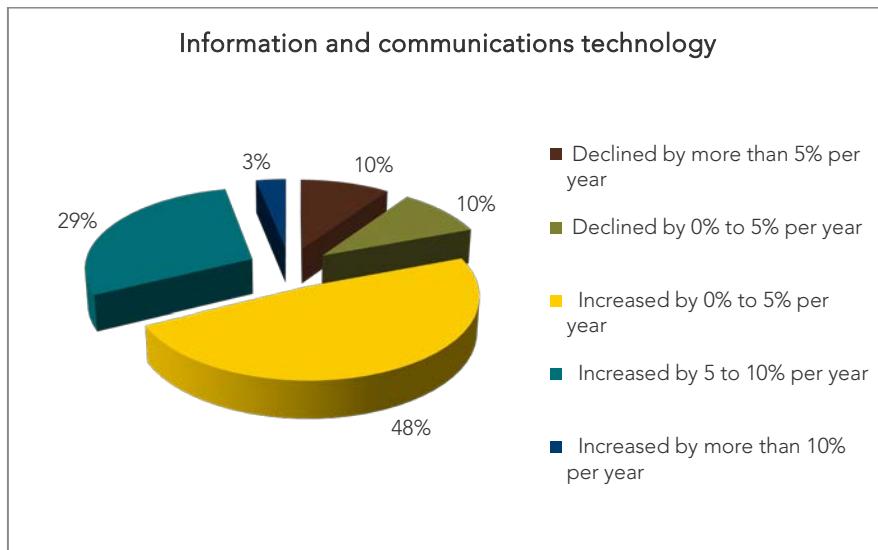
Figure 132: Distribution of companies surveyed by revenue growth in the last two years, N=31
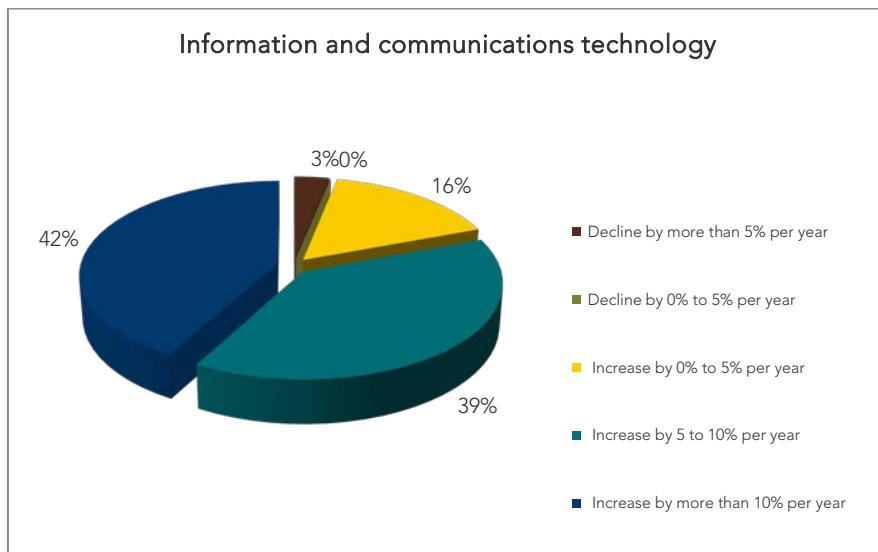
Figure 133: Distribution of companies surveyed by expected revenue growth in the next five years, N=31

The companies surveyed indicated that their top challenges to achieving their growth targets include informal companies competing unfairly (e.g. smuggling, fake goods), high cost or lack of availability of electricity, and lack of government policies or regulations which help businesses grow. The skill-related challenge was identified by more than 39% of the respondents.
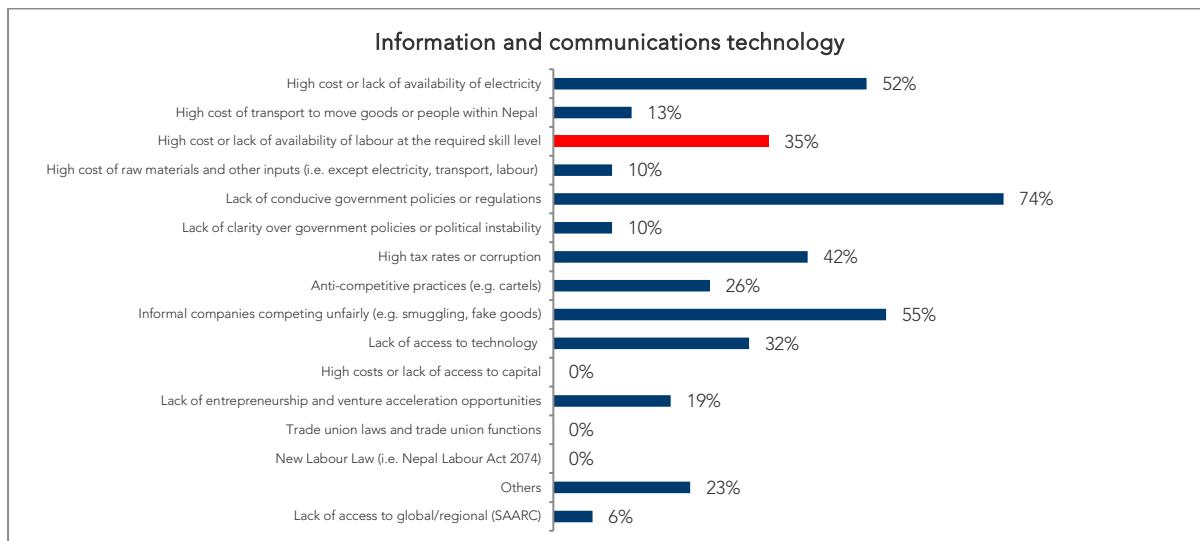
Figure 134: Distribution of responses on top challenges that hamper their company from achieving their growth targets, N=31

Over the same period (2016-2018), 23% of the companies surveyed mentioned that they had experienced a decline in terms of workforce growth, while 77% of them recorded growth in their workforce. However, 55% of the companies surveyed felt their growth in number of workforces would be more than 5% over the next four years.
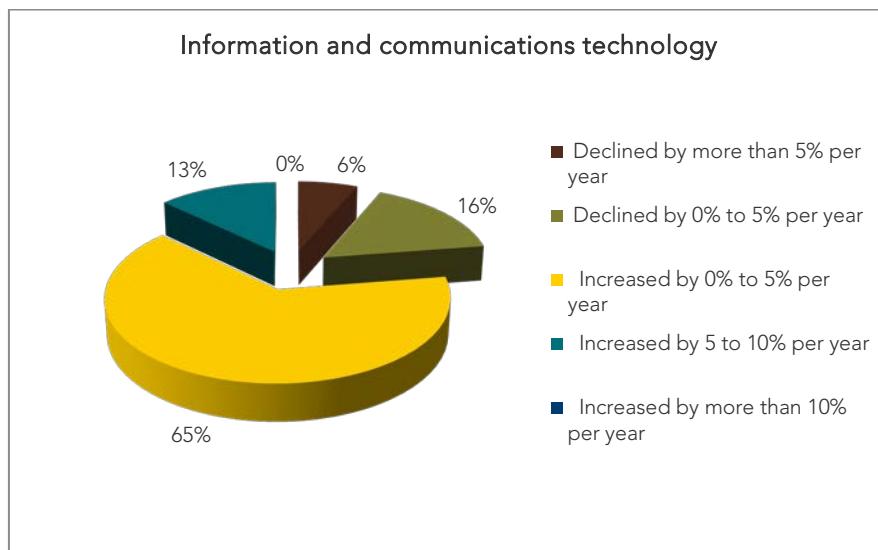
Figure 135: Distribution of companies surveyed by workforce growth in the last two years, N=31

Information and communications technology

16%	3% 3%
39%	39%

- Decline by more than 5% per year
- Decline by 0% to 5% per year
- Increase by 0% to 5% per year
- Increase by 5 to 10% per year
- Increase by more than 10% per year
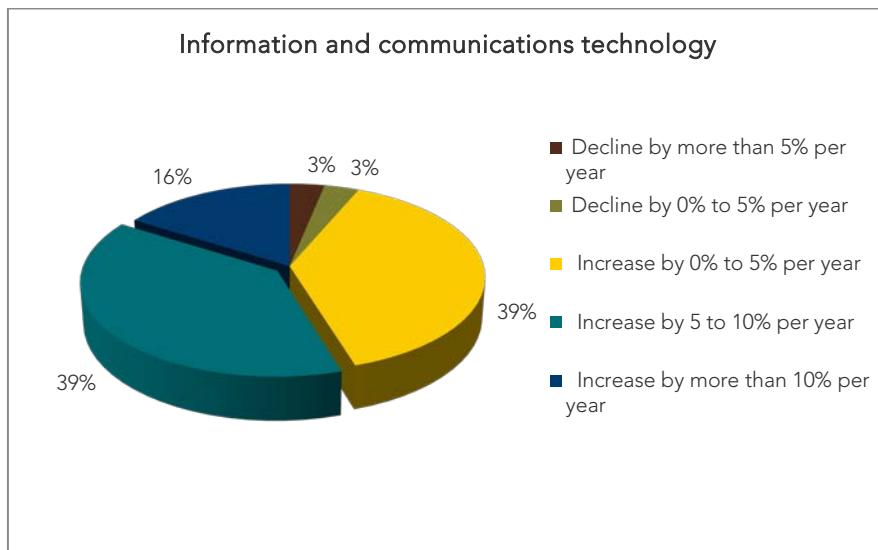
Figure 136: Distribution of companies surveyed by expected workforce growth in the next five years, N=31

Source: SEP Firm-Level Survey (2019)

7.2 Labour Profile of the Companies Interviewed

These 31 companies employed 220 employees – an average of 7 employees per firm.

The breakdown by job categories of the total employees and by demographic segments is indicated in the figure below.

Information and communications technology

20%	16%	25%	34%	5%

- Managers, senior officials
- Professionals
- Technicians and Associate Professionals
- Clerks, Service and Sales Workers
- Elementary occupations
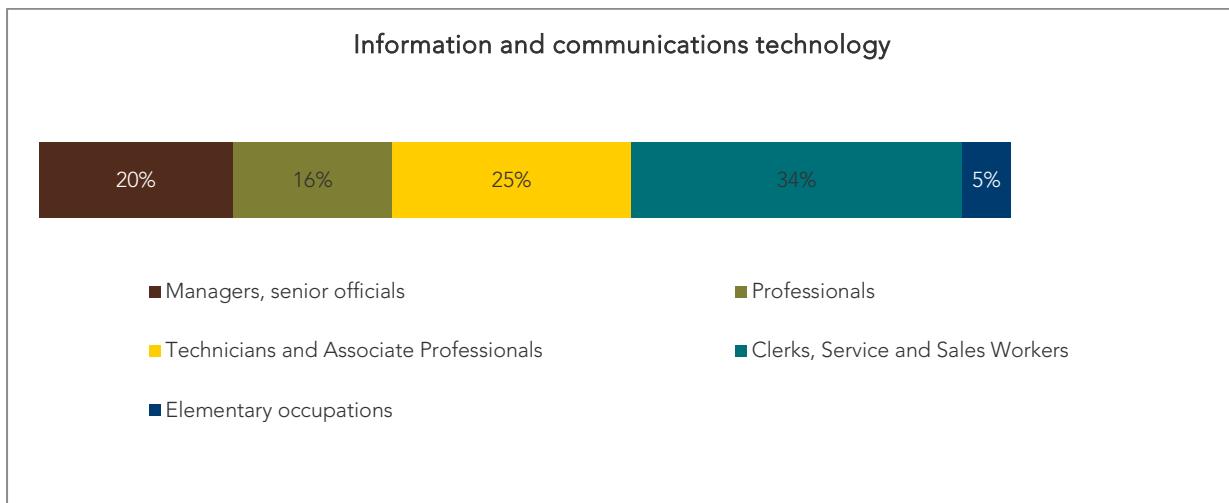
Figure 137: Distribution of employees by job categories, N=31

Source: SEP Firm-Level Survey (2019)

In terms of demographic proportions, **100%** are Nepalese. There were no foreign employees reported to be employed in any of the companies.
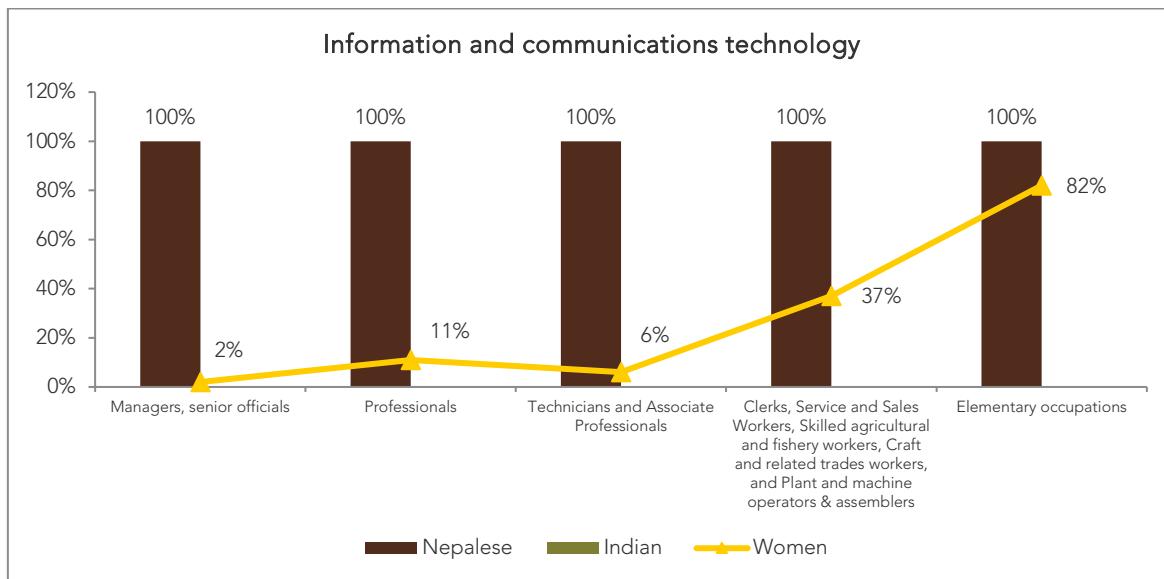
Figure 138: Share of Nepalese employees across job categories, N=31

In terms of the nature of employment, 75% employees are on full-time employment and 15.5% are on contract basis.
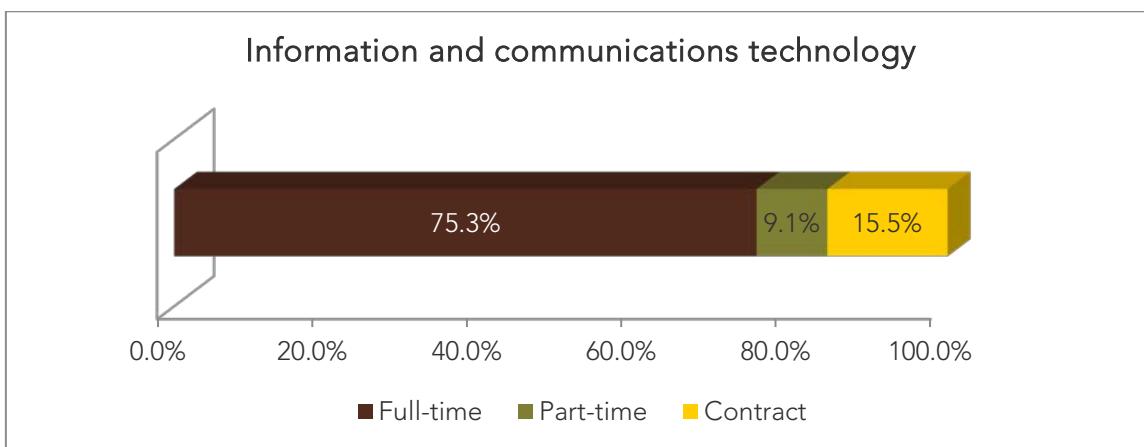
Figure 139: Nature of employment across all employees, N=31

In terms of wage increases, 26% of the companies surveyed mentioned that their wages have not increased over the last two years. However, 19% of the companies mentioned that wages have increased by over 5% over the same period. Wage increase among different the job profiles was maximum for managers and senior officials where 26% had wage hike above 5%, while technicians and associate professionals followed next with 23% of them having wage hikes above 5%.
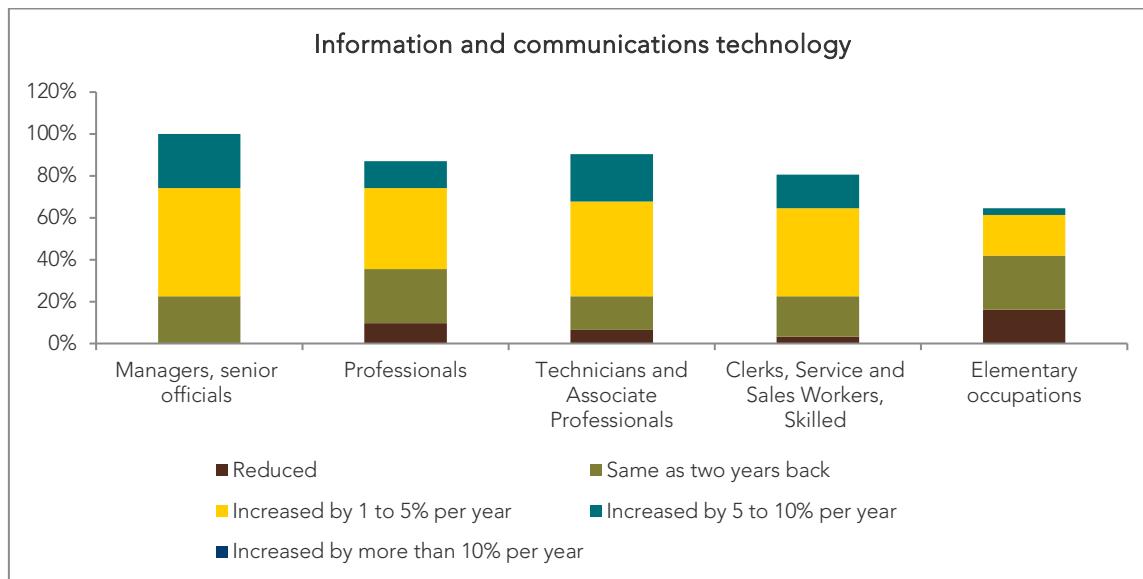
Figure 140: Wage Changes over the last two years, N=31

The companies surveyed reported an average attrition rate of 16.8% per annum. The top reasons mentioned for overall attrition were finding an opportunity with higher income or finding better employment overseas.
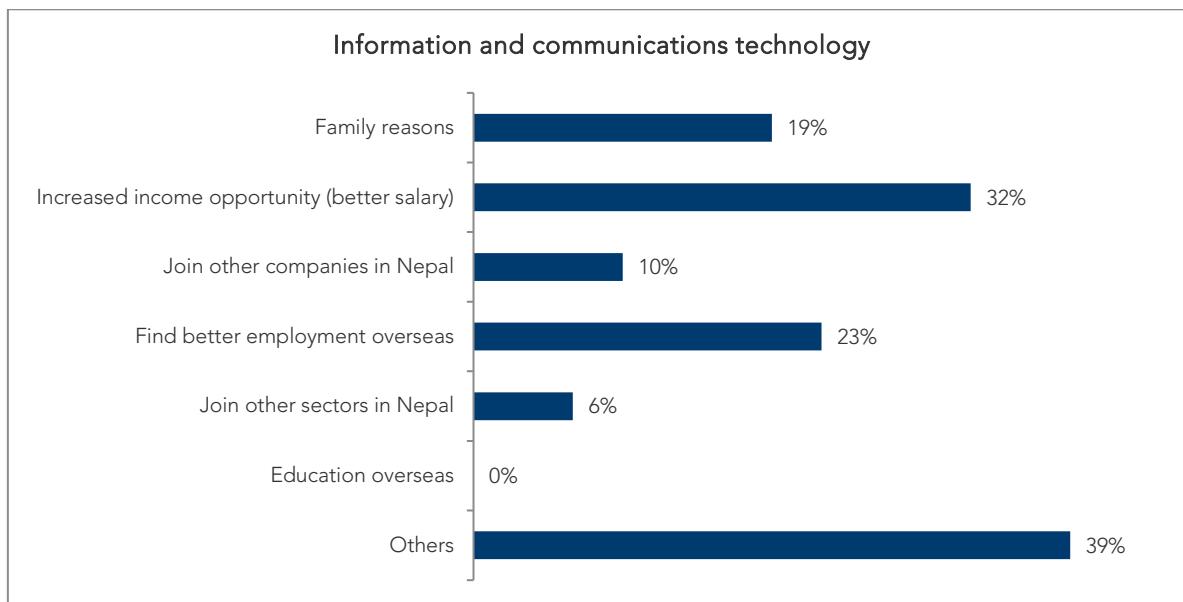
Figure 141: Reasons for Attrition of Employees, N=31

Of all the roles available, companies mentioned that the most the role of Chief Executive, senior officials and legislators are the highest in demand followed by finance managers and sales, marketing and public relations professionals. Among cross-sectorial roles, Information and communications technician was the most sought after job with 55%.
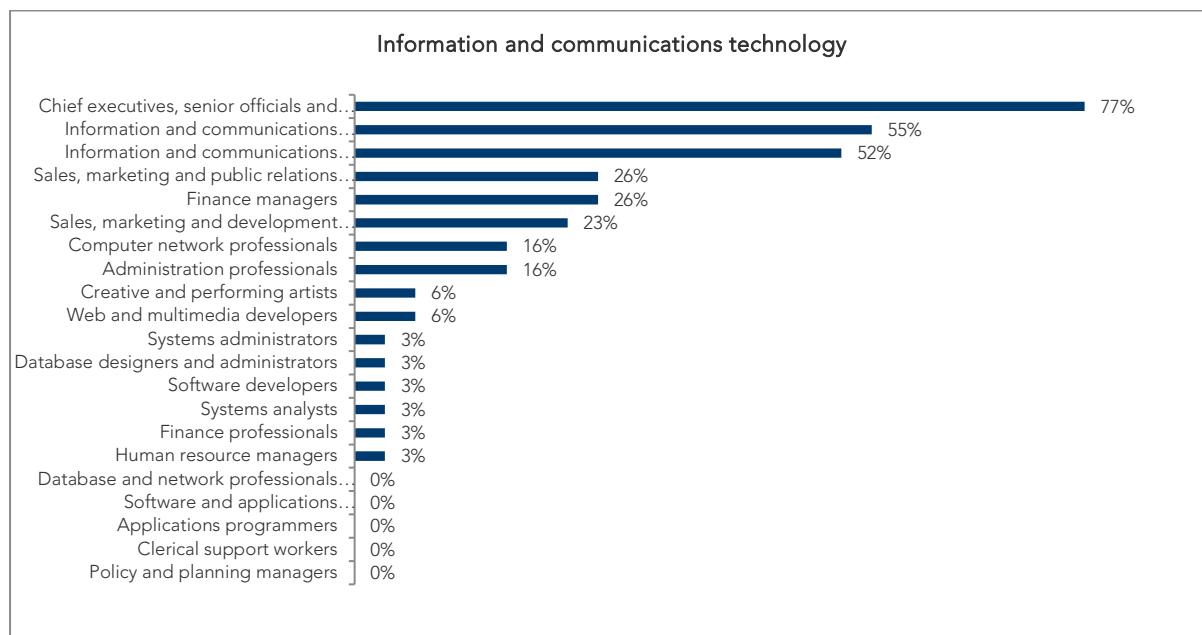
Figure 142: Demand of job profiles across companies, N=31

