

NEPAL'S INFORMAL SECTOR AND THE IMPACT OF COVID-19

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COVID-19 has adversely impacted the livelihood of Nepalese citizens due to the vast number of workers who are a part of the informal sector who are at a risk of facing extreme poverty.

The pandemic has adversely affected the Nepalis in terms of no labour force protection and unemployment. There used to be an annual festival in Nepal wherein the workers were celebrated in masses. Still, this year there were uncertainties, and the labourers were thinking of taking drastic steps like crossing the Mahakali River. The reason being that there were no contingency plans and hardships are inflicted upon the poor, vulnerable and the workers. Most of the vulnerable and poor people work in the informal sector, and seasonal workers are facing issues because the production has reduced, and there is a loss of hours.

The informal sector can be classified into two parts-informal employment which consists of self-employed and formal sector employees – daily wage workers. The informal sector includes informal sector enterprises, who own restaurants and are Bazar traders who work on a demand basis.

COVID-19 is rapidly increasing and disrupting the socio-economic order with widespread unemployment and firings, which has increased economic strain. This financial hardship has affected the lives of the people, specifically for those who work in the informal sector. From the beginning of the lockdown itself, Nepal's working class was facing hardships as they suddenly lost their daily source of income. With a staggering 62% of the workforce in

the informal sector, the self-employed and informal sector workers of the urban area are more vulnerable in comparison to the rural area because workers in an urban area do not have farming to fall back onto.

The informal sector firms work with a minimal amount of savings, and due to the pandemic, they are stuck at home, which has led to an adverse effect on the informal sector. The businessmen have fewer finances, or they are going outright bankrupt. They are forced to return back to their hometowns. The private consumption, which is the backbone of the informal sector, has decreased, restricted the working-class people and led to the loss of livelihood for many people. This also means that they have very little or no income and social as well as security protection. It is not the business owners who are letting go of the workers, but it is vice versa. Meaning that these workers do not have basic facilities to protect themselves from COVID-19 such as sanitiser and masks, due to which they become sick, and they have to leave their jobs. Thus, the informal sector does not have enough workforce.

Nepal Rastra Bank conducted a survey that showed that due to the pandemic 61% of the businesses were forced to shut down, which affected the economy; workers lost their jobs, and the supply and production chain was disrupted. The ILO has estimated that around 1.6 to 2 million people in Nepal will either lose their jobs or have jobs that pay very fewer wages. In Nepal during the month of May, there was a decline in the informal sector's average monthly revenue, and people could barely survive two months as they did not even have any form of external support. These data do not fully show the true picture as many informal sectors workers are still unaccounted. With a huge chunk of the population merely above the poverty line before the pandemic will now be pushed down below the poverty line, undoing almost a decades gain.

During the lockdown, most of the economic activities have come to a halt. Most of the informal sector firms and casual workers are a part of the service sector, and the service activities are badly hit due to the pandemic. Tourism played a big role in helping Nepal's economy and helped people get employment due to agriculture, wholesale and retail business, construction, fishery, and forestry. But the pandemic has affected the tourism industry so badly as cross-border travelling is not allowed. Transportation, hotel, restaurant and storage go hand in hand with tourism, and since tourism has been affected, these areas of business have faced financial failure too.

Tens of thousands of daily wage earners and medium and small entrepreneurs who are a part of Nepal's informal sector are facing uncertainties as to when they can begin work again. The people in the informal sector are more vulnerable because they have no fixed salary or contract. Other characteristics that can be seen in Nepal's informal sector which has made it vulnerable is neither did the employees made any investment that could have helped them in these difficult times nor do they have any training that they can use to survive in the pandemic. The people are not very well versed with their entrepreneur skills, the coverage provided by the trade union is meagre, and the range of production varies a lot.

The pandemic has affected the informal sector far more than the formal sector due to the regular income, provident fund and the kind of work they do, i.e., work from home cannot be applicable to the informal sector. Nepal's informal sector was already struggling and post COVID the already fragile sector will be more prone to depression.

The informal sector usually depends on cash, which they cannot earn, so their business is being shut down. Swift actions need to be taken to promote physical infrastructure, and the informal sector needs to be provided with financial assistance to increase the time of recovery. There is a need for fiscal relief packages be made for the people who are a part of the informal sector. The Government of Nepal has made some plans so as to provide workers of the informal sector an opportunity to participate in the public-works, but no steps have been taken so far to implement it.

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