For higher-level job roles, the respondents indicated difficulty in hiring. For example, for Information and communications technology service managers, approximately 52% of the respondents mentioned that they had difficulty in hiring for this role. Similarly, 77% indicated difficulty in hiring Chief executives, senior officials and legislators. The figure below indicates the share of respondents who mentioned that they had difficulty in hiring for these roles – segmented into whether the difficulty is due to the lack of availability of people (i.e. not enough people available) or due to skill mismatch (i.e. not enough people with right skills are available).
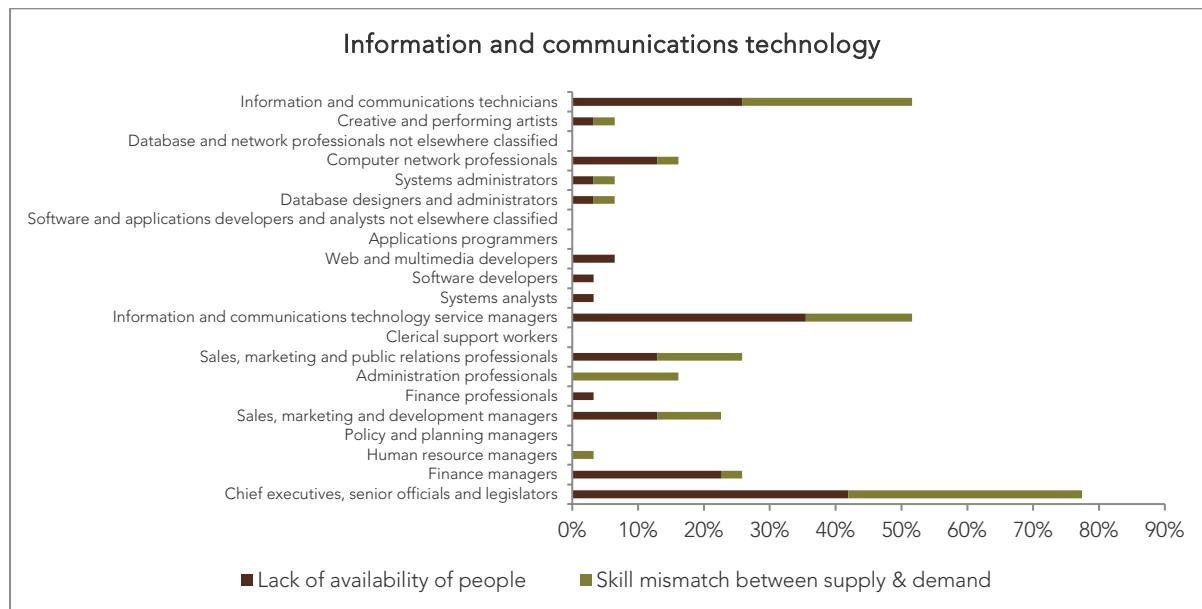
Figure 143: Difficulty in hiring for various job roles, N=31

According to the survey findings, the companies indicated that they would be increasing their total employment by 93% per annum over the next five years. Most of the increase will be for the roles of Finance Managers and Administration Professionals. In cross-sectorial roles, additional workforce is

expected to be for the roles of Software Developers, Computer network professionals and Web and multimedia developers and Database designers and administrators. The breakdown of the increase is indicated in the figure below:
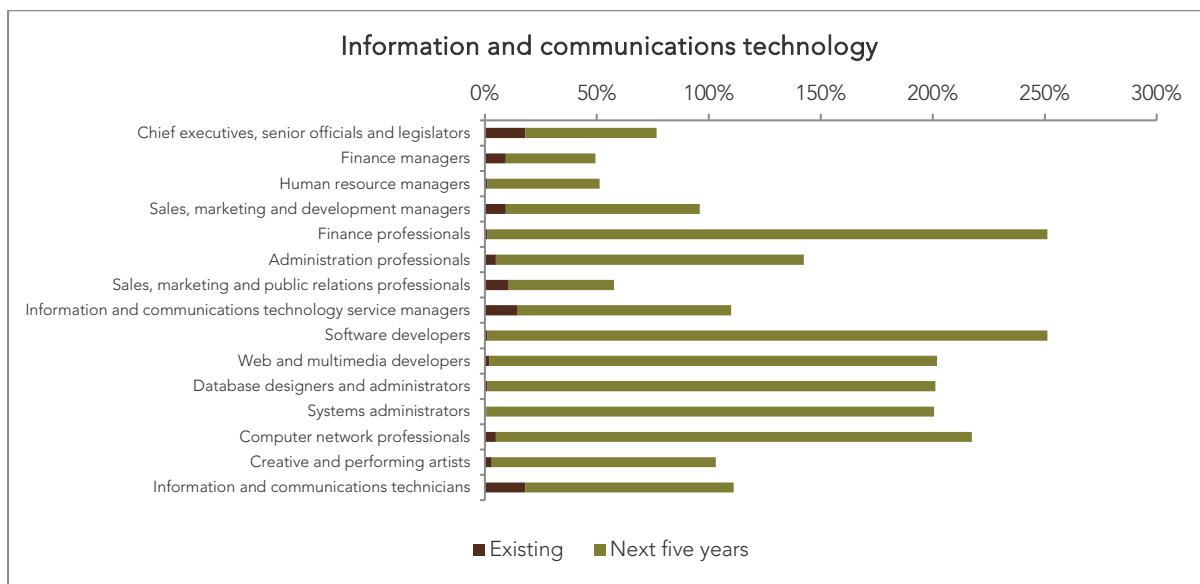
Figure 144: Expected increase in the share of the number of employees over the next five years as compared to existing staff, N=31

Source: SEP Firm-Level Survey (2019)

The 31 companies surveyed expect an average revenue growth rate of 7.3% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	1	3%	-0.2
Decline by 0% to 5% per year	0	0%	0
Increase by 0% to 5% per year	5	16%	0.4
Increase by 5 to 10% per year	12	39%	2.9
Increase by more than 10% per year	13	42%	4.2
Total	31		7.3

Table 15: Projected Average Revenue Growth Rate – next five years

The 31 companies surveyed expect an average workforce growth rate of 5.2% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	1	3%	-0.17
Decline by 0% to 5% per year	1	3%	-0.1
Increase by 0% to 5% per year	12	39%	1
Increase by 5 to 10% per year	12	39%	2.9
Increase by more than 10% per year	5	16%	1.6
Total	31		5.2

Table 16: Projected Average Workforce Growth Rate – next five years

Based on the above, the productivity of the labour force is expected to grow at a rate of 2% per annum.

7.2.1 Labour Profile – Women, DAGs, and PwDs

Women

For these 31 companies, only **20%** of these employees are women (See Figure 134). The companies surveyed reported a minimal rate of attrition of women employees. For women, the top reason for attrition was cited as family reasons, followed by increased income opportunities. Majority of the companies saw no attrition among their women employees.
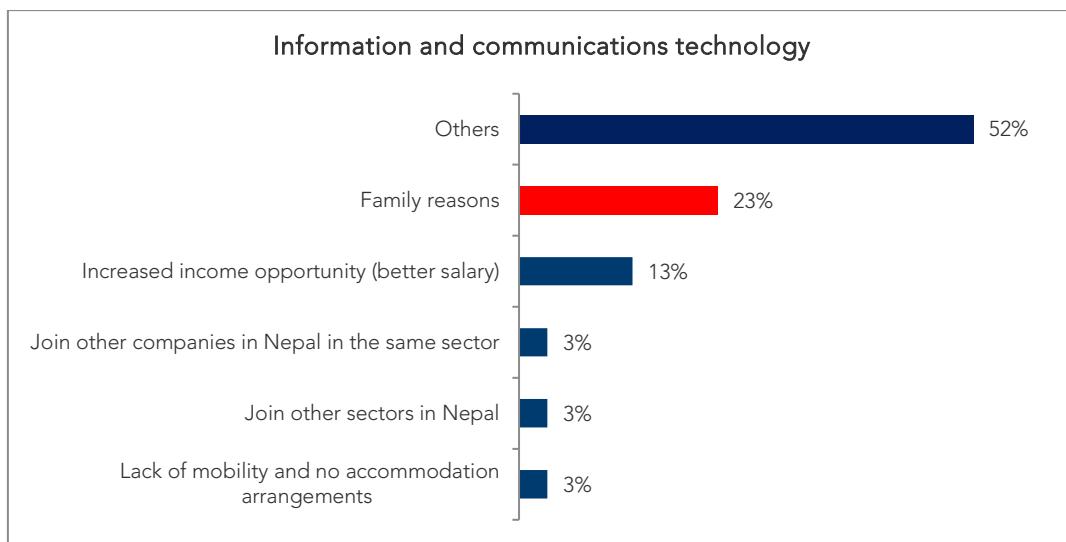
Figure 145: Reasons for Attrition of Women Employees, N=31

Source: SEP Firm-Level Survey (2019)

The companies also indicated that certain job roles have the potential to increase women employment in that job role. The table below indicates the share of respondents who agree that women employees can be increased in the respective job roles – e.g. 61% of the respondents agree that more women can be Chief executives, senior officials and legislators, and 52% agreed that women employment has potential as Information and communications technicians.
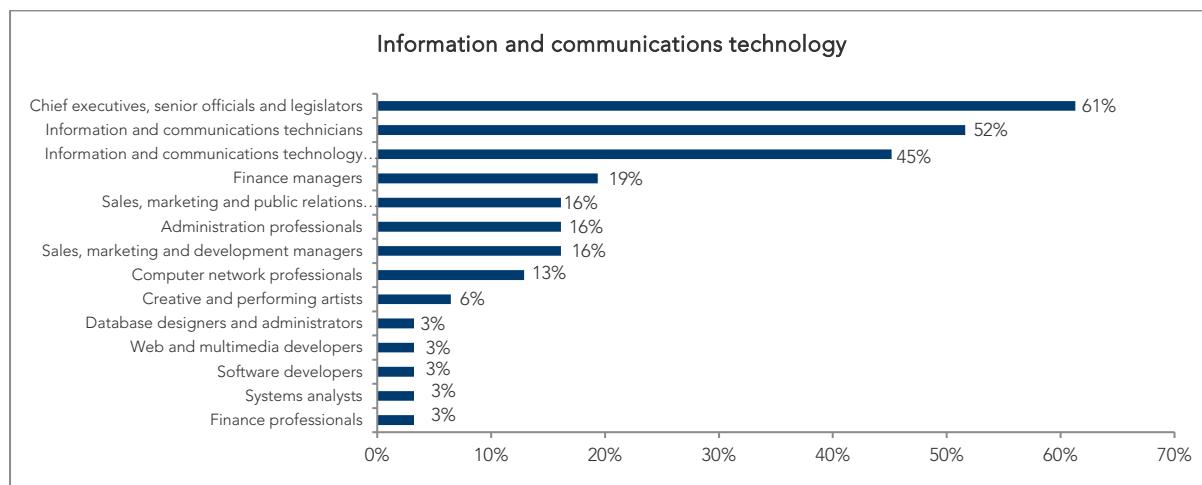
Figure 146: Share of respondents who agree there is a potential for women employment in the job role, N=31

Source: SEP Firm-Level Survey (2019)

Out of the total current employment across these 31 companies, 4% of the employees are People with Disabilities (PwDs). Close to 50% of the PwDs which these companies have hired are speech-impaired, while 33% of the PwDs in these companies are facing mental disability. The small numbers are attributed to several reasons such as one's inability to carry out certain work, or difficulty in carrying out work with them.

The companies expect to increase the number of PwDs in their workforce by 4.3x over the next five years. The most significant jump in absolute terms is expected to be for people who have impaired speech or hearing.

DAGs

Out of the total current employment across these 31 companies, 19% of the employees are Disadvantaged Groups (DAGs). Close to 41% of the DAGs which these companies have hired are *Dalits* and disadvantaged *janajatis*.

The companies, however, indicated that over the next four years they might be hiring 10% more of employees from the disadvantaged groups, primarily disadvantaged *janajatis*. While most companies mentioned that they do not discriminate on the basis of caste or religion, they were unable to cite any specific reasons.
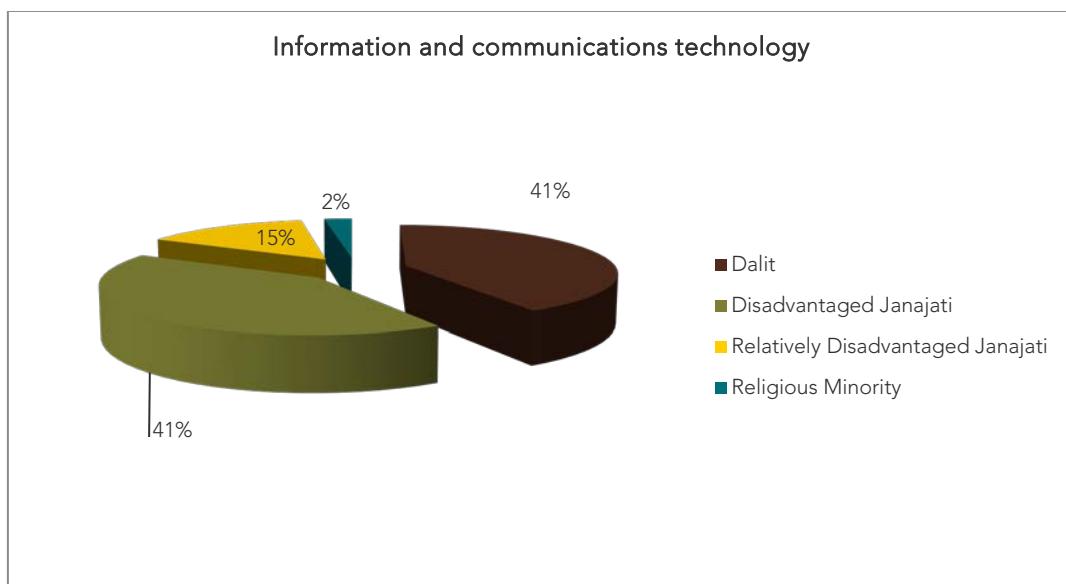
Figure 147: Share of DAGs in the labour force (2019) and estimated share of DAG groups in new hire (2020-2024), N=31

Source: SEP Firm-Level Survey (2019)

7.3 Perception and Attitude towards Skill Development

The respondents indicated they preferred educational qualification for various job roles. For lower-level employees, the companies are looking for people with relevant experience or school education. For the higher-level jobs, university degree was preference.
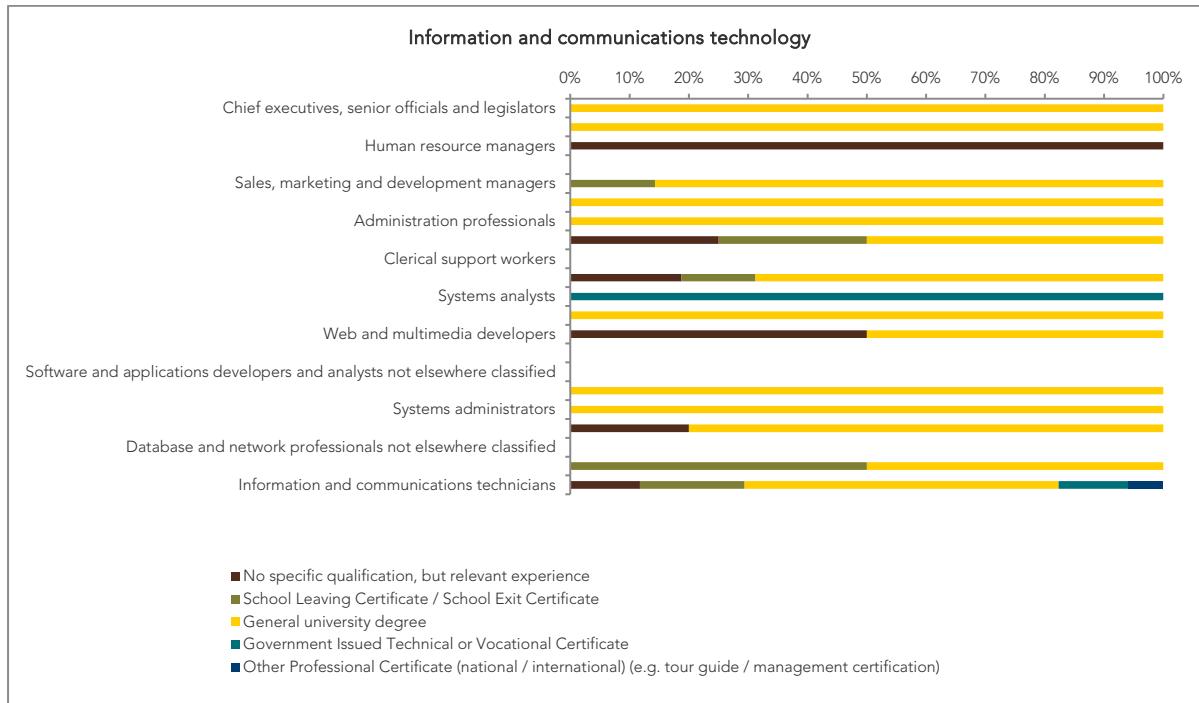
Figure 148: Expected educational qualifications for various job roles, N=31

Across the companies, all of the skill categories were deemed to be of medium or high importance for their employees – at least 65% of the respondents rated all skills to be medium or high on importance. On the contrary, 32% of the respondents also stated that digital literacy was not critical.
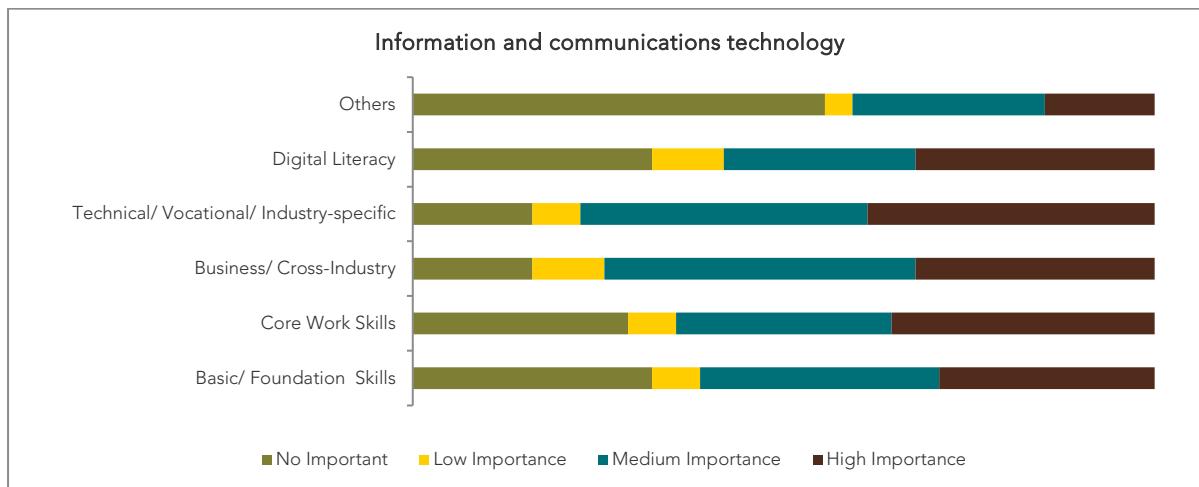
Figure 149: Importance of Skill Categories (percentage of respondents), N=31

The companies also believe that their existing employees do not have significant skill gaps – only Basic/Foundation skills (i.e. including the literacy and numeracy skills necessary for getting work that can pay enough to meet daily needs. These skills are also a prerequisite for continuing in education and training, and for acquiring transferable and technical and vocational skills that enhance the

prospect of getting good jobs) and Business/ Cross-Industry (i.e. Project Management, Accounting & Finance, Small Business Management, Marketing, Sales, Public Relations, Human Resource Management, & Leadership) and Technical/ Vocational/ Industry-specific (Specialized skills, knowledge or know-how needed to perform specific duties or tasks specific to your industry) were cited by over 58% and 55% of the respondents respectively as skills where they had gaps. Typical examples of skills gaps that were highlighted by the respondents included lack of leadership skills and lack of basic computer skills.
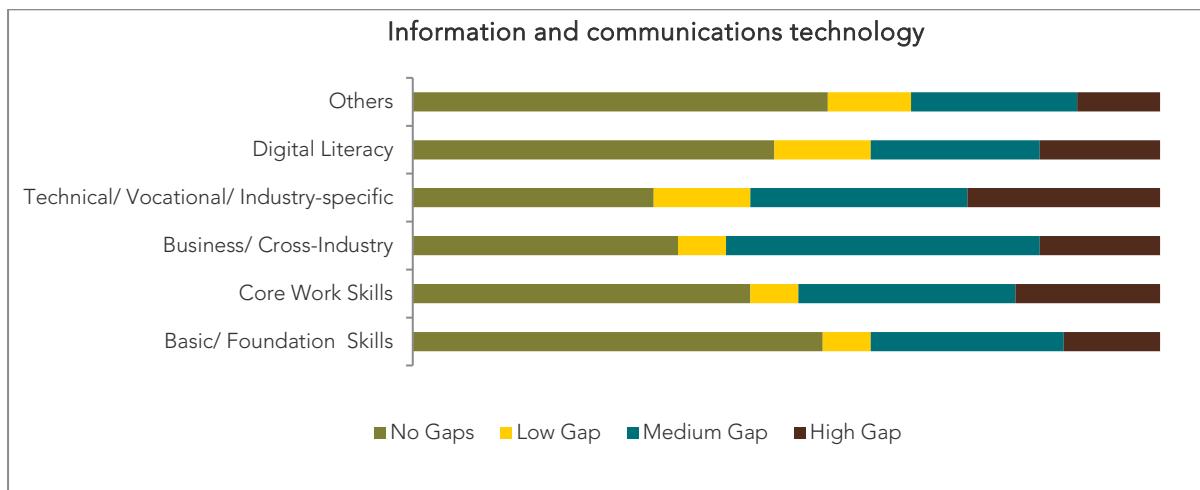
Figure 150: Skill gaps across Skill Categories (percentage of respondents), N=31

The company's unavailability of skilled talent for their companies and Inability to retain a skilled workforce are top two challenges in finding and building skilled workforce.

Figure 151: Challenges to finding & building a skilled workforce (percentage of respondents), N=31

While 58% of the companies mentioned that they are willing to send their existing staff to train of duration less than a week, 10% mentioned that they are unwilling to send their staff for any training. 33% of the respondents were willing to send their staff for the training of one week to a month. No respondent was willing to send their staff for training duration of over a month.
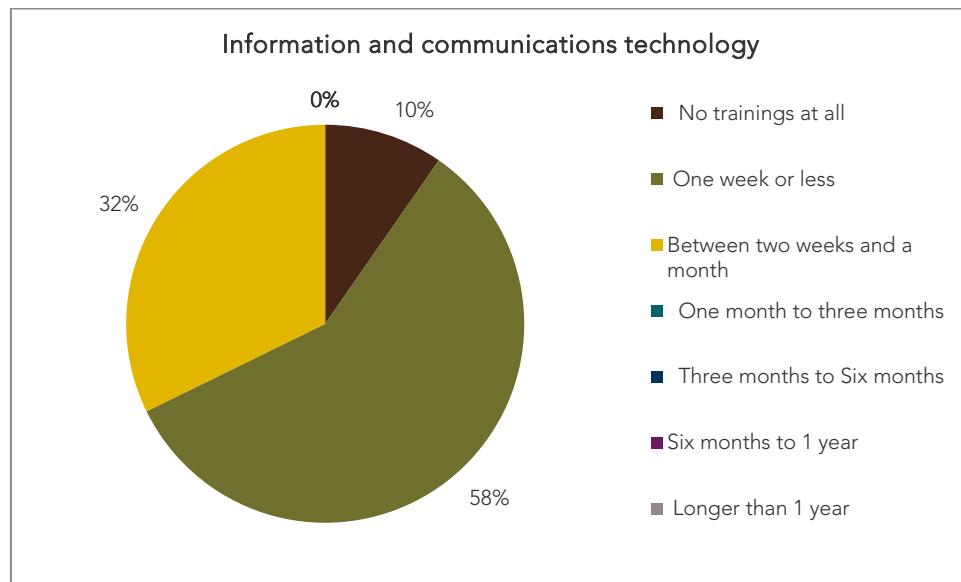
Figure 152: Preference of the duration of the skill development training (percentage of respondents), N=31

In terms of spending on skill development, 26% of the companies surveyed did not spend anything, while 32% spent between 1 and 2% of their revenues on skill development.
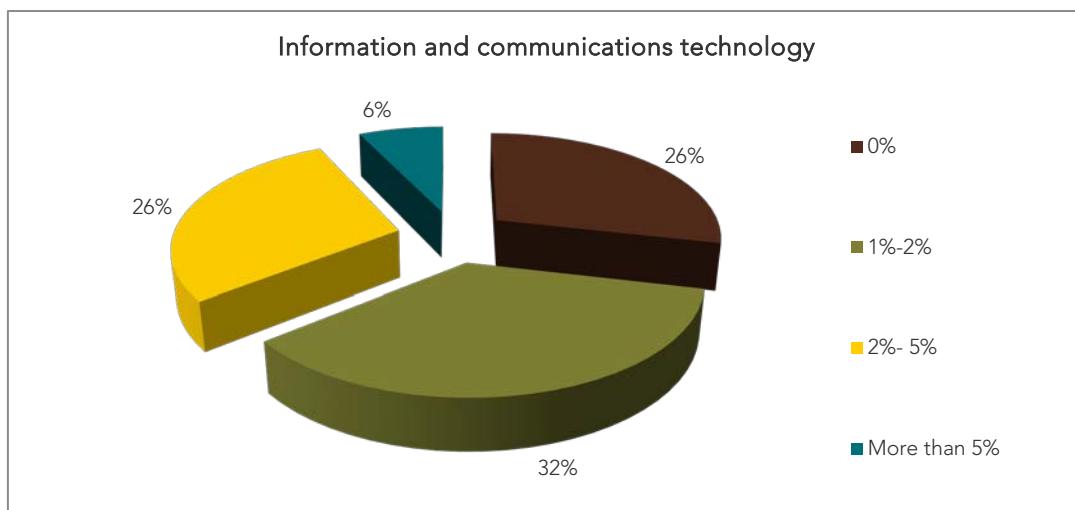
Figure 153: Spending on skill development training as a percentage of revenue (percentage of respondents), N=31

Out of the companies surveyed, 48% mentioned that the introduction of new legislation to support federalisation would make them change their recruitment strategy, and 35% mentioned that their cost of doing business would go up. Significant 25% of the respondents believed that that would not be significant changes for them.

Information and communications technology

Category	Percentage
We will change our recruitment strategy	48%
We will have to change the permanent employees to contract employees	6%
Our cost of doing business will go up	35%
We will have to employ more informal workers (e.g. daily wagers)	13%
Our investment in skill development programmes will reduce	6%
We will expand our business because finance is now more accessible to us	13%
We will expand our business because the government red tape has become less of an issue now	3%
Others	29%

Figure 154: Impact of new legislation to support federalisation (percentage of respondents), N=31

7.4 Potential Collaboration with DFID SEP

The survey also tried to understand the potential plans of the respondent companies towards skill development.

While most companies plan to continue the existing programmes, a significant proportion also wanted to scale up the existing programmes. This is expected given the perceived efficacy of the programmes deployed by the companies.

Information and communications technology

Category	Percentage
Continue existing programmes	74%
Scale up existing programmes	65%
Scale-down existing programmes	3%
Develop new programmes	45%
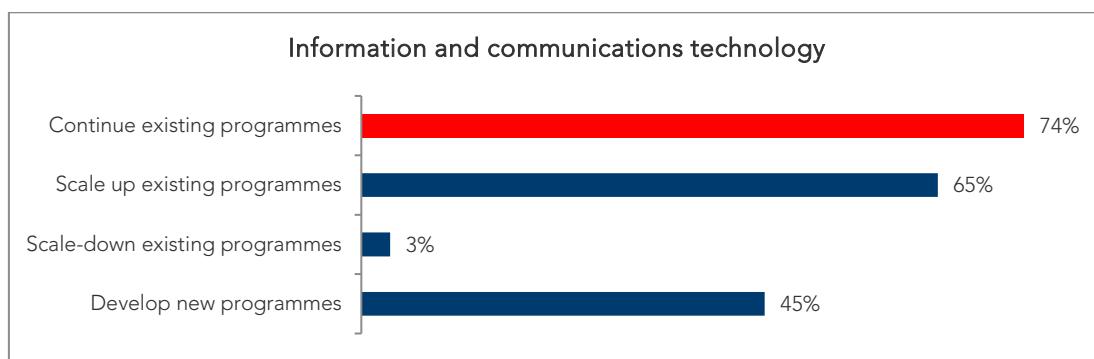
Figure 155: Future plans to develop/invest in skills of staff over the next four years (percentage of respondents), N=31

However, when asked about willingness to bear the cost of the training and skilling workers, only 33% companies mentioned that they are willing to spend on the same.
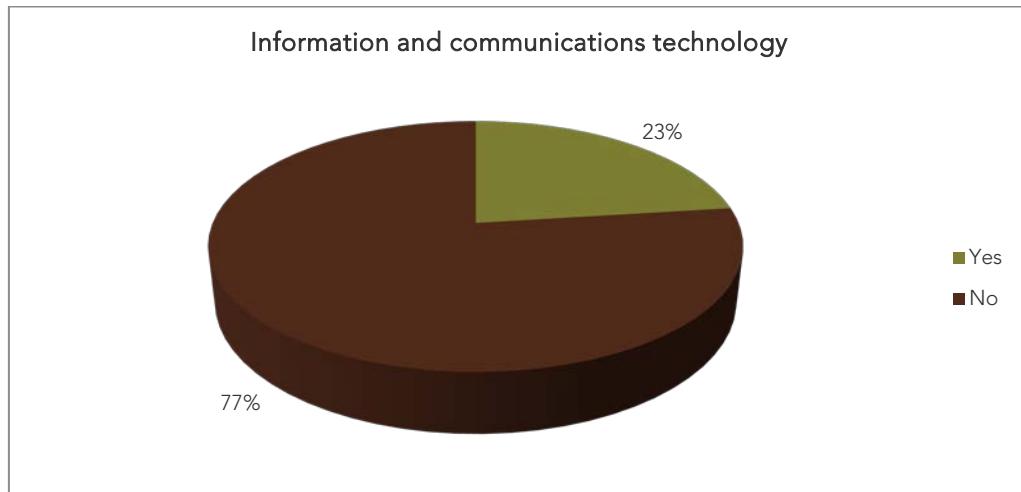
Figure 156: Companies' willingness to the bear the cost of training and skilling workers (percentage of respondents), N=31

While on-the-job experience remains a favourite of the companies, skill development models such as Pre-employment work readiness training seem to have significant preference among the respondents. However, significant number of them also showed interest in recognition of prior learning.
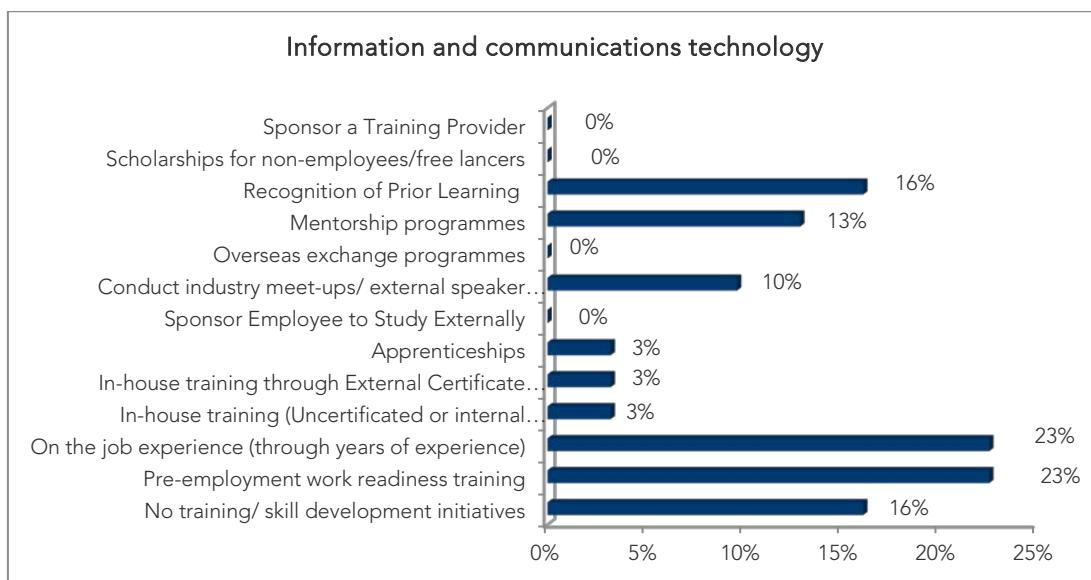
Figure 157: Preferred skill development models over the next four years (percentage of respondents), N=7

The companies indicated that they needed support for pre-employment training – close to 84% of the respondents mentioned these. Another 77% of the respondents mentioned that they needed support in upskilling the existing workers, and 35% mentioned the need for the same in technical assistance on processes.

Information and communications technology

Category	Percentage
Pre-Employment Skill Training	84%
Upskilling of existing workers	77%
Managerial Skills Training for senior & middle management	26%
Skill development of trainers in your training institute	10%
Upskilling of HR staff to support talent management	0%
Technical assistance on processes	35%
Tools and solutions to improve productivity	16%
Others	3%

Figure 158: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=31
Source: SEP Firm-Level Survey (2019)

The companies also indicated that technical support and training for trainers would be the best modality of any possible skill development partnerships for them. A significant number of respondents also mentioned financial support as choice.

Information and communications technology

Category	Percentage
Financial support (through co-investment/ grants)	48%
Technical support	81%
Partner Identification	13%
Curriculum development	32%
Training the trainers	65%
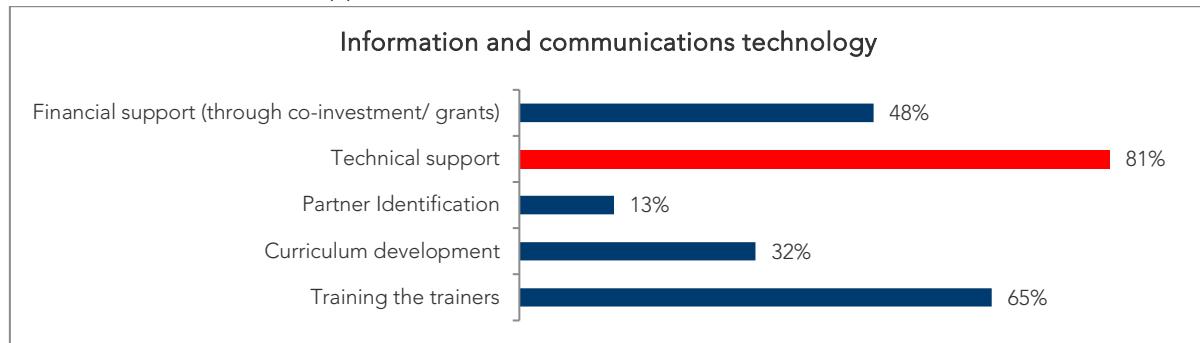
Figure 159: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=31
Source: SEP Firm-Level Survey (2019)

On the question of how much companies expected the wages to rise per year due to skill development of their employees at the various job levels, more than 36% of indicated that they expected a rose of more than 10% across different levels.
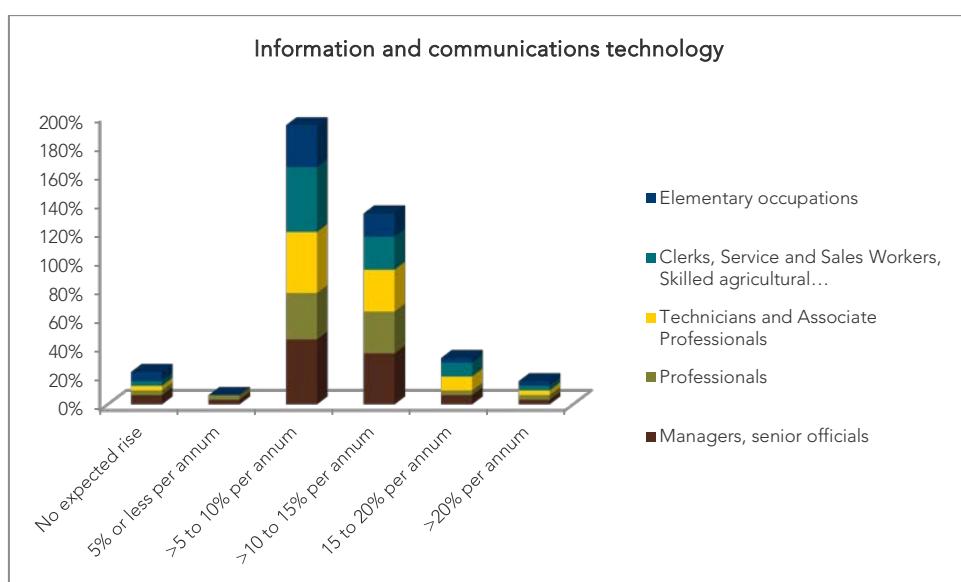
Figure 160: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=31
Source: SEP Firm-Level Survey (2019)

8. Healthcare Sector

Some of the key findings from the survey include:

- Out of the 31 companies surveyed, none are currently exporting overseas; also none mentioned any intention of exporting overseas n next five years.
- The skill-related challenge was identified by 35% of the respondents.
- The companies surveyed reported an average attrition rate of 13.3% per annum, while the average attrition rate of women employees to be 3% per annum.
- The companies indicated that they would be increasing their total employment by approximately 64% over the next five years.
- 54% of these employees are women, only 3% of the employees are People with Disabilities (PwDs), and 26% of the employees are from Disadvantaged Groups (DAGs).
- Typical examples of skills gaps that were highlighted by the respondents included leadership skills, lack of industry-specific skills and lack of primary skills in health sector.
- Recognition of Prior Learning, On-the-job experience along with mentorship programme seems to have a significant preference among the respondents.
- The companies indicated that they needed support for pre-employment and continuous-employment training – close to 77% of the respondents mentioned this. Another 58% of the respondents mentioned that they needed support in upskilling of existing workers and 26% needed support in technical assistance.

Healthcare – Province 5

Profile of the Firms	Labour Profile	Social Inclusion	Skill Development
31 firms interviewed	**29** Average employees per firm	**99%** Share of Nepalese employees	**35%** believe skill is a limiting factor for growth
0% of the firms export	**61%** Mentioned wages have grown in last 2 years	**54%** Share of Women employees	**Preferred Models** OTJ experience, Mentorship, Recognition of Prior Learnings
2.4% Average annual growth in revenue (historic)	**13.3%** Annual Attrition in workforce	**26%** Share of DAG employees	
7.4% Expected annual growth in revenue future	**6.7%** Expected annual growth in workforce size	**3%** Share of PwD employees	**Job Roles** Nursing and midwifery professionals, Health Professionals, except nursing
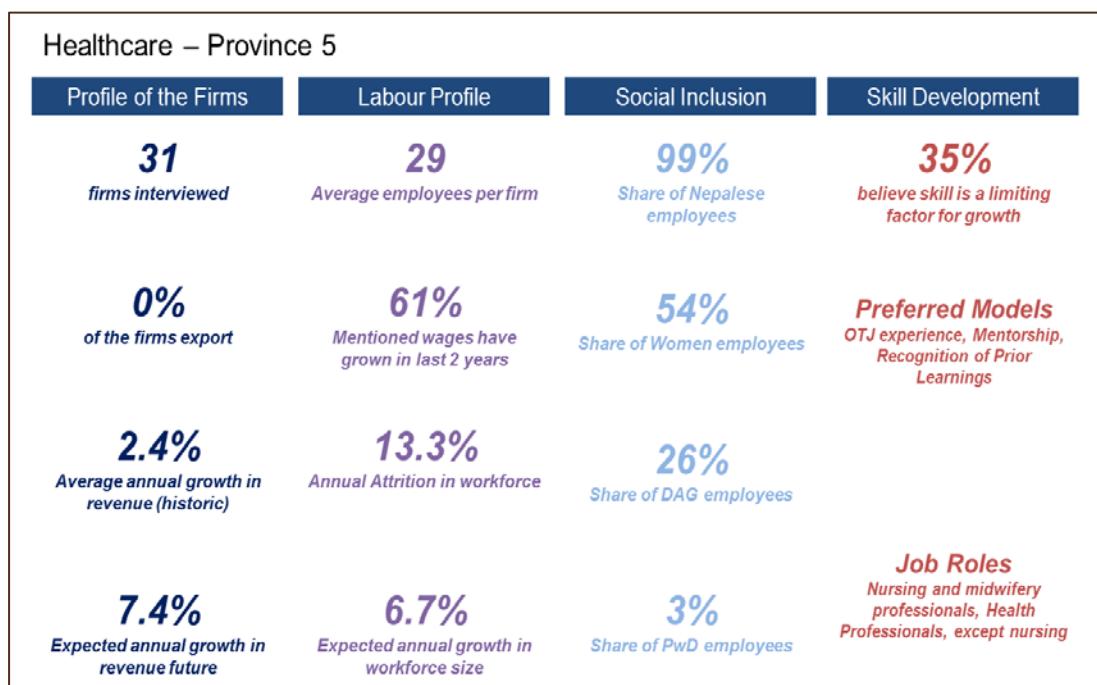
Figure 161: Summary of the results for the Healthcare Sector, N=31

Source: SEP Firm-Level Survey (2019)

8.1 Profile of Companies Interviewed

A total of 31 companies in the sector were interviewed across Nepal. A detailed list of stakeholders interviewed is provided in Annex 1.

Geographically, the distribution is skewed in favour of Butwal-Bhairahawa area. More than half of the hotels mentioned their presence across Butwal-Bhairahawa, while rest of them were equally distributed across Ghorahi-Tulsipur and Nepalgunj-Kohalpur. Also, only of the respondent companies has office outside province 5, in Pokhara and Dhangadi. The figure below indicates the number of surveyed companies with offices in the major cities (multiple options).
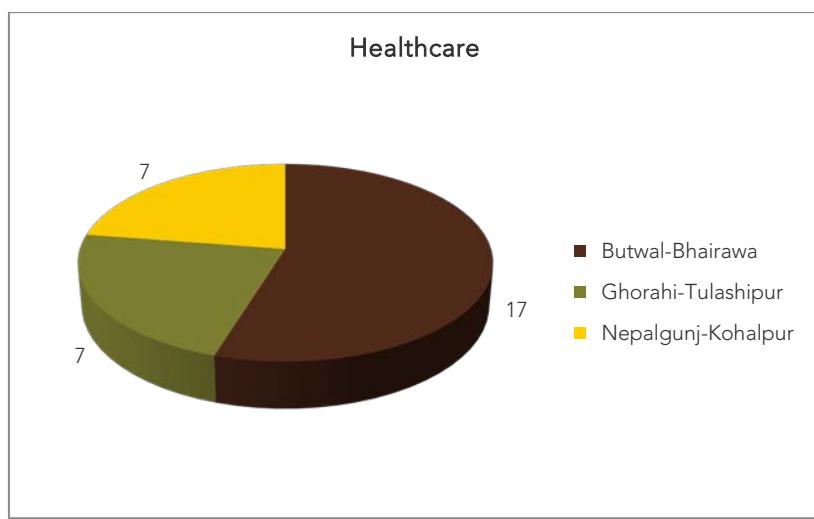
Figure 162: Distribution of companies surveyed by the geographical presence, N=31

Source: SEP Firm-Level Survey (2019)

The distribution of the companies by size is indicated in the figure below.
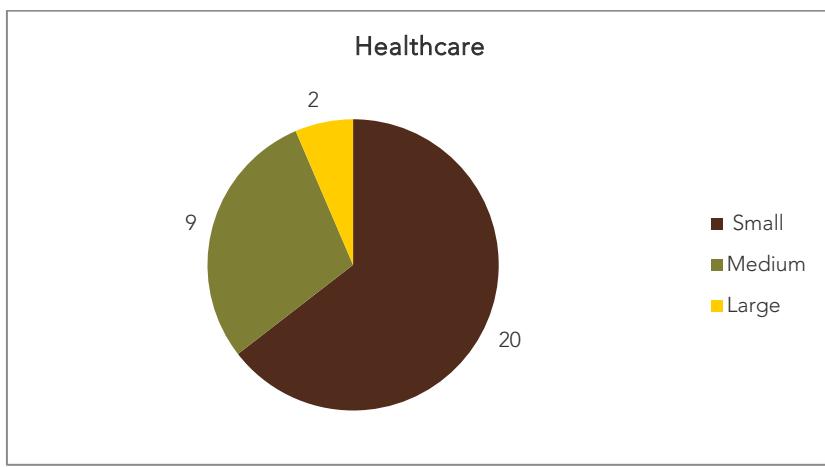
Figure 163: Distribution of companies surveyed by size, N=31

Source: SEP Firm-Level Survey (2019)

Out of the companies surveyed, none of the respondents had *exported to a foreign* destination. Also, none of the companies mentioned any future intentions to export.

Out of the companies surveyed, none of the respondents said they were currently *exporting to other provinces* within Nepal.

On the question of equity investment, one of the companies responded as having equity investment from outside.

In terms of growth of revenue over the last two years (2016-2018), 26% of the companies surveyed mentioned that they had experienced a growth of over 5% per annum. However, the companies were bullish about their future prospects with 74% of the companies surveyed mentioned they expected growth of more than 5% per annum over the next four years (2020-2024).
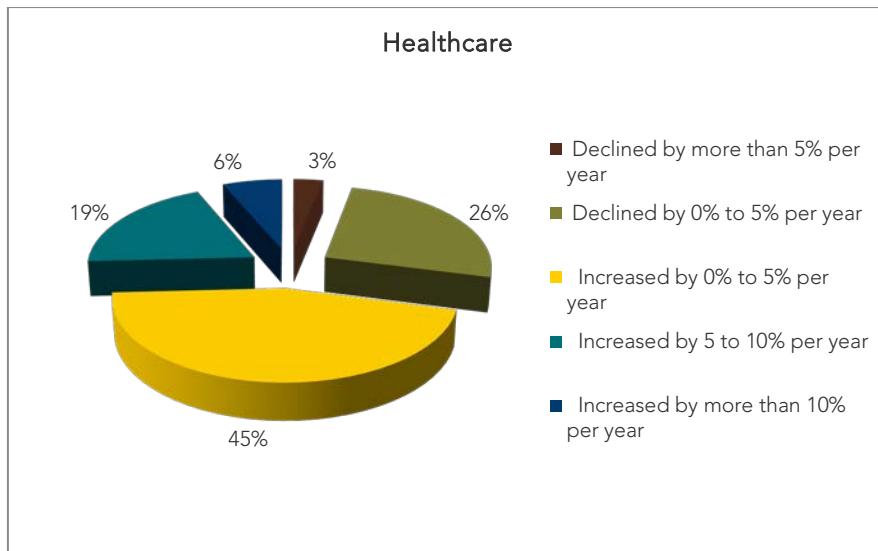
Figure 164: Distribution of companies surveyed by revenue growth in the last two years, N=31

Source: SEP Firm-Level Survey (2019)
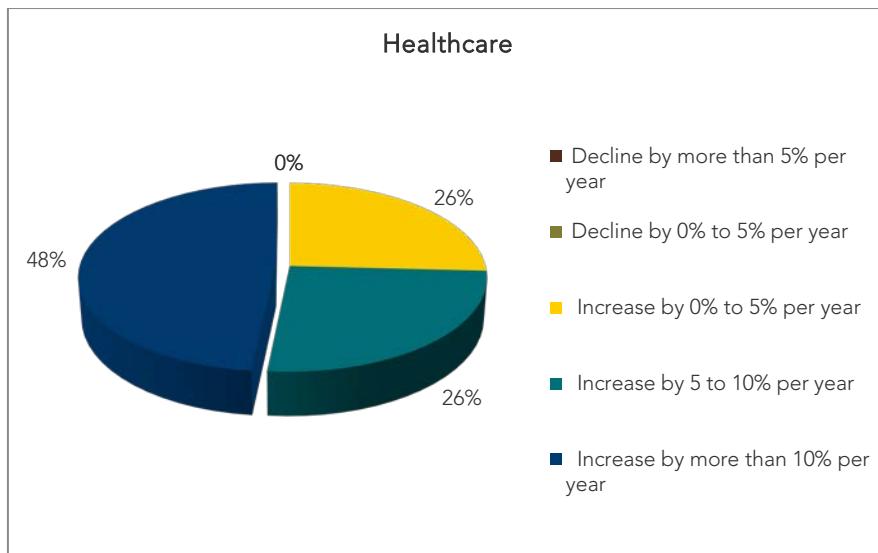
Figure 165: Distribution of companies surveyed by expected revenue growth in the next five years, N=31

Source: SEP Firm-Level Survey (2019)

The companies surveyed indicated that their top challenges to achieving their growth targets lack of favourable government policies or regulations, informal companies competing unfairly (e.g. smuggling, fake goods) and high cost or lack of availability of electricity. The skill-related challenge was identified by more than 35% of the respondents.
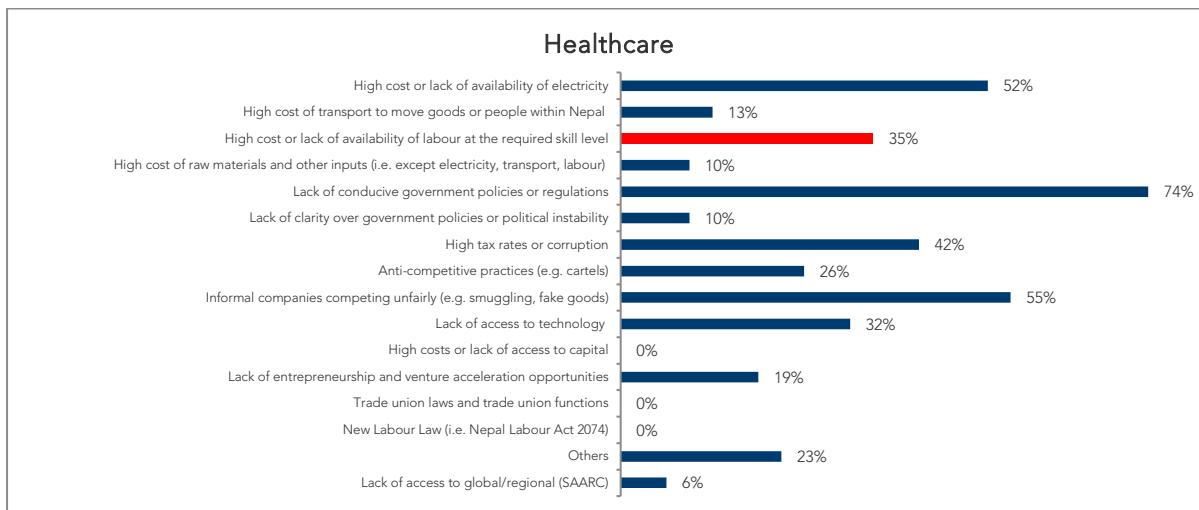
Figure 166: Distribution of responses on top challenges that hamper their company from achieving their growth targets, N=31

Over the same period (2016-2018), 16% of the companies surveyed mentioned that they had experienced a decline in terms of workforce growth, while 23% of them recorded growth of more than 5% in their workforce. However, 65% of the companies surveyed felt their growth in number of workforce would be more than 5% over the next four years.
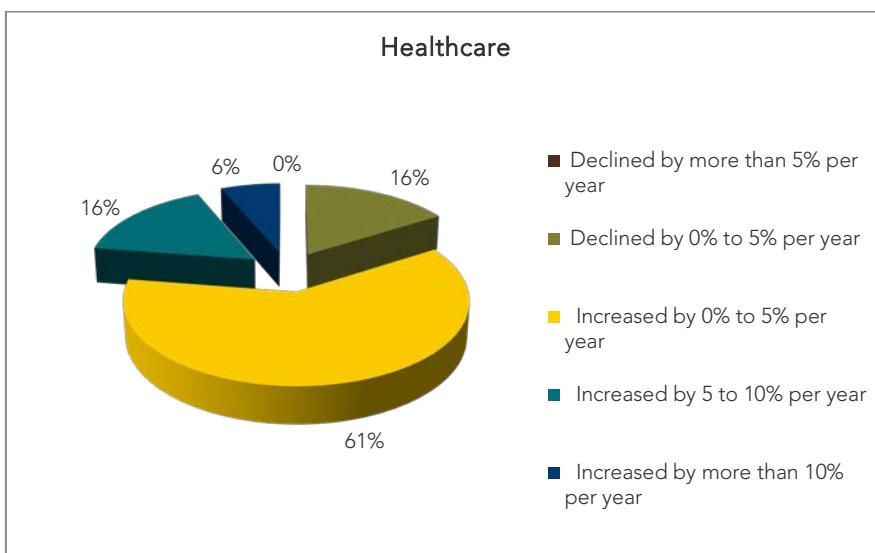
Figure 167: Distribution of companies surveyed by workforce growth in the last two years, N=31

Figure 168: Distribution of companies surveyed by expected workforce growth in the next five years, N=31

8.2 Labour Profile of the Companies Interviewed

These 31 companies employed 902 employees – an average of 29 employees per firm.

The breakdown by job categories of the total employees and by demographic segments is indicated in the figure below.
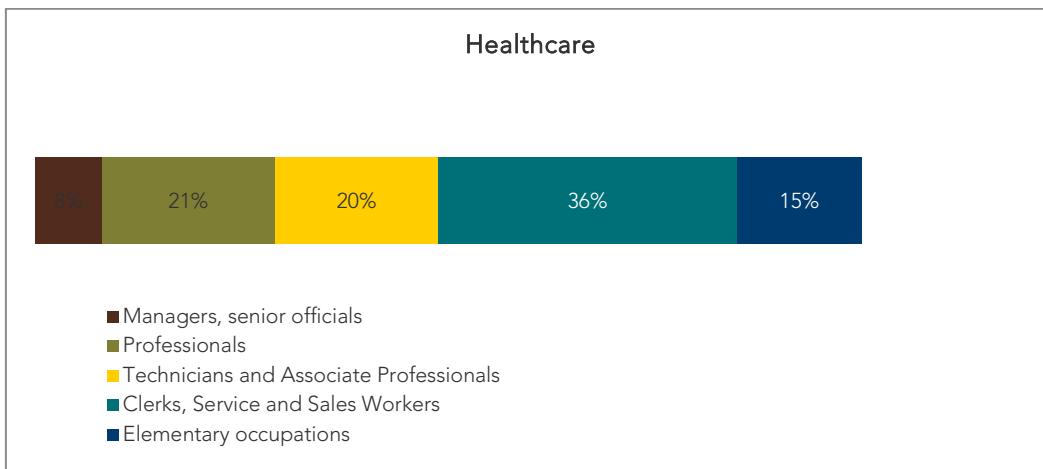
Figure 169: Distribution of employees by job categories, N=31

In terms of demographic proportions, **99%** are Nepalese. There were only six Indian nationals reported to be employed in any of the companies.
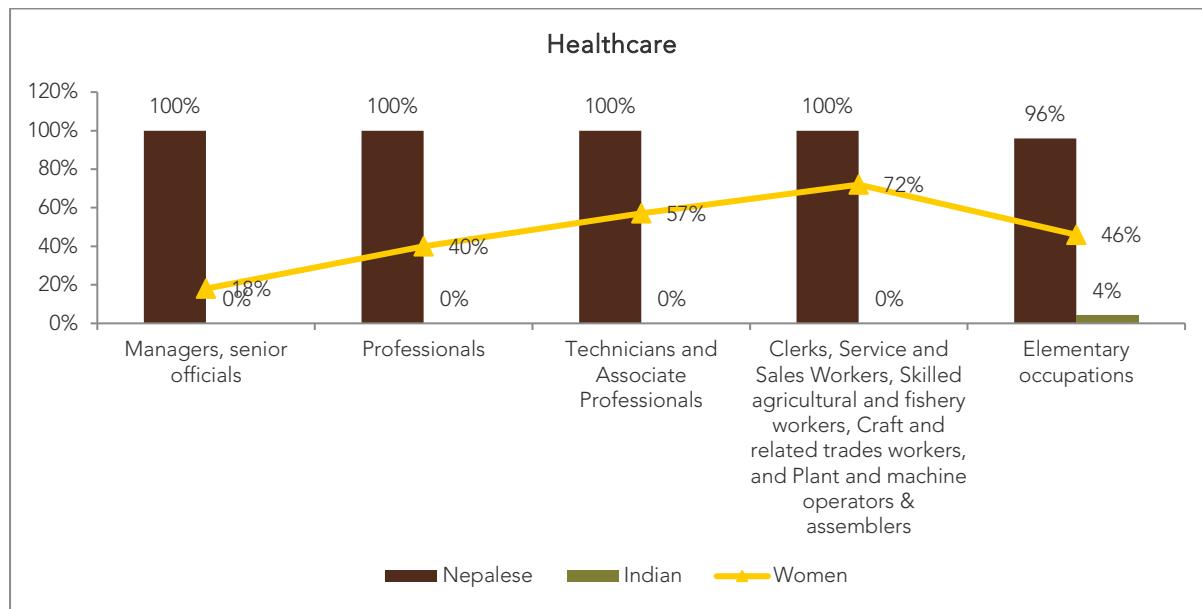
Figure 170: Share of Nepalese employees across job categories, N=31

In terms of the nature of employment, 75% employees are on full-time employment and 15.5% are on contract basis.
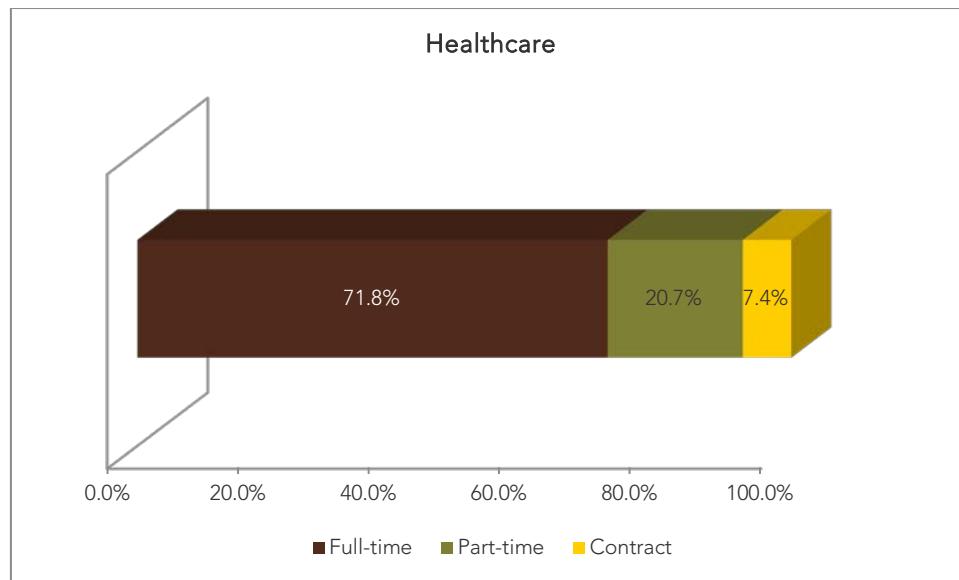
Figure 171: Nature of employment across all employees, N=31

In terms of wage increases, 38% of the companies surveyed mentioned that their wages have not increased over the last two years. Only 18% of the companies mentioned that wages have increased by over 5% over the same period. Wage increase among different job profiles was similar, with respondents indicating more than 5% hike for technicians and professionals to be at 19%, and for managers, professionals and elementary occupations to be 16% each.
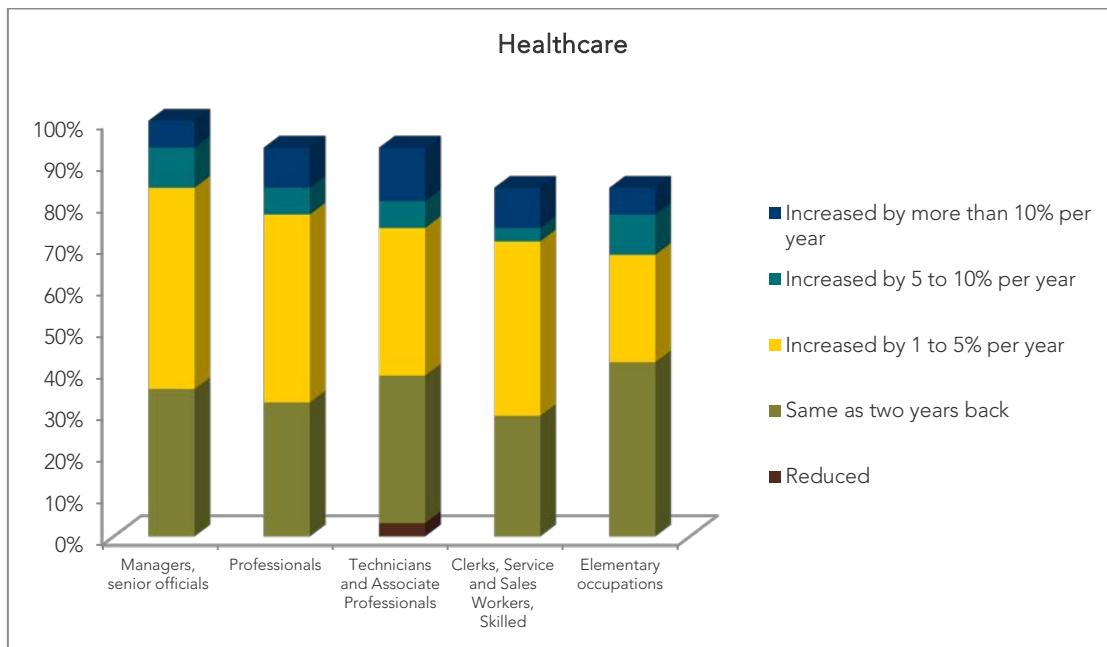
Figure 172: Wage Changes over the last two years, N=31

The companies surveyed reported an average attrition rate of 13.3% per annum. The top reasons mentioned for overall attrition were finding an opportunity with higher income or finding better employment overseas.
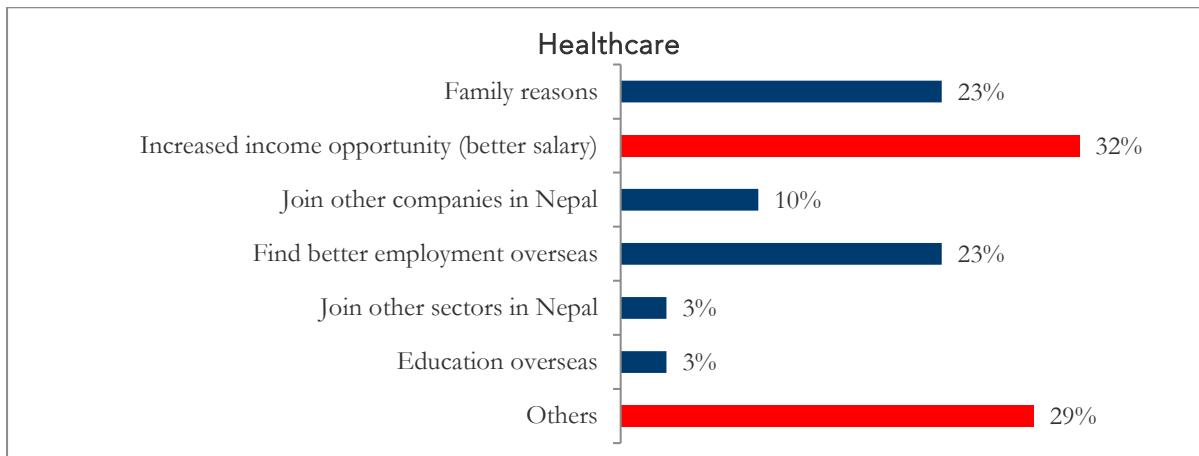
Figure 173: Reasons for Attrition of Employees, N=31

Of all the roles available, companies mentioned that the most the role of Chief Executive, senior officials and legislators are the highest in demand followed by finance managers and sales, marketing and public relations professionals. Of the cross-sectorial roles, Nursing and midwifery associate professionals were the most sought-after job with 48%.
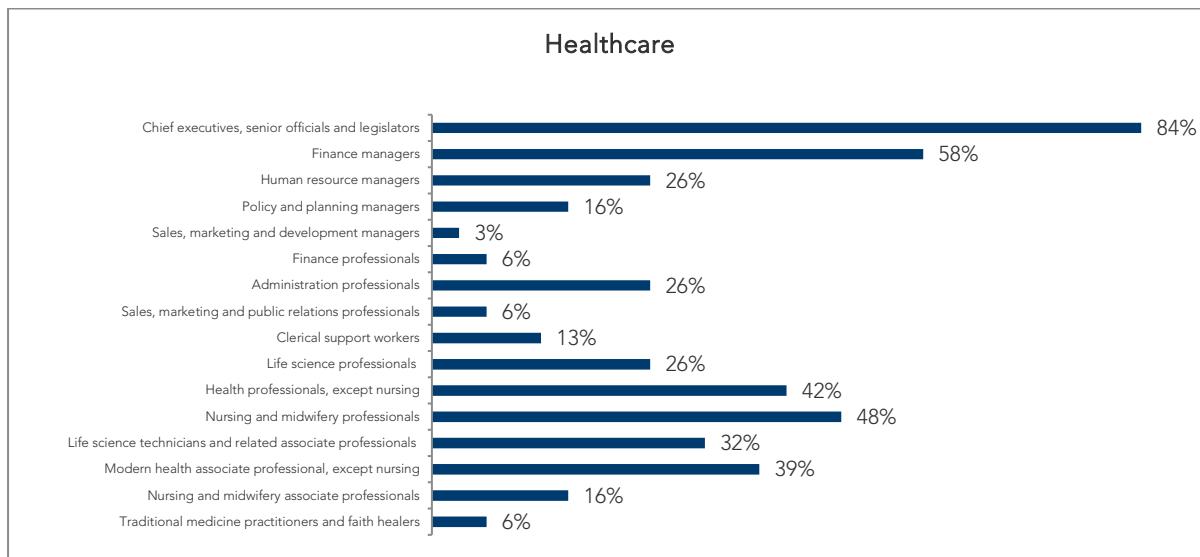
Figure 174: Demand of job profiles across companies, N=31

Source: SEP Firm-Level Survey (2019)

For higher-level job roles, the respondents indicated difficulty in hiring. For example, for Life science professionals, approximately 26% of the respondents mentioned that they had difficulty in hiring for this role. Similarly 84% indicated difficulty in hiring Chief executives, senior officials and legislators. The figure below indicates the share of respondents who mentioned that they had difficulty in hiring for these roles – segmented into whether the difficulty is due to the lack of availability of people (i.e. not enough people available) or due to skill mismatch (i.e. not enough people with right skills are available).
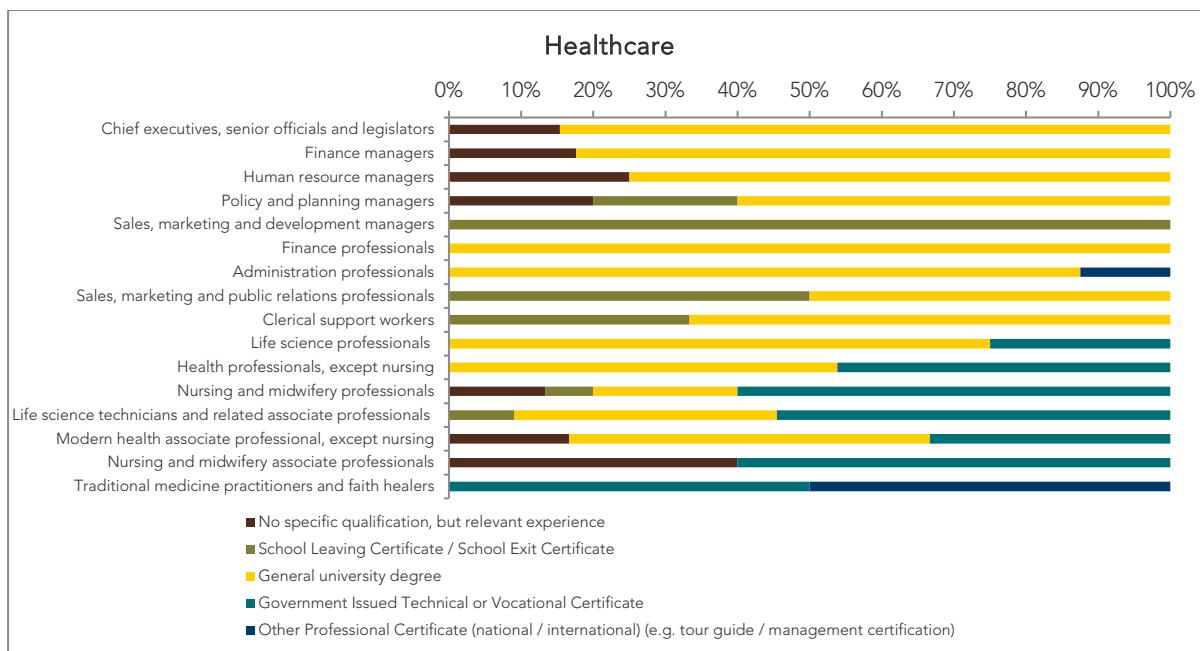
Figure 175: Difficulty in hiring for various job roles, N=31

Source: SEP Firm-Level Survey (2019)

According to the survey findings, the companies indicated that they would be increasing their total employment on an average by 64% per annum over the next five years. Most of the increase will be for the roles of Sales, Marketing and Development Managers, Finance Professionals and Sale and Marketing Professionals. In the cross-sectorial roles, high increase is expected to be in the roles of Nursing and midwifery associate professionals, Traditional medicine practitioners and faith healers

followed by Modern health associate professional, except nursing. The breakdown of the increase is indicated in the figure below:
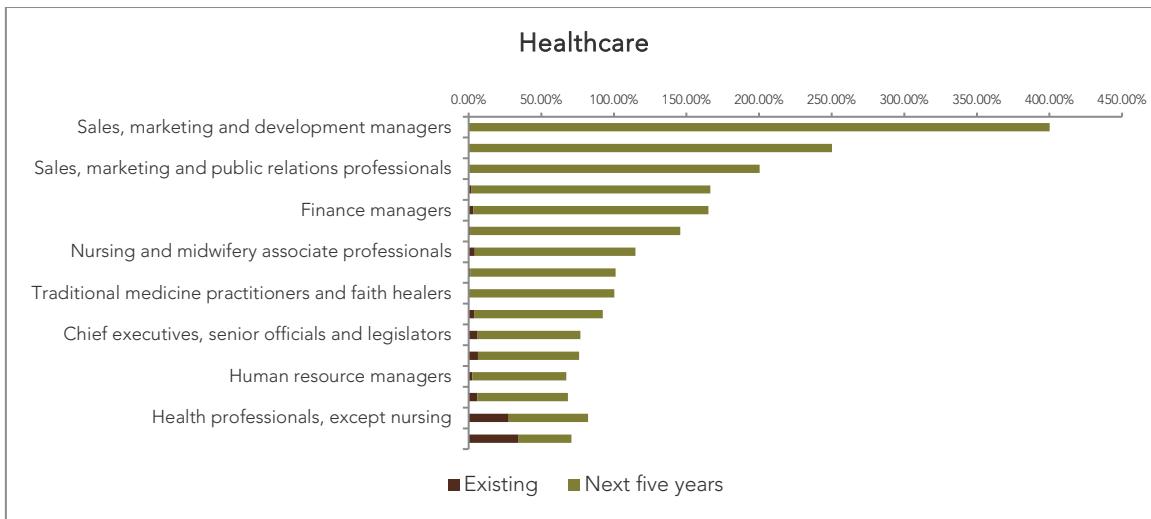
Figure 176: Expected increase in the share of the number of employees over the next five years as compared to existing staff, N=31

Source: SEP Firm-Level Survey (2019)

The 31 companies surveyed expect an average revenue growth rate of 7.4% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	0	0%	0
Decline by 0% to 5% per year	0	0%	0
Increase by 0% to 5% per year	8	26%	0.6
Increase by 5 to 10% per year	8	26%	1.9
Increase by more than 10% per year	15	48%	4.8
Total	31		7.4

Table 17: Projected Average Revenue Growth Rate – next five years

The 31 companies surveyed expect an average workforce growth rate of 6.7% for the next five years. The detailed analysis is tabulated below:

Average Growth rate - Projected - 5 years	Number of companies	Weights	Growth (%)
Decline by more than 5% per year	0	0	0
Decline by 0% to 5% per year	0	0	0
Increase by 0% to 5% per year	11	35%	0.9
Increase by 5 to 10% per year	8	26%	1.9
Increase by more than 10% per year	12	39%	3.9
Total	31		6.7

Table 18: Projected Average Workforce Growth Rate – next five years

Based on the above, the productivity of the labour force is expected to grow at a rate of 0.68% per annum.

8.2.1 Labour Profile – Women, DAGs, and PwDs

Women

For these 31 companies, **54%** of these employees are women (see Figure 171).

The companies surveyed reported an average attrition rate of women employees to be 3% per annum. For women, the top reason for attrition was cited as family reasons, followed by increased income opportunities. More than one-third of the companies saw no attrition among their women employees.
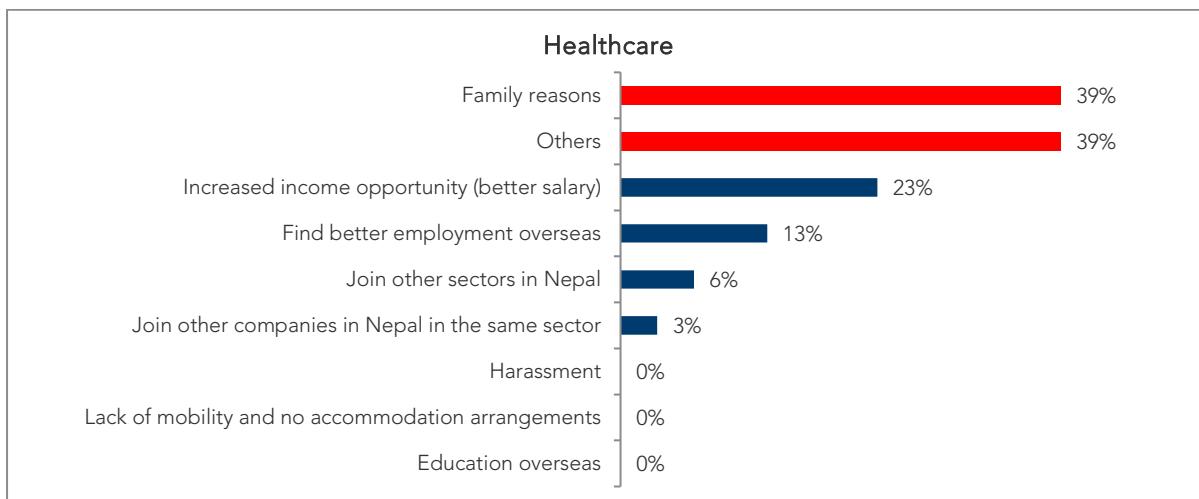
Figure 177: Reasons for Attrition of Women Employees, N=31

The companies also indicated that specific job roles have the potential to increase women employment in that job role. The table below indicates the share of respondents who agree that women employees can be increased in the respective job roles – e.g. 77% of the respondents agree that more women can be Chief executives, senior officials and legislators, and 48% agreed that women employment has potential as Nursing and midwifery professionals.
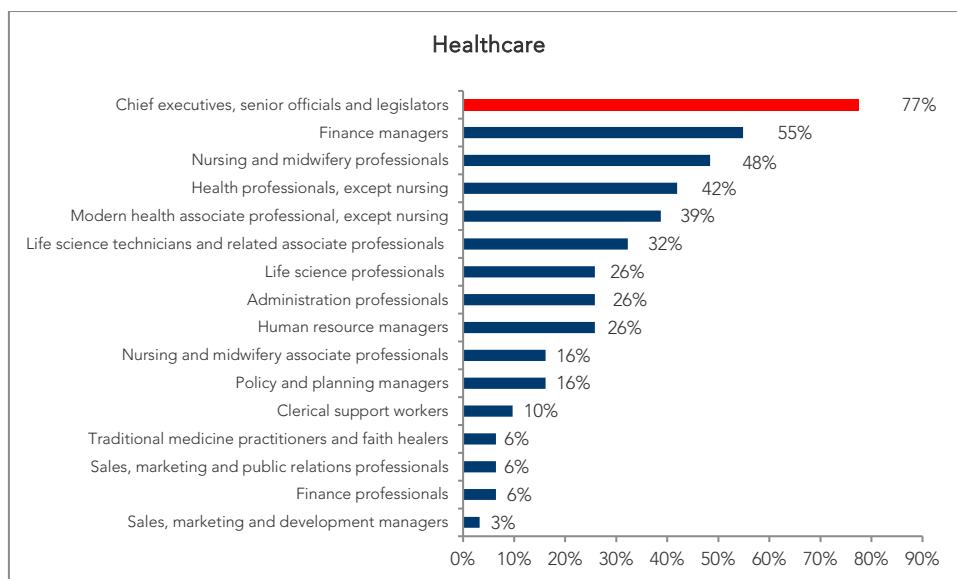
Figure 178: Share of respondents who agree there is a potential for women employment in the job role, N=31

PwDs

Out of the total current employment across these 31 companies, 3% of the employees are People with Disabilities (PwDs). The reason for not hiring PwDs is attributed to one's inability to carry out certain work, or difficulty in working at labs.

Most of the companies have expressed hope of hiring a total of 14 PwD employees in coming years, from speech and hearing impaired category.

DAGs

Out of the total current employment across these 31 companies, 26% of the employees are Disadvantaged Groups (DAGs). Close to 48% of the DAGs which these companies have hired are disadvantaged _janajatis_.

The companies, however, indicated that over the next four years they might be hiring 24% more of employees from the disadvantaged groups, primarily disadvantaged _janajatis_. While most companies mentioned that they do not discriminate on the basis of caste or religion, they were unable to cite any specific reasons.
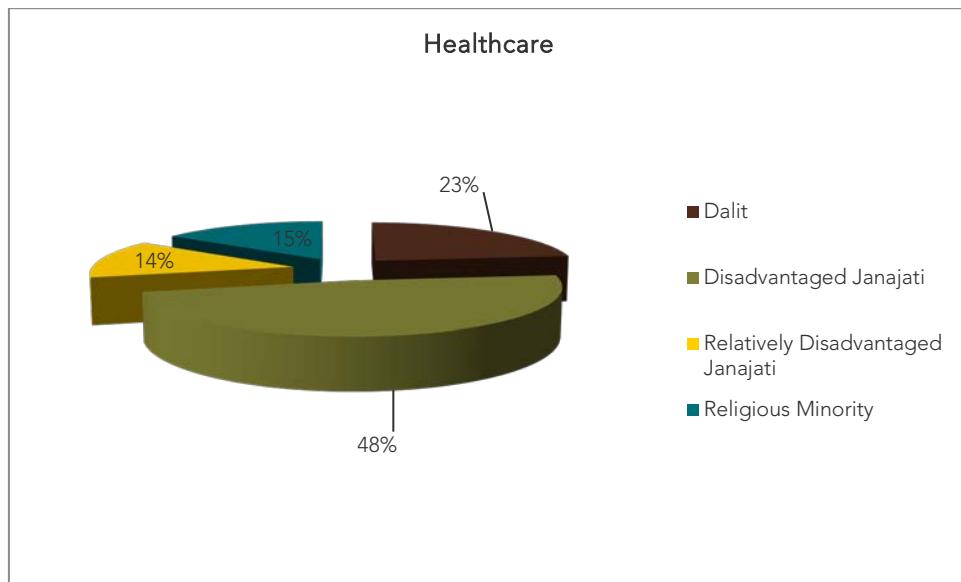
Figure 179: Share of DAGs in the labour force (2019) and estimated share of DAG groups in new hire (2020-2024e), N=31

Source: SEP Firm-Level Survey (2019)

8.3 Perception and Attitude towards Skill Development

The respondents indicated they preferred educational qualification for the various job roles. For lower-level employees, the companies are looking for people with relevant experience, school education or Government-issued technical or vocational certificate. For the higher-level jobs, university degree was preference.
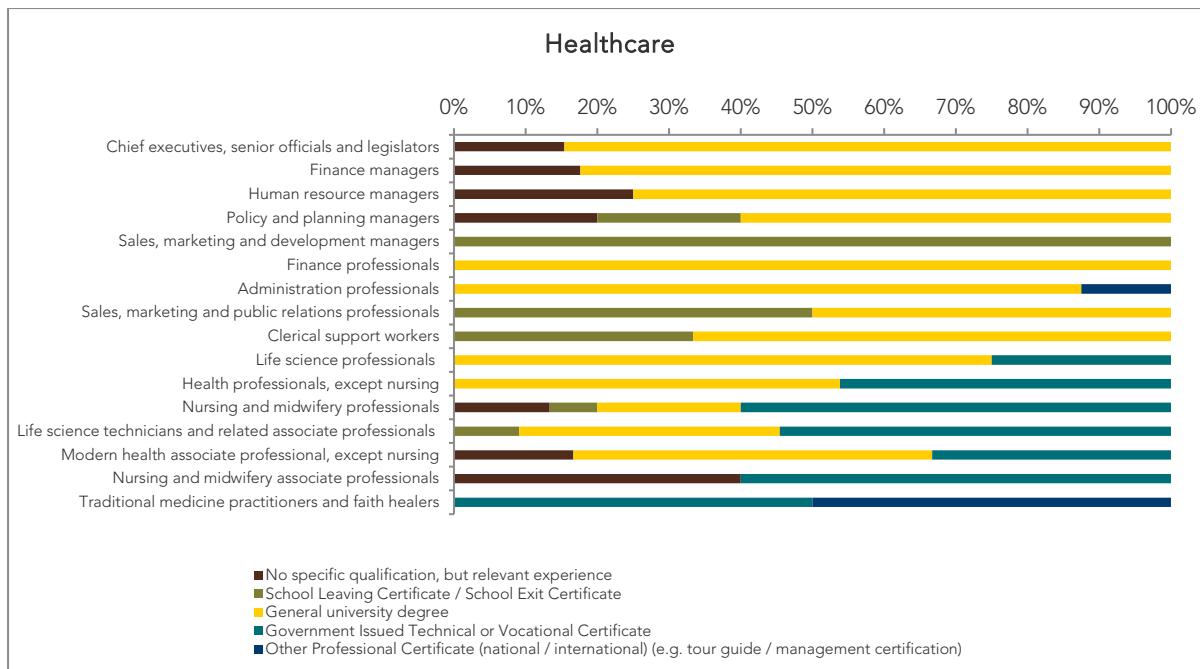
Figure 180: Expected educational qualifications for various job roles, N=31

Across the companies, all of the skill categories were deemed to be of medium or high importance for their employees – at least 70% of the respondents rated all skills to be medium or high on importance. On the contrary, 32% of the respondents also stated that digital literacy was not essential or of low importance.
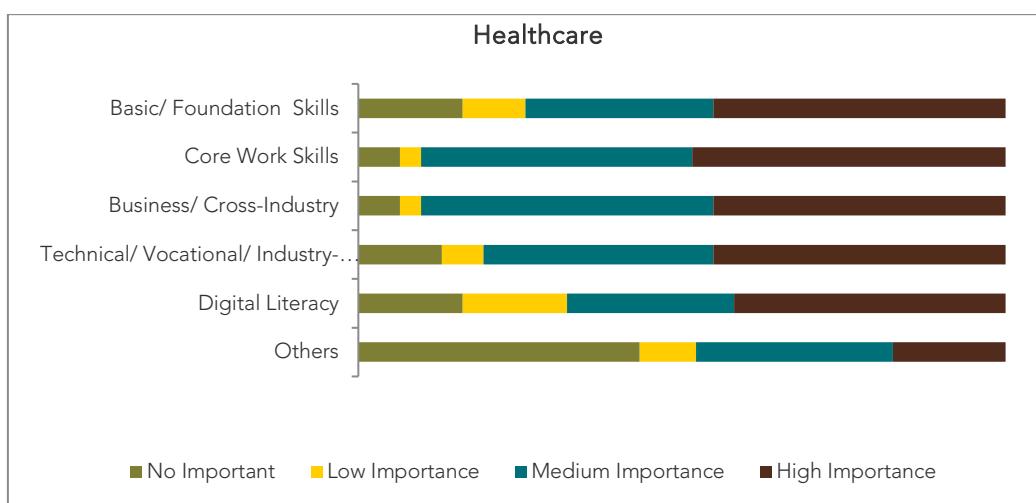
Figure 181: Importance of Skill Categories (percentage of respondents), N=31

The companies also believe that their existing employees do not have significant skill gaps – only Basic/Foundation skills (i.e. including the literacy and numeracy skills necessary for getting work that can pay enough to meet daily needs. These skills are also a prerequisite for continuing in education

and training, and for acquiring transferable and technical and vocational skills that enhance the prospect of getting good jobs) and Business/ Cross-Industry (i.e. Project Management, Accounting & Finance, Small Business Management, Marketing, Sales, Public Relations, Human Resource Management, & Leadership) and Technical/ Vocational/ Industry-specific (Specialized skills, knowledge or know-how needed to perform specific duties or tasks specific to your industry) were cited by over 52% and 55% of the respondents respectively as skills where they had gaps. Typical examples of skills gaps that were highlighted by the respondents included lack of leadership skills and lack of basic computer skills.
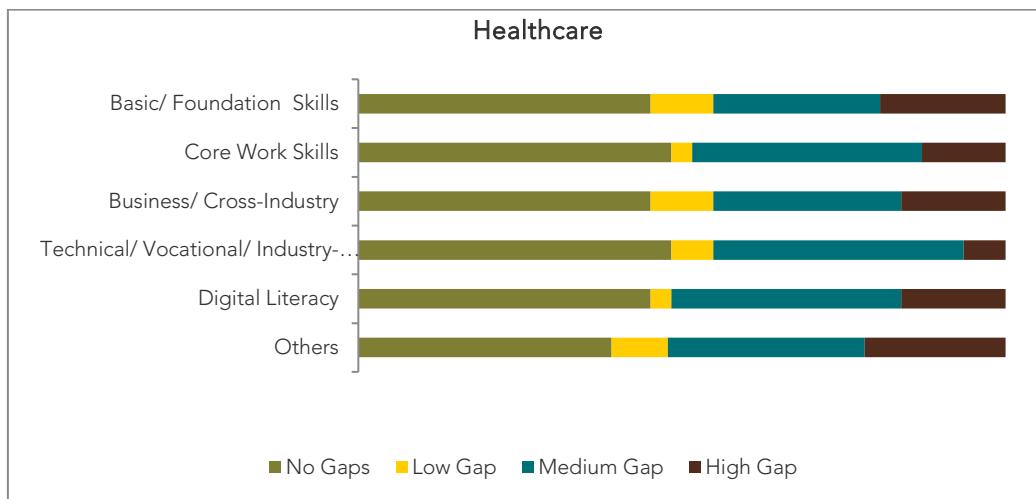
Figure 182: Skill gaps across Skill Categories (percentage of respondents), N=31

The company's unavailability of skilled talent for their companies and Inability to attract a skilled workforce at a wage we can afford are top two challenges in finding and building skilled workforce.

Figure 183: Challenges to finding & building a skilled workforce (percentage of respondents), N=31

While 45% of the companies mentioned that they are willing to send their existing staff to the training of duration less than a week, 6% mentioned that they are unwilling to send their staff for any training. 35% of the respondents were willing to send their staff for training of one week to a month.
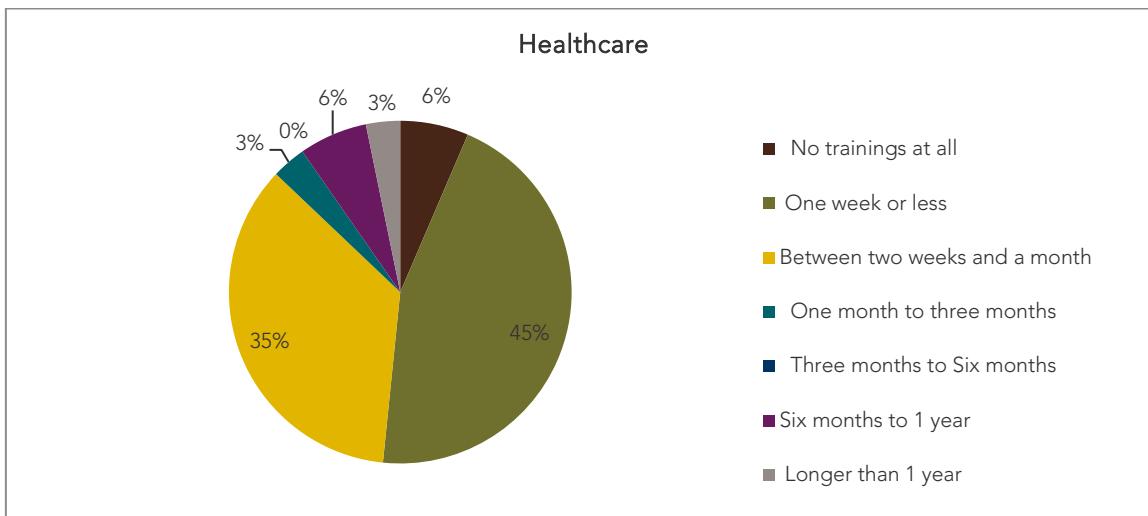
Figure 184: Preference of the duration of the skill development training (percentage of respondents), N=31

In terms of spending on skill development, 19% of the companies surveyed did not spend anything, while 48% spent between 1 and 2% of their revenues on skill development.
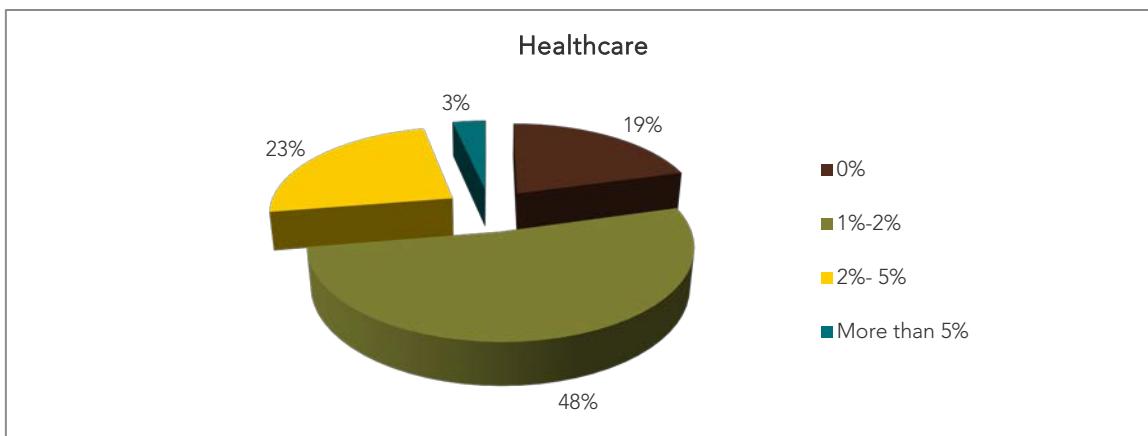
Figure 185: Spending on skill development training as a percentage of revenue (percentage of respondents), N=33

Out of the companies surveyed, 42% mentioned that the introduction of new legislation to support federalisation would make them change their recruitment strategy, and 29% mentioned that their cost of doing business would go up. Significant 35%.of the respondents believed that that would not be significant changes for them.

Healthcare

Category	Value
We will change our recruitment strategy	42%
We will have to change the permanent employees to contract employees	6%
Our cost of doing business will go up	29%
We will have to employ more informal workers (e.g. daily wagers)	3%
Our investment in skill development programmes will reduce	10%
We will expand our business because finance is now more accessible to us	13%
We will expand our business because the government red tape has become less of an issue now	3%
Others	35%

Figure 186: Impact of new legislation to support federalisation (percentage of respondents), N=31

Source: SEP Firm-Level Survey (2019)

8.4 Potential Collaboration with DFID SEP

The survey also tried to understand the potential plans of the respondent companies towards skill development.

While most companies plan to continue the existing programmes, a significant proportion also wanted to scale up the existing programmes. This is expected given the perceived efficacy of the programmes deployed by the companies.

Healthcare

Category	Value
Continue existing programmes	74%
Scale up existing programmes	77%
Scale-down existing programmes	0%
Develop new programmes	39%
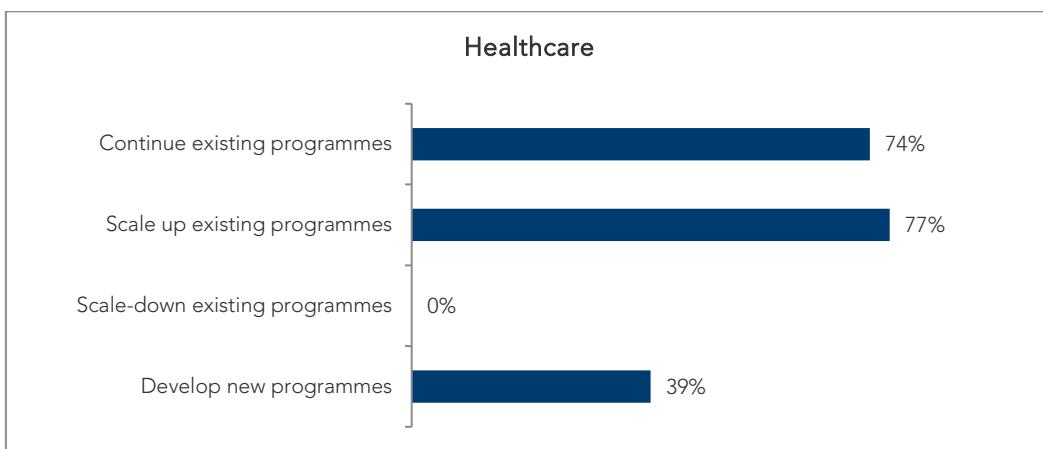
Figure 187: Future plans to develop/invest in skills of staff over the next four years (percentage of respondents), N=31

Source: SEP Firm-Level Survey (2019)

However, when asked about willingness to bear the cost of the training and skilling workers, only 33% companies mentioned that they are willing to spend on the same.
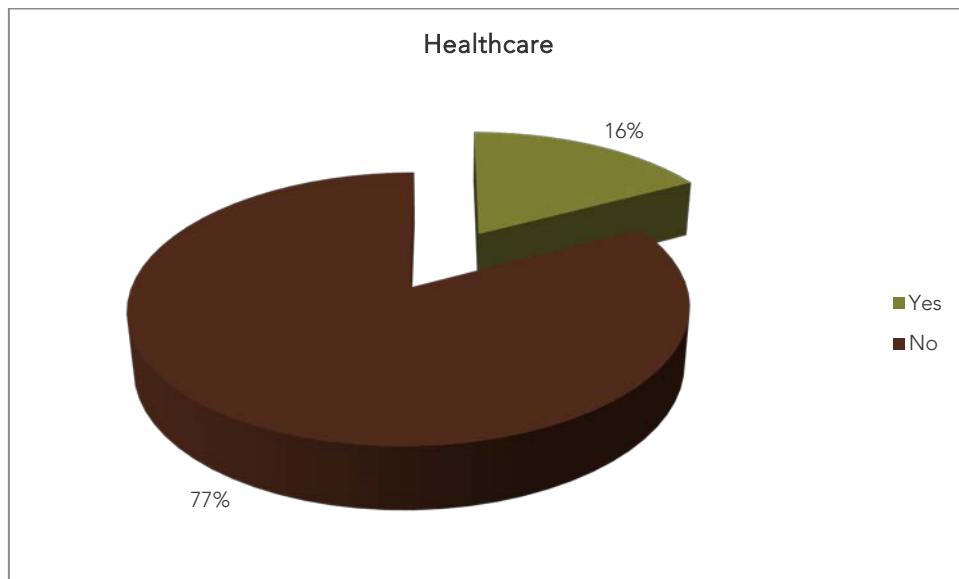
Figure 188: Companies' willingness to the bear the cost of training and skilling workers (percentage of respondents), N=31

While on-the-job experience remains a favourite of the companies, skill development models such as Pre-employment work readiness training seem to have a significant preference among the respondents. However, a significant number of them also showed interest in recognition of prior learning.
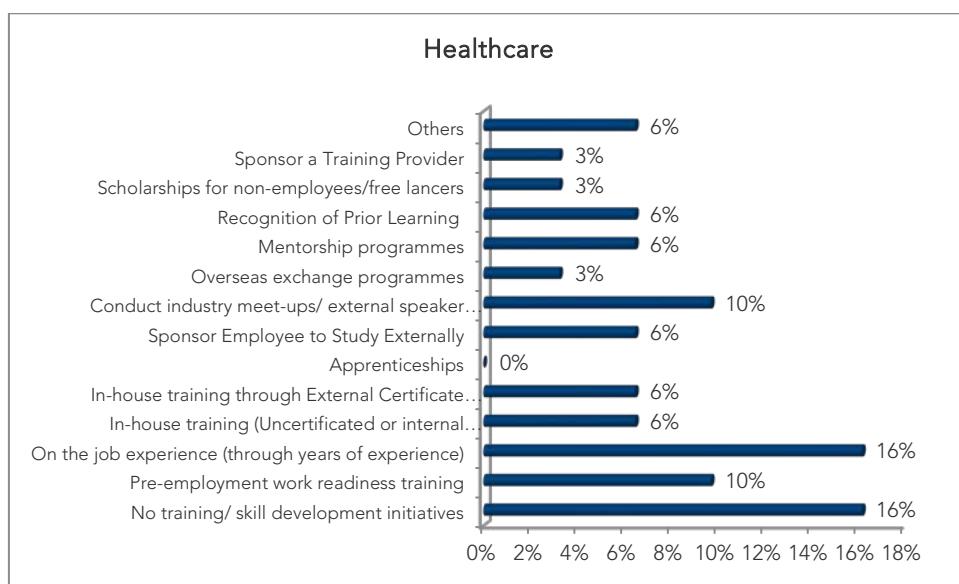
Figure 189: Preferred skill development models over the next four years (percentage of respondents), N=7

The companies indicated that they needed support for pre-employment training – close to 77% of the respondents mentioned these. Another 58% of the respondents mentioned that they needed support in upskilling the existing workers and 26% mentioned the need for same in technical assistance on processes.

Healthcare

Category	Percentage
Pre-Employment Skill Training	77%
Upskilling of existing workers	58%
Managerial Skills Training for senior & middle management	16%
Skill development of trainers in your training institute	13%
Upskilling of HR staff to support talent management	6%
Technical assistance on processes	26%
Tools and solutions to improve productivity	16%
Others, please specify	0%

Figure 190: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=31

The companies also indicated that technical support (77%) and training for trainers (55%) would be the best modality of any possible skill development partnerships for them. A significant number of respondents also mentioned financial support as choice.

Healthcare

Category	Percentage
Financial support (through co-investment/grants)	42%
Technical support	77%
Partner Identification	16%
Curriculum development	16%
Training the trainers	55%
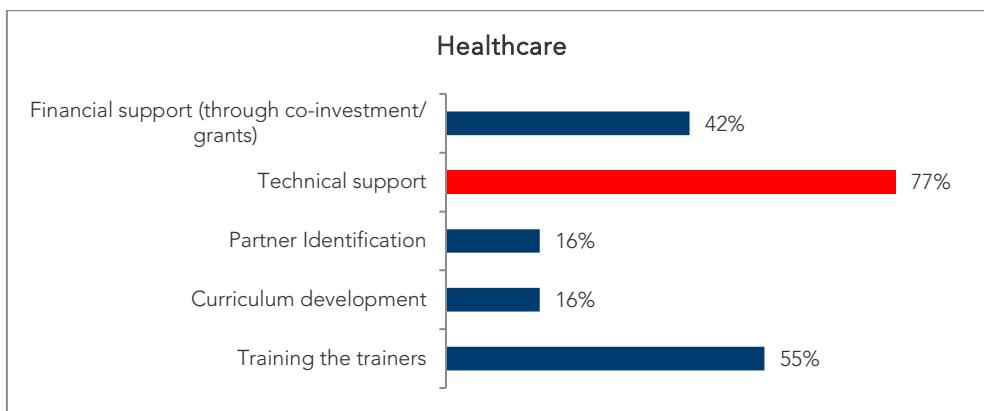
Figure 191: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=31

On the question of how much companies expected the wages to rise per year due to skill development of their employees at the various job levels, more than 29% of indicated that they expected a rise of more than 10% across different levels.
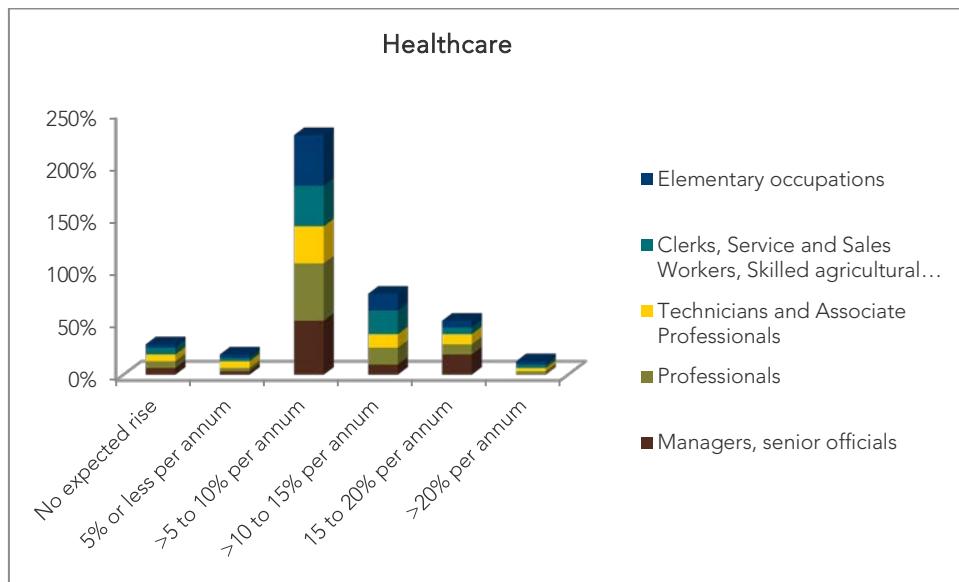
Figure 192: Support needed to improve the productivity and/or skills of their employees (percentage of respondents), N=31

Source: SEP Firm-Level Survey (2019)

9. Way Forward for the Province

Based on the findings of the study, one of the most important aspects is to create a sector-specific approach, to augment the province-level approach.

This would mean that the province will have to adhere to the following key principles:

While **Manufacturing and Tourism** will create significant employment opportunities, other sectors are enablers of growth – focus on a portfolio of sectors for growth

The overall share of **women, DAGs and PwDs** is low – however, firms are considering hiring more in the future

Firms are **bullish about future** – however, there are policy and market related challenges that need to be addressed

Firms are looking for **partnerships with stakeholders** (training providers, government, SEP) for skill development

In general, the **skill gaps** are at senior management and at the technical levels across sectors

Figure 193: Implications of the findings for planning

Source: Frost & Sullivan

Each of these is detailed below.

Portfolio Approach – While Manufacturing and Tourism are projected to create almost 75% of the jobs in the Province during the study period, it is important to consider the other sectors as well. For example, Commercial Agriculture has the potential to augment rural incomes and improve inclusivity by providing opportunities to women. Similarly, Tourism and Healthcare can boost the province GDP and also help to meet social goals. Construction will be an enabler for infrastructure-led growth in the Province.

Potential for Social Inclusion – As compared to the national level survey that we conducted in 2018, the share of women, disadvantaged groups, and people with disability among the labour force is lower in the province. However, a significant share (more than 50% across the six sectors) indicated that there is potential to hire more. Hiring of such marginalised groups has the potential to boost household incomes and reduce wealth inequality

Creating a growth environment – The companies are bullish about their growth prospects in the Province due to the political and economic stability. However, they have indicated certain challenges related to the policy and market that need to be addressed. Some of the challenges indicated include high cost and lack of reliability of electricity, high degree of competition from the informal sector, and high costs of transport. These need to be addressed as part of the government's programme to enable regulatory reforms.

Common Skill Gaps – While some skill gaps are sector specific and vocational, most of the skill gaps indicated are cross-sectoral, such as skills related to Senior Management, Finance Professionals, Human resources management, and technicians. This indicates that not only is vocational training important; the focus should also be on managerial training of the employees.

Partnership for Success – One of the important findings is that firms are open to partnerships to develop common skill gaps in the industry. They are willing to consider partnerships with stakeholders (training providers, government, SEP) for skill development.

While the survey covers only the current state, any policy response needs to consider the future state of these industries. Our internal research indicates the future state and some possible policy responses for P5.

9.1 Commercial Agriculture
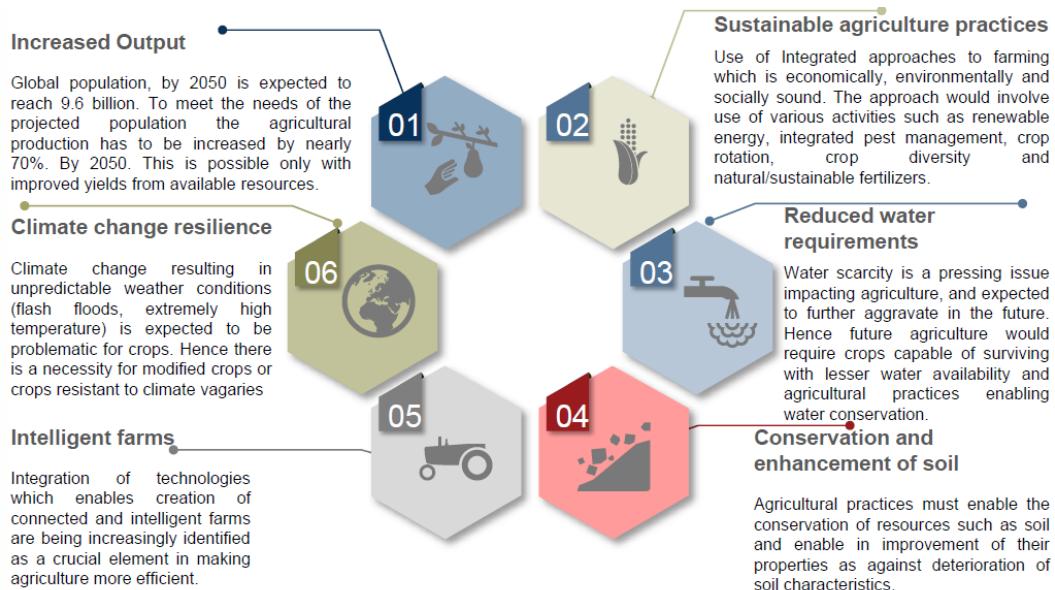
Figure 194: Future of Commercial Agriculture

Source: Internal Analysis

Possible Policy imperative:

- Providing Access to Reliable, Cheap, Abundant Energy and Connectivity to the Farms
- Promote sustainable practices to promote organic crops, in line with consumer preferences. Encourage traceability (e.g. using blockchain based solutions) to improve authenticity
- Promote branding and differentiation of Nepalese produce
- Pro-business policy environment focusing on reducing import taxes on raw materials, focusing on formalisation of businesses
- Develop export infrastructure (e.g. food testing labs) to enable exports to Nepalese produce

9.2 Light Manufacturing
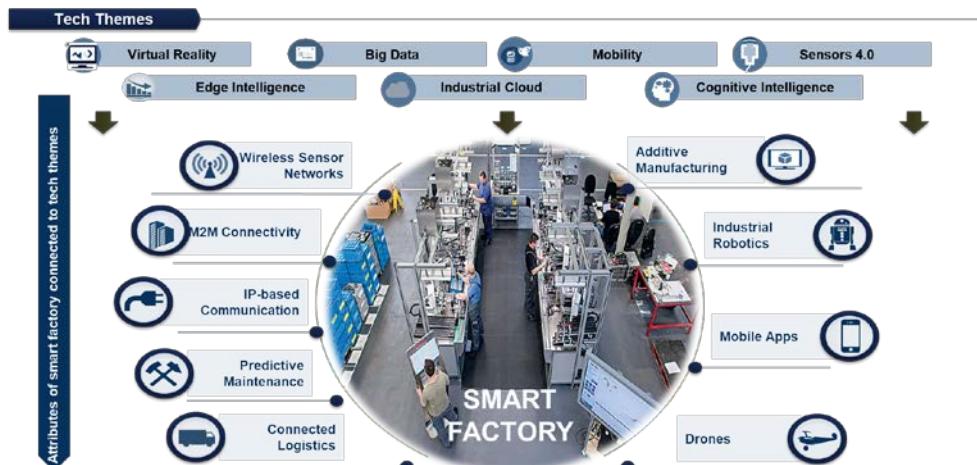
Figure 195: Future of Light Manufacturing

Source: Internal Analysis

Possible Policy imperative:

- Providing Access to Reliable, Cheap, Abundant Energy to the Industries
- Reliable and broadband internet connectivity
- Pro-business policy environment focusing on reducing import taxes on raw materials, focusing on formalisation of businesses, and promoting Bhairahawa SEZ as one-stop shop
- Focusing on development of skills of the future among local graduates

9.3 Construction
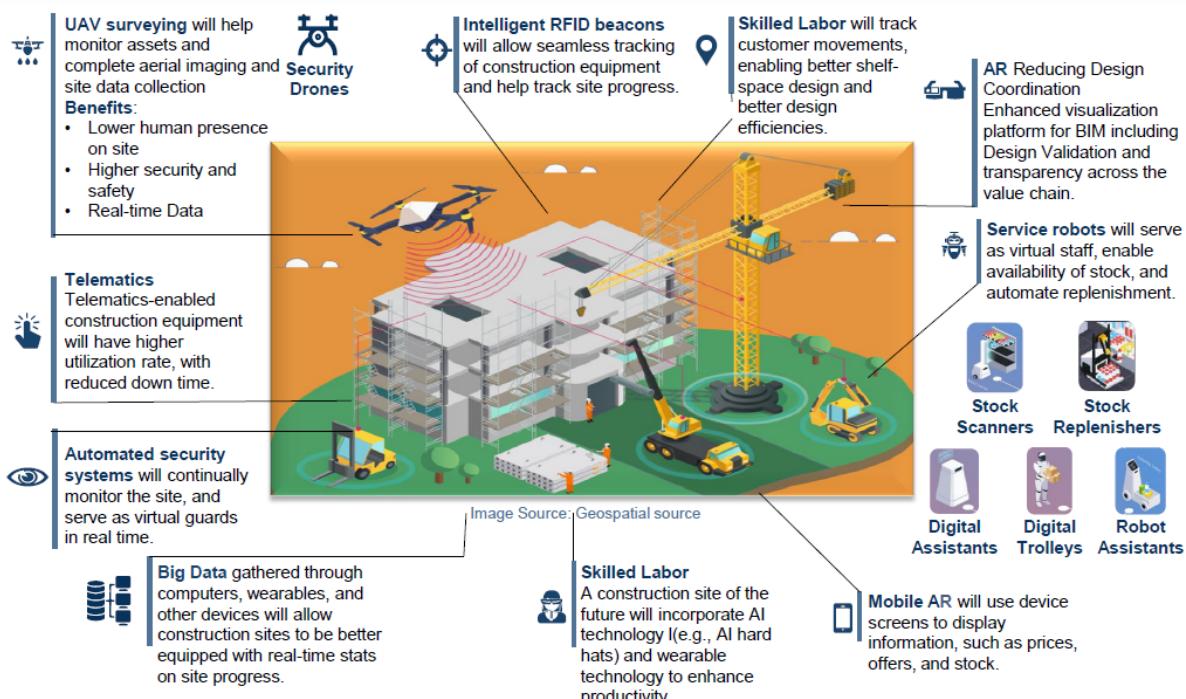
Figure 196: Future of Construction

Source: Internal Analysis

Possible Policy imperative:

- Develop standards for construction of pre-fabricated modular buildings to withstand natural calamities
- Reliable energy and broadband internet connectivity
- Promote formalization of companies; possibly through accreditation schemes
- Promote local manufacturing of building materials; if not possible, advocate for lower import duties on essential materials
- Focusing on development of skills of the future among local graduates

9.4 Tourism

Figure 197: Future of Tourism

Possible Policy imperative:

- Policies to encourage investment in infrastructure
- Standardisation and accreditation of tourism services
- Pro-business policy environment focusing on single window for operational issues related to permits, fund transfer, focusing on formalisation of businesses.
- Focusing on development of skills of the future among local graduates

9.5 Info-Comm and Telecommunication

From digital banking to eGovernance, the Government of Nepal has recently introduced several digital initiatives to create a sustainable digital economy by 2020.

Figure 198: Future of ICT

Possible Policy imperative:

- Promote digitalisation of the key economic sectors (agriculture, manufacturing) to drive demand
- Cheap, abundant, and reliable energy, and Reliable and broadband internet connectivity
- Encourage foreign investment in the ICT sector
- Focusing on development of skills of the future among local graduates

9.6 Healthcare

Figure 199: Future of Healthcare

Source: Internal Analysis

Possible Policy imperative:

- Promoting Healthcare convergence with Tourism (Medical Tourism) and ICT (Digital Health)
- Focus on development of infrastructure (clinical labs, hospitals, primary care services)
- Encouraging investment from foreign JCI accredited healthcare service providers
- Focusing on development of skills of the future among local graduates

Annex 1: List of Companies Interviewed

Commercial Agriculture Sector
Tulsipur Khadhya and Packaging Uddhyog
Shree Laxmi & Oil Mill
Sashi Agro Vet centre
Krishi Tatha Pashu Udham Bikash Kendra
Suman Narsari and Plantation
Rajlahar Kukhura Farm
Jain Agencies
Parkriti Poultry Farm
CG Biotch Pvt. Ltd.
Siddhababa Nursary
Sagarmatha Poultry Farm
Sital Tarkari Kheti
Ambikeswori Tarkari Form
SK Poultry
Nageswor Poultry Farm
Aryal Rice mill
Ostrich Nepal Pvt.Ltd.
Kamala Cow Palan
Sushma Poultry farm
Nawadurga pashu farm
Pitri Aasirbhad Nursary farm
Shree Sitaram Rice Mill
Shiva Shakti Rice Mill
Indreni Pashu farm
Uma Devi Pashu Bikash farm
Sapkota Dudh Utpadan Tatha Pasu Bikash
Lumbini Hyadroponic Rupandehi Nepal
Tiwari Rice Mill
Matapita Gaiee Farm
Mata Manakamana Gai Farm
Sita Pasu Bikash Farm
Bhattarai Rice Mill
Tiwari Gai Palan Farm
Sidddihi Binayak Pashupalan Farm
Subharambha Agro Farm PVt Ltd
Shrinagar Agritech Industries Pvt Ltd

Manufacturing Sector

Aasirbad Food Production

Ashirbad Paints Pvt. Ltd.

Modern Plywood Pvt. Ltd.

Tepsa and Bhalba Industry

Kristilo Water Industries

Siddhartha Engineering Works

Tandon Plastics Ltd.

Daaunne Feeds Pvt.Ltd.

Mangalam Industries Pvt. Ltd.

Jaya Bageshwori Cement Industry Pvt.Ltd

Bikash Flour Mills Pvt.Ltd

Brij Glass Industry Pvt .Ltd.

Sahanshil Didibahini Allo Dhago udhyog Samuha

Rapti Khukuri Uddhyog

Chinari Mahila Sajhedari Allo udhyog Samuha

Janaki Pauroti Udhyog

Jaljala distillery Pvt.Ltd.

Saraswoti Garment Pvt.Ltd

Smaf Shiva Maya

Annapurna Agro Industries Pvt.Ltd.

Apro C.P. Fitting Ind.Pvt. Ltd.

Shree Steel Pvt. Ltd

K and K Steel Factory

S.K Engineering Industry

Shiva Shakti Soap Industry

Shree Ram Tobacco Uddyog Pvt. Ltd

Nepal Blackgold and Allied Industry

Shree Lumbini Biddhut Uddhyog Pvt.Ltd

Intertake Private Ltd.

United Plastic Ltd.

Famous Steel

Lumbini Cable Industrial

Butwal Electric and Transnformer Works

Kohinur Metal Uddhyog

Amirit Sumit Trade Pvt. Ltd.

D D Shi Milk Products

Panchakanya Industries

Siddhivinayak Food Products

Construction Sector
Padam Construction
Sri Jayma Manakamana Nirman Sewa
Grand Design and Construction Pvt.Ltd.
Chandra Nirban Sewa
Bhattarai Consultant
Narayanam Nirman Sewa
Sama Construction
Indradev Nirmal Sewa
Khadka Nirban Sewa
Trisul Gas
Aasutosh Constrution
Om Nirman Sewa
Binod construction and Ambikeswori Suppliers
Ravi Nirman Sewa
Bikram Construction
K B Construction
Bishow Nirman Sewa
Sharad Construction
Subha Luv Construction
Bhagawati Construction
N.B Construcation
Rajendra Construction
Bharat Nirman Sewa
Dharma Nirmwan Sewa
Syangja Alandevi Nirman Sewa
Joshi Nirman Sewa
Mohan Nirman Sewa
MRM Construction
Morden Nirman Sewa
Royal Himalaya Construction
Siddhartha Gas Uddyog
Prakriti Nirman Pvt.Ltd.
Biraj Nirmaan Sewa
Kanchan Subham Construction
Babul Nirman Sewa
Nepal Hdyro and Electricals

Tourism
Hotel Mala Inn Pvt. Ltd.
Hotel Apsara and Lodge
Hotel City Plaza
Hotel Manakamana
Hotel Naulo Kamadhenu
Hotel Machhapuchre
Akanta Hotel And Lodge
Kalptaru Hotel
Lumbini Amusement and Water Park Pvt.Ltd
Hotel Pawan International Pvt. Ltd.
Hotel Nivana Pvt. Ltd.
Hotel Mansaover
Lumbini Village Lodge Pvt. Ltd
Bodhi Redsun Hotel
Siddhartha Hotel
Hotel The Galaxy Durbar Pvt.Ltd.
Tiger palace Resort Pvt.Ltd.
Hotel Lumbini Garden New Crystal Pvt.Ltd
Hotel Yeti Pvt.Ltd.
Hotel Mansarover
Cygnett Hotel
Buddha Maya Gaden Pvt. Ltd
Hotel Central Plaza Pvt.Ltd.
Green Butwal Tours and Travels
Everest Hotel
Hotel Sunrise
Khsitiz Travel and Tours
Darsan Lumbani Hotel
Hotel The Mirror Inn
Hotel Manish
Hotel Namo Buddha
New Manakamana Hotel
Sneha Hotel
Dreamland Gold resort

ICT
Bageshwori Bigyapan Sewa
Nasa computer
Vivo Mobile Nepal Pvt.Ltd.Branch 3
Laptop Hospital
X-zone Computers
New Vision Computer Institute
ICON Computer
Vivo Branch
OPPO DS Pvt.Ltd.
Manokamana Hi-Tech
Sajha computers Bikri Kendra
Chattradevi Electronics
New Langghali Computer&Electronic
Oppo Ds Pvt.Ltd Branch Unit 5
Resuga Computers Suppliers
Shree Siddhababa Computers
Care IT Solution
Microteach Computer Suppliers
Machhapuchhera Bibidh Sewa
Ugratara Infosys
Wish cyber and COputers
Global Hi-Tech
Jharna FM
Laptop Hospital
Indreni FM Pvt.Ltd.
Daang Cable Net Pvt.Ltd.
National Computer Institute
CSE Enterprises
Buddha Samudahek Television
Radio Chhimeki F.M.
Khasauli FM

HealthCare
Tinau Prayogshala
Amol Pharmacy and Clinic
Pirtiko Aashis Dental Clinic
Parajuli Bal Clinic
Butwal Video x-ray Sewa
Rakshya Health Clinic
Butwal Prayogsala
Bikalpa Health Center Pvt.Ltd.
Om Polyclinic and Dignostic
Santosh Clinic
Nesnal Dental Clinic
Kausilay Hospital
Kohalpur Health Care Hospital Pvt.Ltd.
Nepalgunj Nursing Hospital
Jaya Bageshowri Polyclinic
Vision Eye Hospital
Siddhartha Hospital
Baisnabi Hospital
Gorkha Public Hospital Pvt.Ltd.
Budda International Hospital Pvt. Ltd.
Panthi Dental
BR Dental Hospital
Shivash Polyclinic
Siddhartha City Hospital Pvt.Ltd.
Ale Dental Hospital
Life Care Diagnostic Laboratory
Pipuls Polyclinic
Butwal Eye Hospital
Medicross Diagtostic Center
Shreekrishan Netralaya Pvt.Ltd
Rana Ambika Saha Eye Hospital

Annex 2: Estimated Demand by Job Roles

Our estimation based on the data from the firm-level survey of 200 companies and publicly available data indicates that approximately 230,000 people will be recruited over the next four and approximately 250,000 people will be recruited over next five years across these six sectors of Province 5.

The table below indicates the breakdown of each of the six sectors.

S.No.	Sector	Jobs in Demand (2019-2022)	Jobs in Demand (2019-2023)
1.	Commercial Agriculture (including forestry & fishing)	18,680	20,276
2.	Light Manufacturing	118,302	129,413
3.	Construction	8,823	9,574
4.	Tourism	56,715	61,642
5.	ICT	7,153	7,743
6.	Healthcare	19,686	21,555
	Total	**229,358**	**250,204**

Table 19: Estimated Demand for employees (2019-2022) and (2019-2023)

Source: Analysis based on SEP Firm-Level Survey (2019)

However, it should be noted that this is a conservative estimate based only on companies present in Province 5. The assessment does not consider new business formation in the projected period. The figures from the Economic Survey 2015/16 (Ministry of Finance, Nepal) indicate that the rate of business formation was 7.8% per annum between 2012/13 and 2015/16. Using this estimate for growth of new businesses, the total estimated demand for employees in these sectors could be as high as 250,000 for the next four years and 270,000 for the next five years.

The figure below indicates the breakdown by job roles for Commercial Agriculture for the conservative scenario:
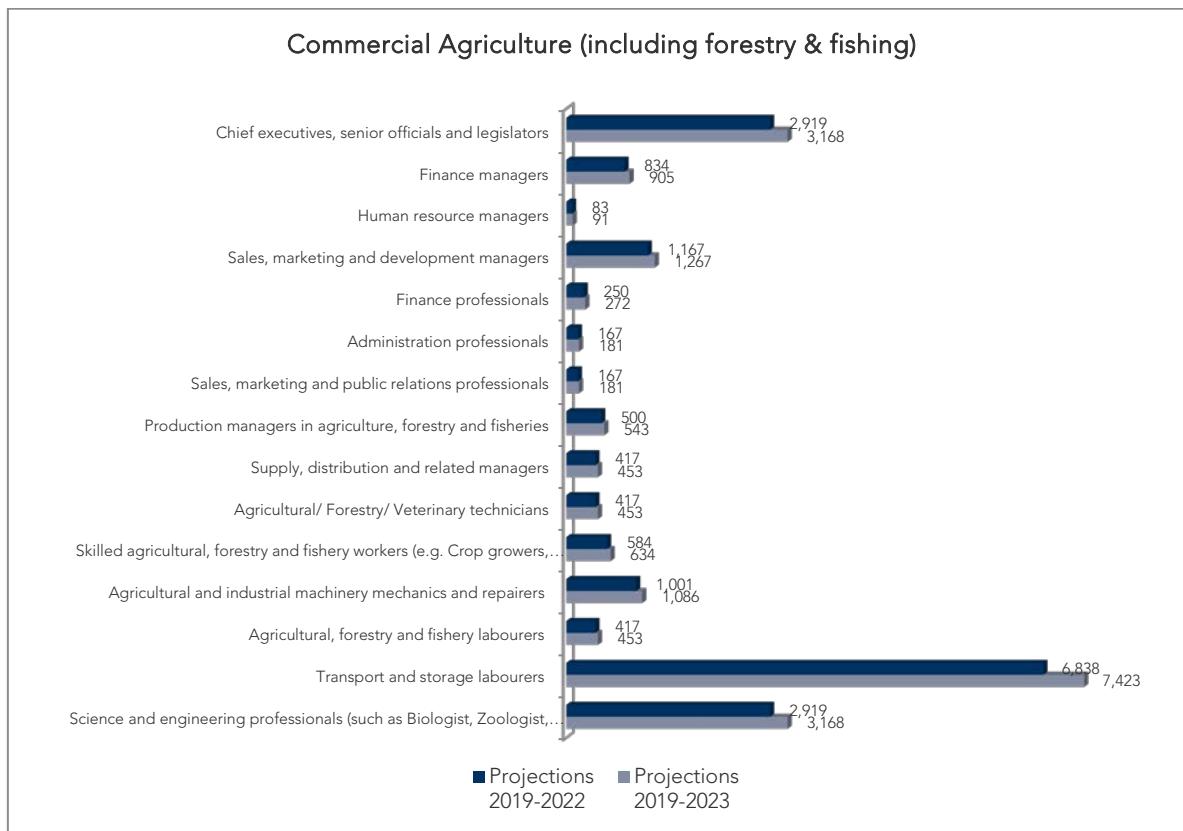
Figure-200: Estimated demand for Commercial Agriculture by job roles

Source: Analysis based on SEP Firm-Level Survey (2019)

The figure below indicates the breakdown by job roles for Light Manufacturing for the conservative scenario:
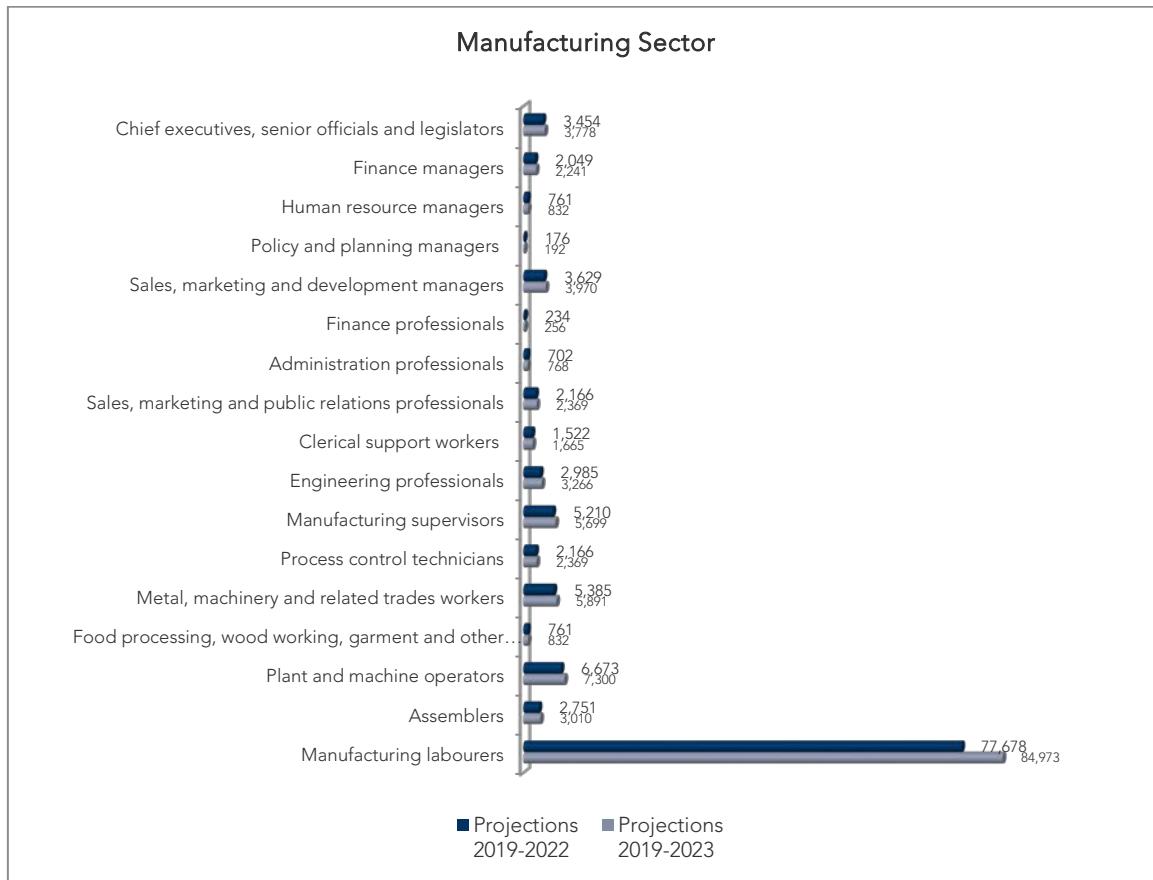
Figure 201: Estimated demand for Light Manufacturing by job roles

Source: Analysis based on SEP Firm-Level Survey (2019)

The figure below indicates the breakdown by job roles for Construction for the conservative scenario:

Energy (hydropower incl. construction, electric power generation, transmission and generation)

Job Role	Projections 2019-2022	Projections 2019-2023
Chief executives, senior officials and legislators	689	747
Finance managers	796	864
Human resource managers	151	163
Sales, marketing and development managers	65	70
Administration professionals	43	47
Sales, marketing and public relations professionals	43	47
Clerical support workers	194	210
Construction managers	861	934
Science and engineering professionals (e.g. Geologists, Civil Engineers, Mechanical Engineers, Environmental Engineers,…	1,506	1,635
Science and engineering professionals (such as Biologist, Zoologist, Advisers)Metal, machinery and related trades workers (e.g.…	1,958	2,125
Civil engineering labourers	2,518	2,732

Figure 202: Estimated demand for Hydropower/Energy by job roles

Source: Analysis based on SEP Firm-Level Survey (2019)

The figure below indicates the breakdown by job roles for Tourism for the conservative scenario:

Tourism (accommodation, travel agency, tour operator, reservation service, and related activities)

Job role	Projections 2019-2022	Projections 2019-2023
Chief executives, senior officials and legislators	4,642	5,046
Finance managers	2,517	2,736
Human resource managers	447	486
Policy and planning managers	895	973
Sales, marketing and development managers	615	669
Finance professionals	224	243
Administration professionals	671	729
Sales, marketing and public relations professionals	224	243
Clerical support workers	56	61
Hotel managers	2,069	2,249
Restaurant managers	4,139	4,499
Hotel receptionists	4,139	4,499
Travel attendants, conductors and guides	559	608
Cooks	9,732	10,578
Waiters and bartenders	11,913	12,948
Cleaning and housekeeping supervisors in hotels	5,985	6,505
Cleaners and helpers	7,886	8,572

Figure 203: Estimated demand for Tourism by job roles

Source: Analysis based on SEP Firm-Level Survey (2019)

The figure below indicates the breakdown by job roles for ICT for the conservative scenario:

Information and communications technology

| Job Role	Projections 2019-2022	Projections 2019-2023
Chief executives, senior officials and legislators	1,288	1,395
Finance managers	666	721
Human resource managers	89	96
Sales, marketing and development managers	666	721
Finance professionals	89	96
Administration professionals	355	385
Sales, marketing and public relations professionals	755	818
Information and communications technology service managers	1,022	1,106
Software developers	89	96
Web and multimedia developers	133	144
Database designers and administrators	89	96
Systems administrators	44	48
Computer network professionals	355	385
Creative and performing artists	222	240
Information and communications technicians	1,288	1,395

Figure 204: Estimated demand for ICT by job roles

Source: Analysis based on SEP Firm-Level Survey (2019)

The figure below indicates the breakdown by job roles for Healthcare for the conservative scenario:
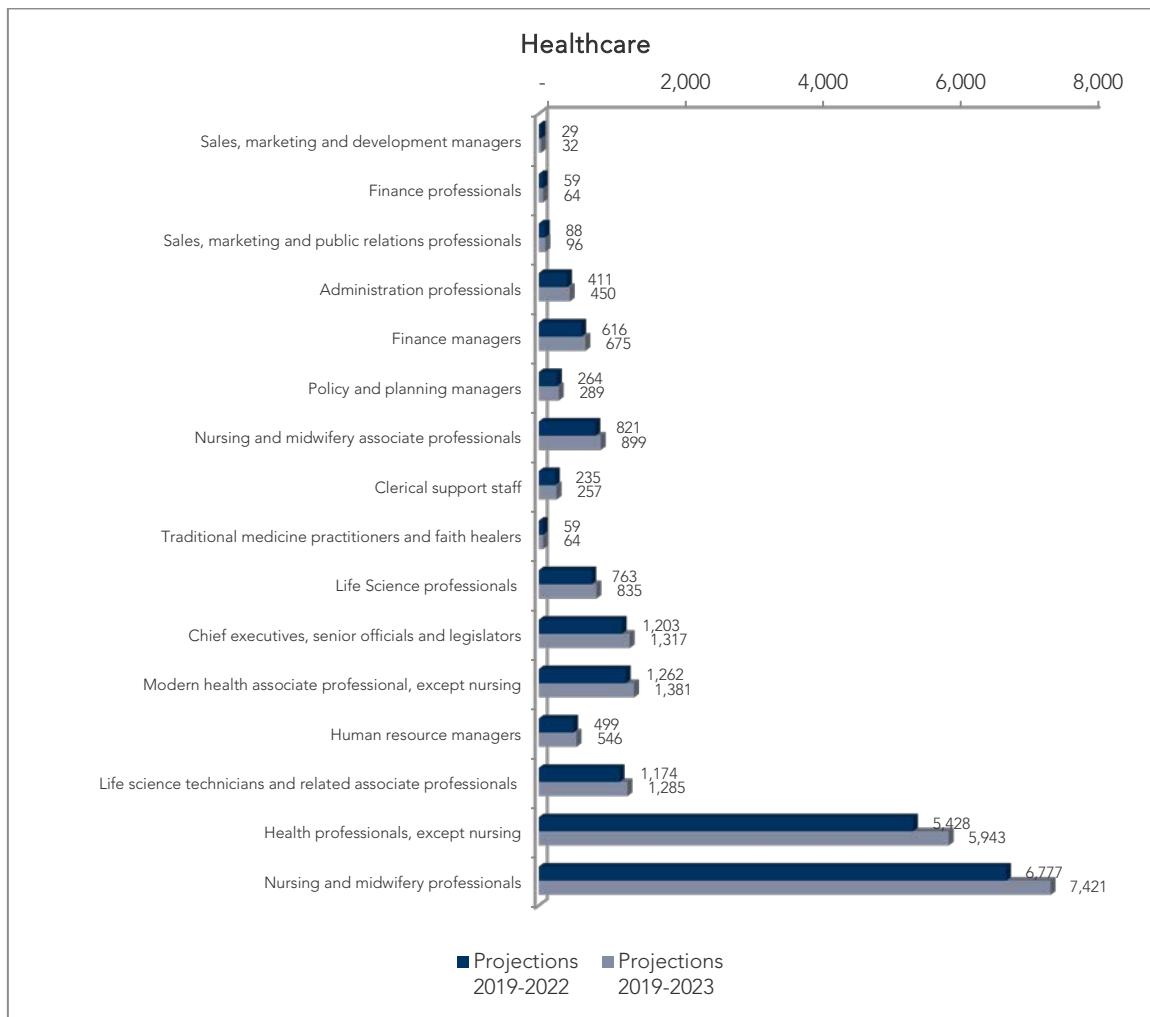
Figure 205: Estimated demand for Healthcare by job roles

Source: Analysis based on SEP Firm-Level Survey (2019)

Approach for Estimation

We used the following steps to estimate the demand by job roles for the projected period across Province 5:

- Step 1: From the SEP firm-level survey, the following data was available:
  - Current Jobs per firm
  - Breakdown of Jobs by five Job Categories (Managers, senior officials, Professionals, Technicians and Associate Professionals, Clerks/ Service and Sales Workers/ Skilled agricultural and fishery workers/ Craft and related trades workers/ Plant and machine operators & assemblers, and Elementary occupations)
  - Growth rates for each of the Job Categories for each of the sector

- Step 2: Using this data, the future demand for jobs over the next four/five years by job categories in each sector was estimated. This was done by using the formula, as shown below. We obtain the number of Jobs in each sector from Provincial Report of Province 5 from Central Bureau of Statistics and the annual growth rate of workforce each year for each sector from the firm-level survey.

$$Jobs\ per\ company\ per\ category_{2019-2022\ or\ 2019-2023}$$
$$= Jobs\ per\ sector_{2018} \times (1 + annual\ growth\ rate_{sector})^{4\ or\ 5}$$

- Step 3: We segregated the job roles into each of these job categories using internationally recognised job occupations commonly associated with specific sectors. These are based on definitions in ISCO-08 Major Groups ISCO-08 Codes.

The table below indicates segregation.

Job Category / Sector	Managers, senior officials	Professionals	Technicians and Associate Professionals	Clerks, Service and Sales Workers, Skilled agricultural and fishery workers, craft and related trades workers, and Plant and machine operators & assemblers	Elementary occupations
Commercial Agriculture	• Chief executives, senior officials and legislators • Finance managers • Human resource managers • Policy and planning managers • Sales, marketing and development managers • Production managers in agriculture, forestry and fisheries • Supply, distribution and related managers	• Finance professionals • Administration professionals • Sales, marketing and public relations professionals • Science and engineering professionals (such as Biologist, Zoologist, Advisers) • Veterinarians	• Agricultural/ Forestry/ Veterinary technicians	• Clerical support workers Skilled agricultural, forestry and fishery workers (e.g. Crop growers, animal producers, poultry producers, aquaculture producers) • Agricultural and industrial machinery mechanics and repairers	• Agricultural, forestry and fishery labourers • Transport and storage labourers
Manufacturing	• Chief executives, senior officials and legislators • Finance managers • Human resource managers • Policy and planning managers • Sales, marketing and development managers	• Finance professionals • Administration professionals • Sales, marketing and public relations professionals • Engineering professionals • Manufacturing supervisors	• Process control technicians	• Clerical support workers Metal, machinery and related trades workers • Food processing, woodworking, garment and other craft and related trades workers • Plant and machine operators	• Assemblers • Manufacturing labourers
Construction	• Chief executives, senior officials and legislators • Finance managers • Human resource managers • Policy and planning managers • Sales, marketing and development managers	• Finance professionals • Administration professionals • Sales, marketing and public relations professionals • Construction managers • Science and engineering professionals (e.g. Geologists, Civil Engineers, Mechanical Engineers, Environmental Engineers, surveyors, designers)	• Metal, machinery and related trades workers (e.g. Welders, Tunnelling)	• Clerical support workers	• Civil engineering labourers

Job Category \ Sector	Managers, senior officials	Professionals	Technicians and Associate Professionals	Clerks, Service and Sales Workers, Skilled agricultural and fishery workers, craft and related trades workers, and Plant and machine operators & assemblers	Elementary occupations
ICT	• Chief executives, senior officials and legislators • Finance managers • Human resource managers • Policy and planning managers • Sales, marketing and development managers	• Finance professionals • Administration professionals • Sales, marketing and public relations professionals • Information and communications technology service managers • Computer network professionals • Database and network professionals not elsewhere classified	• Systems analysts • Software developers • Web and multimedia developers • Applications programmers • Software and applications developers and analysts not elsewhere classified • Database designers and administrators • Systems administrators • Creative and performing artists	• Clerical support workers Information and communications technicians	• Others
Tourism	• Chief executives, senior officials and legislators • Finance managers • Human resource managers • Policy and planning managers • Sales, marketing and development managers	• Finance professionals • Administration professionals • Sales, marketing and public relations professionals • Hotel managers • Restaurant managers	• Hotel receptionists • Travel attendants, conductors and guides	• Clerical support workers • Cleaning and housekeeping supervisors in hotels • Cooks • Waiters and bartenders	• Cleaners and helpers
Healthcare	• Chief executives, senior officials and legislators • Finance managers • Human resource managers • Policy and planning managers • Sales, marketing and development managers	• Life Science professional • Health professionals, except nursing	• Life science technicians and related associate professional • Modern health associate professional, except nursing	• Nursing and midwifery professionals	• Nursing and midwifery associate professionals • Traditional medicine practitioners and faith healers

Table 20: Job Roles Segregated by Job Categories

- Step 4: An estimation of the breakdown of job roles (in percentage terms) across job categories was done using results of sample companies for each sector in Nepal.
- Step 5: Using the breakdown in Step 4 and the data from Step 2, the estimated demand by job roles for each firm in the six sectors was calculated.
- Step 6: Using the data from Step 5 and the number of companies in each sector as gathered from various sources, the total estimated demand for Province 5 was calculated. The table below indicates the number of companies for each sector is available in various sources. As explained earlier, this is the conservative numbers, using the most recent data available from public sources. This does not account for the growth of new enterprises for the projected period.

S. No.	Sector	Number of Companies
1.	Commercial Agriculture	4,087
2.	Light Manufacturing	16,170
3.	Construction	700
4.	Tourism	18,715
5.	ICT	778
6.	Healthcare	2,944

Table 21: Number of Companies by Sectors

Remarks:

- We had to use indirect estimation using the firm-level survey, as the data was not directly gathered from the survey. This was to manage the length of the survey questionnaire.
- The method depicted above is reliable with an estimated margin of error of +/- 10% for the overall numbers. However, the numbers indicated per job role are expected to have a higher margin of error per job role.

Launch of the
Province 5 Skills Gap Analysis Results
with the Provincial Planning Commission

Key Findings, Approaches and
Proposed Way Forward for
Province 5

25 September 2019

Louis Berger

In Collaboration with

Clear Horizon   FROST & SULLIVAN   IIDS   INSTITUTE FOR INTEGRATED DEVELOPMENT STUDIES   IOM • OIM

Story of Skill Development in Province 5

SKILLS FOR EMPLOYMENT PROGRAMME सीप

So What is Guiding our Approach?

Impact Statement

*More **productive** and **equitable** vocational skills and migration systems improving the livelihoods of **poor** Nepalis*

Outcome Statement

*Young people, especially **women and disadvantaged groups** gainfully employed with **higher wages** and improved working conditions*

Source: TOR

SKILLS FOR EMPLOYMENT PROGRAMME सीप

3

Our Research Approach

Macro & Micro Economic Research

- Discussions with over 400 stakeholders across Nepal, and 200 stakeholders across sectors and levels in Province 5

Approach

Experience

Desktop Research

- Macroeconomic & Labour data for Province 5
- Past approaches/reports by DFID/ILO/ODI/ EPI and other think-tanks
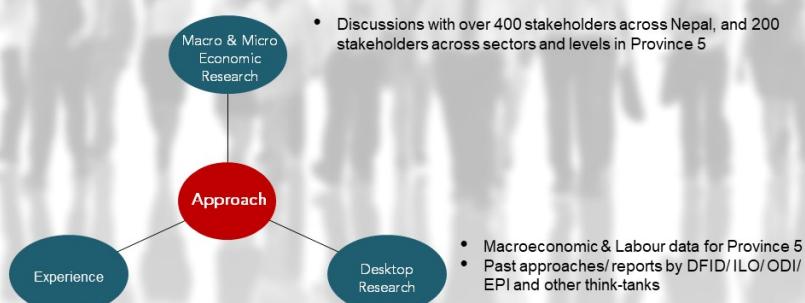
SKILLS FOR EMPLOYMENT PROGRAMME सीप

4

Sectors Identified that are Significant to Socio-economic Growth of P5

Sector	Export Potential	Job Potential	Inclusivity Potential
Commercial Agriculture	Medium	Medium	Medium
Light Manufacturing	High	High	Medium
Construction	Low	Medium	Medium
Tourism	Low	High	Medium
ICT	Low	Medium	Medium
Healthcare	Low	High	Medium

SKILLS FOR EMPLOYMENT PROGRAMME सीप

5

Discussions Conducted with Key Stakeholders from these Sectors

206 (2.5% Foreign)

	Commercial Agriculture	Light Manufacturing	Energy	Tourism	ICT	Healthcare
Total	36	38	36	33	31	31
Large	4	11	3	5	0	2
Medium	10	16	11	15		9
Small	22	11	22	13	27	20

Legend: Large, Medium, Small, Total

Butwal-Bhairawa	Ghorahi-Tulashipur	Nepalgunj-Kohalpur
99	56	45

SKILLS FOR EMPLOYMENT PROGRAMME सीप

6
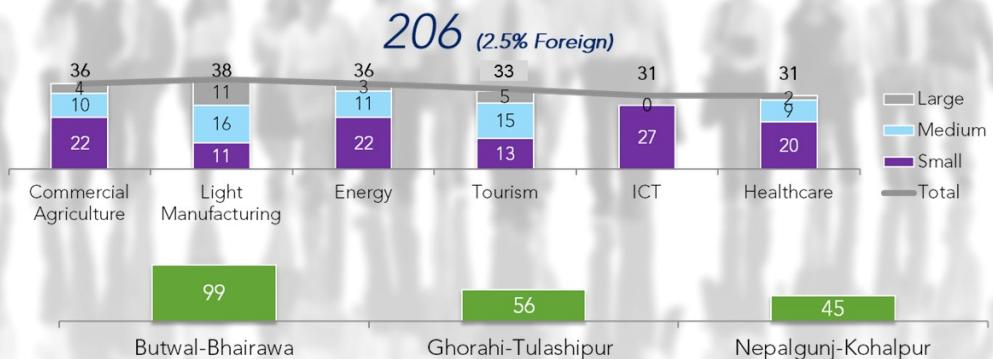
Firms are not Exporting Overseas, and have no Intention to do so
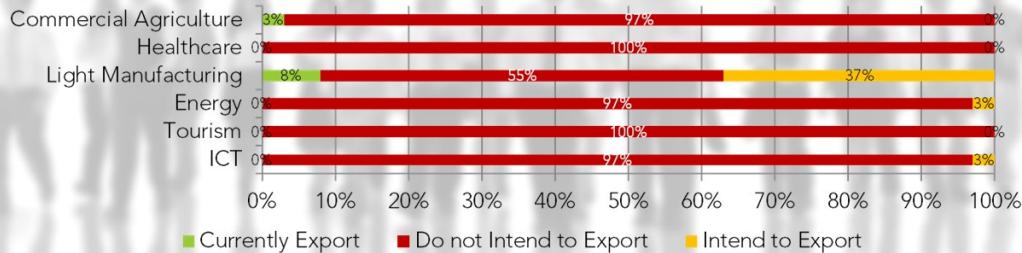
	Currently Export	Do not Intend to Export	Intend to Export

Among the companies which have no intention of exports, some of the reasons mentioned include sufficiency of domestic market, lack of policy support for exports and lack of capital

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But Some Firms in P5 are Exporting to Other Provinces in Nepal
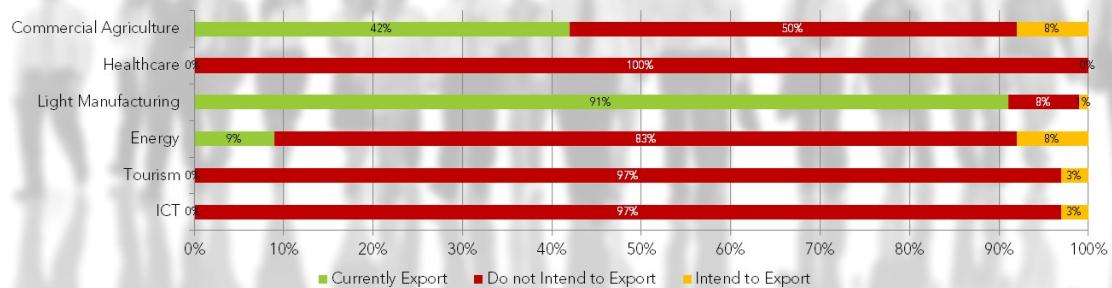
	Currently Export	Do not Intend to Export	Intend to Export

Among the companies which have no intention of exports, some of the reasons mentioned include small size of business, lack of policy support for exports and lack of capital

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Past Growth has been Slow, but Firms are Bullish about the Future

	Commercial Agriculture	Light Manufacturing	Energy	Tourism	Healthcare	ICT
Last two Years (p.a.)	3.8%	3.6%	2.7%	3.1%	2.4%	3.0%
Next Five Years (p.a.)	7.1%	7.7%	6.3%	6.8%	7.4%	7.3%
Past Workforce Growth (%, p.a.)	2.3%	2.8%	1.4%	2.4%	3.0%	1.9%
Next Five Years (p.a.)	5.7%	6.7%	5.3%	6.1%	6.7%	5.2%

■ Last two Years (p.a.)   ■ Next Five Years (p.a.)

■ Past Workforce Growth (%, p.a.)   ■ Next FiveYears (p.a.)
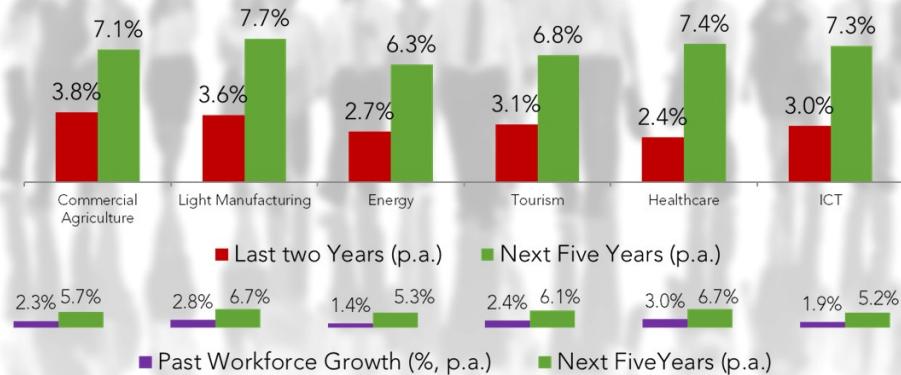
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Policy-related Challenges were Rated the Highest Impediment to Growth

Challenge	%
Lack of conducive government policies or regulations	15.6%
High cost or lack of availability of labour at the required skill level	11.7%
High cost or lack of availability of electricity	11.7%
Informal companies competing unfairly (e.g. smuggling, fake goods)	11.6%
High cost of raw materials and other inputs (i.e. except electricity, transport or labour)	9.0%
High tax rates or corruption	8.9%
Anti-competitive practices (e.g. cartels)	8.1%
High cost of transport to move goods or people within Nepal	6.9%
Lack of access to technology	5.3%
Others, please specify	2.5%
Lack of clarity over government policies or political instability	2.4%
Lack of entrepreneurship and venture acceleration opportunities	1.9%
Lack of access to global/regional (SAARC) (e.g. tariffs, non-tariff barriers, transport...	1.5%
New Labour Law (i.e. Nepal Labour Act 2074)	1.1%
High costs or lack of access to capital	0.6%
Trade union laws and trade union functions	0.5%
Not Applicable	0.4%

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Skills was Highlighted as Constraint by over 35% of Firms

33.0%	20.0%	15.0%	61.0%	35.0%	39.0%
Commercial Agriculture	Light Manufacturing	Energy	Tourism	Healthcare	ICT

Commercial Agriculture	Light Manufacturing	Energy	Tourism	Healthcare	ICT
16.2% 1.0%	20.7% 6.2%	24.5% 10.4%	19.6% 3.0%	13.3% 3.0%	16.8% 1.0%

■ Attrition (Overall) ■ Attrition (Women)
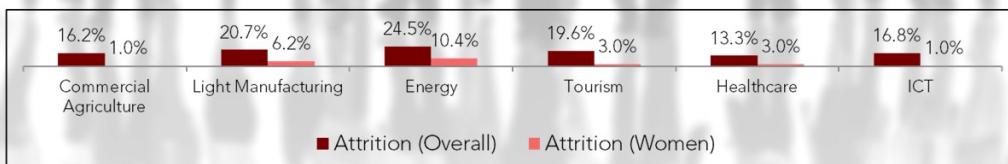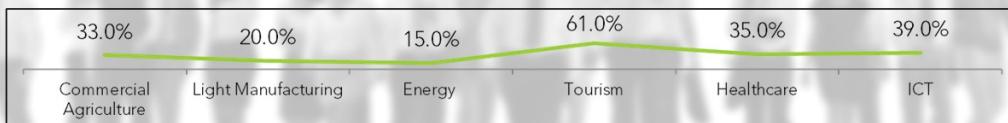
Top reasons for attrition: Higher Income Opportunities
Top reason for women attrition: Family reasons

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While Skills are a Challenge, Other Issues are also Hampering Growth

Top 5 Challenges

Commercial Agriculture

1. Lack of conducive government policies
2. High cost of raw materials
3. Informal companies competing unfairly
4. Anti-competitive practices (e.g. cartels)
5. High cost or lack of availability of labour at required skill levels

Light Manufacturing

1. High cost or lack of electricity
2. Lack of conducive government policies
3. High cost of raw materials
4. Informal companies competing unfairly
5. High cost or lack of availability of labour at required skill levels

Construction

1. Lack of conducive government policies
2. High cost or lack of availability of labour at required skill levels
3. High cost of raw materials
4. Informal companies competing unfairly
5. High cost of transport to move goods within Nepal

Tourism

1. High cost or lack of availability of labour at required skill levels
2. High cost or lack of electricity
3. Lack of conducive government policies
4. High taxes/ corruption
5. High cost of raw materials

ICT

1. Lack of conducive government policies
2. Informal companies competing unfairly
3. High cost or lack of electricity
4. High taxes/ corruption
5. High cost or lack of availability of labour at required skill levels

Healthcare

1. Lack of conducive government policies
2. High cost or lack of electricity
3. High taxes/ corruption
4. Informal companies competing unfairly
5. High cost or lack of availability of labour at required skill levels

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Market Constraints & Systemic Constraints for Skill Development Include

Market Constraint	Systemic Constraint	Market
Ecosystem imperfection	*Curriculum development*	Skills
	Trainer skills development	Skills
	Equipment supply and *supply side finance* limiting quality of skills development	Skills
Imperfect Information	*Marketing* of skills development opportunities and *monitoring and evaluation* performance of skills development	Skills
	Norms on desirability of industries and *information for students on industry demand*	Skills
	Standards of institutions and *standardisation of qualifications* affecting demand for and wages of trained labour	Skills
	Cultural attitudes towards work affecting the quality and quantity of supply of labour for certain types of work	Labour
	Information on jobs and *information on labour* affecting matchmaking of supply and demand for labour	Labour
Inequitable Access	*Demand side finance* for students to afford the real and opportunity costs of training.	Skills
	Co-location of Training infrastructure in Underserved Geographies, Transportation and migration of students to training opportunities, government training policy affecting its distribution.	Skills
	Gender norms on who should access what training	Skills
	Norms on hiring affecting demand for labour	Labour
	Social norms on mobility, transportation, physical and digital infrastructure affecting who can move to which jobs	Labour

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Stakeholders Indicated Demand for the Following Skills in Each Sector

Commercial Agriculture	Light Manufacturing	Construction	Tourism	ICT	Healthcare
Senior Management	Senior Management	Senior Management	Cooks	Software Developers	Nursing and midwifery professionals
Agriculture, forestry, and fishery labourers	Manufacturing Labourers	Construction Managers	Cleaners and helpers	Computer Network Professionals	Health professionals, except nursing
Transport and storage labourers	Manufacturing Supervisors	Finance Managers	Waiters & Bartenders	Finance Professionals	Life sciences technicians
Agriculture, Forestry, and Veterinary technicians	Plant and Machinery Operators	Civil engineering labourers	Hotel receptionists	Web & Multimedia Developers	Senior Management
Finance Professionals	Finance Manager	Science & Engineering Professionals	Hotel managers	Database designers & administrators	Modern Health Associate Professionals
Mechanics and Repairers	Engineering Professionals	Clerical support workers	Restaurant managers	System administrators	Life science professionals

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On-the-job Experience has been the Most Common Model for these Firms

Model	%
On the job experience (through years of experience)	16.5%
Recognition of Prior Learning	14.5%
No training/ skill development initiatives	14.0%
Mentorship programmes	10.9%
In-house training (Uncertified or internal certificates)	8.7%
Apprenticeships	7.5%
Sponsor Employee to Study Externally	5.6%
Conduct industry meet-ups/ external speaker sessions	4.9%
In-house training through External Certificate (National, International or Industry recognised)	4.3%
Overseas exchange programmes	4.0%
Scholarships for non-employees/free lancers	3.5%
Pre-employment work readiness training	2.8%
Sponsor Training Provider	2.7%

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Firms have been Under-investing in Skill Development

Legend	
0%	36%
1%-2%	35%
2%-5%	19%
More than 5%	9%
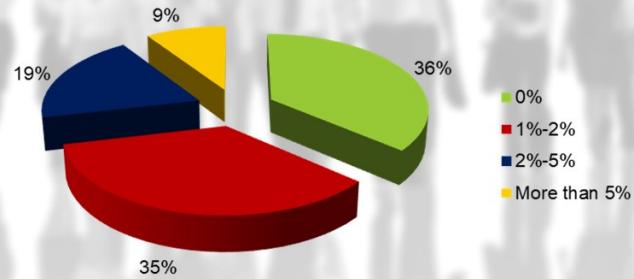
Reasons for lack of investment: Lack of strong evidence of impact of training on the company, Risk of employees leaving after training, and limited budgets

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Social Inclusion for the Sectors is Low in Most Cases

Women Employment (%)

Sector	%
Commercial Agriculture	32.3%
Light Manufacturing	25.0%
Construction	14.0%
Tourism	33.0%
ICT	20.0%
Healthcare	54.0%

Lower than National Average

DAG Employment (%)

Sector	%
Commercial Agriculture	29.0%
Light Manufacturing	41.0%
Construction	48.0%
Tourism	24.0%
ICT	19.0%
Healthcare	26.0%

Lower than National Average

PwD Employment (%)

Sector	%
Commercial Agriculture	1.0%
Light Manufacturing	1.0%
Construction	0.1%
Tourism	0.6%
ICT	4.0%
Healthcare	3.0%

Higher than National Average

Stakeholders Highlighted the Following Jobs with Potential for Women

Agriculture
- Chief executives, senior officials and legislators
- Agricultural, forestry and fishery labourers
- Transport and storage labourers
- Finance managers
- Agricultural/ Forestry/ Veterinary technicians
- Sales, marketing and development managers

Light-Manufacturing
- Chief executives, senior officials and legislators
- Manufacturing labourers
- Finance managers
- Finance managers
- Plant and machine operators
- Sales, marketing and development managers

Construction
- Chief executives, senior officials and legislators
- Construction managers
- Civil engineering labourers
- Finance managers
- Science and engineering professionals
- Sales, marketing and development managers

Tourism
- Chief executives, senior officials and legislators
- Cooks
- Waiters and bartenders
- Hotel receptionists
- Restaurant managers
- Cleaners and helpers
- Cleaning and housekeeping supervisors in hotel

ICT
- Chief executives, senior officials and legislators
- ITC technicians
- ICT service managers
- Finance managers
- Finance managers
- Sales, marketing and public relations professionals
- Administration professionals

Healthcare
- Chief executives, senior officials and legislators
- Finance managers
- Nursing and midwifery professionals
- Health professionals, except nursing
- Modern health associate professional, except nursing

* At least 20% of the respondents highlighted that these job roles can lead to hiring of more women

Social Inclusion - Reasons for Small Numbers

Sector	Total Firms surveyed	Total Employees	Total Persons with Disability (PwDs)	Speech-Impaired of total PwDs	Hearing-Impaired of total PwDs	Motor Impaired of PwDs	Others
Commercial Agriculture	36 firms	324	1%	33%	33%	33%	-
Light Manufacturing	38 firms	2,242	1%	24%	52%	14%	10%
Construction	36 firms	1,512	0.14%	100%	-	-	-
Tourism	33 firms	1,364	0.6%	55%	-	-	33%
ICT	31 firms	217	0.6%	50%	11%	-	34%
Healthcare	31 firms	899	3%	-	26%	13%	61%

Top reason for hiring less persons with disability:
- The risk of injury to workers
- Labour-intensive nature of the work
- Difficulty in explaining the nature of work

The firms are willing to recruit more people with hearing impairment, speech impairment and or people with other disabilities in their workforce over the next five years as they have previous experience of working with this group.

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Conclusion – Opportunity for P5's transformation

Potential to create an additional 230,000 to 250,000 jobs across the Province

Sector	Jobs in Demand (4 years)	Jobs in Demand (5 years)
Commercial Agriculture	18,680	20,276
Manufacturing	118,302	129,413
Construction	8,823	9,574
Tourism	56,715	61,642
ICT	7,153	7,743
Healthcare	19,686	21,555
Total	229,358	250,204

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Conclusion – Key Summary

While **Manufacturing and Tourism** will create significant employment opportunities, other sectors are enablers of growth – focus on a portfolio of sectors for growth

Portfolio Approach

Potential for social inclusion

The overall share of **women, DAGs and PwDs** is low – however, firms are considering hiring more in the future

Creating a growth environment

Firms are **bullish about future** – however, there are policy and market related challenges that need to be addressed

Firms are looking for **partnerships with stakeholders** (training providers, government, SEP) for skill development

Partnerships for success

Common skill gaps across sectors

In general, the **skill gaps** are at senior management and at the technical levels across sectors

Conclusion – Possible Policy Responses for Manufacturing

Factories of the Future

SMART FACTORY

Providing Access to Reliable, Cheap, Abundant Energy to the Industries

Reliable and broadband internet connectivity

Pro-business policy environment focusing on reducing import taxes on raw materials, focusing on formalisation of businesses, and promoting Bhairahawa SEZ as one-stop shop

Focusing on development of skills of the future among local graduates

Source: Frost & Sullivan

Conclusion – Possible Policy Responses for Tourism

Future of Tourism

Shift in Focus Towards Tourism Experience	Adoption of Asset-Light Model	Personalized Guest Experiences in Hotels	Organized Food Sector Share to Increase

'bLeisure' to Gain More Traction	Tourism Infrastructure Development	Industry to Embrace New Technologies

Policies to encourage investment in infrastructure

Standardisation and accreditation of tourism services

Pro-business policy environment focusing on single window for operational issues related to permits, fund transfer, focusing on formalisation of businesses.

Focusing on development of skills of the future among local graduates

Source: Frost & Sullivan

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FOR ADDITIONAL INFORMATION ON सीप ACTIVITIES

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Annex 4: Pictures from the Province 5 Skills Gap Analysis Results Launch

P5 Provincial Planning Commission's Dr. Bishnu Gautam during the Province 5 Skill Gap Analysis Result Launch Presentation

SEP's Deputy Team Leader Prasanna K.C. presenting the results of the Province 5 Skills Gap Analysis

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