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Social Protection, Challenges and Prerequisites: A study of Prime Minister's Employment Program in Nepal

Research Paper

By
Dr. Sujeet Karna

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Policy Research Institute
3rd Floor, Federal Secretariat Construction and Management Building
Kathmandu Metropolitan City, Ward No. 5
Sano Gaucharan, Kathmandu 44600, Nepal.
Call: +977-1-4430517/ 4434979
Email: info@pri.gov.np

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Abstract

Social security programs are integral to realize the constitution's goal of achieving inclusive economic development, equity and democracy-based socialism in Nepal. The major political parties have shown a strong commitment towards social security and protection. The programs have seen gradual expansion over the years and have seen good share in total government expenditure. This is a step in the right direction to ensure social security and protection of the people. However, inadequate human resources, planning and coordination have constrained its effectiveness. In long run, the sustainability of social security programs, for example, the old age pensions, depends on the Social Security Fund's ability to make productive investments and its ability to adjust to changing demographic parameters. Policymakers need to learn from the experience of other countries including the OECD where population ageing due to the demographic shift has posed increased pressure on public finance. In those countries, the long-run sustainability of the pension system is at the center of policy debates. In Nepal, in recent past, new initiatives have been taken to ensure and include a larger population in social security. For instance, politically ambitious Prime Minister's Employment Program can be viewed among one of them. In this study, while discussing various aspects of social security measures, an attempt is made to explore what is desired for policy improvement in overall social protection policy of Nepal while taking a case of newly introduced PM employment program.

1. Introduction

The constitution of Nepal, in its preamble, envisions an egalitarian society. This is based on the following three broad pillars - inclusive economic development, equity and democracy-based socialism. The constitution of 2015 of Nepal provides a broader policy landscape in which to ensure the fundamental rights of the people. The new constitution has thus made a key departure in addressing exclusion. It is argued that inclusion, positive discrimination and equity, are part of the social democratic constitutional agenda of Nepal that would result in not only economic but also cultural and social integration dividends. Inclusion of marginalized and vulnerable groups in various government run schemes has been a priority for the government of Nepal since inclusion of the marginalized sections is fundamentally important in order to strengthen, expand and deepen democracy. This is further more important while to envision Nepal as a social democratic welfare state. Social protection measures are emphasized as a necessity, both socially as well as politically. Social security is still at its infancy in Nepal, yet social security programs have claimed an increasing share of government budget expenditure.

Around the world, social security is seen integral for modern states and claim a large portion of the public finance. For instance, in the United States, social security expenditure has risen from about 10% of the federal budget in the 1950s to almost 60 % in recent years (Chetty and Finkelstein, 2016). The rationale behind government administered social protection includes redistribution of income and wealth, paternalism and market failure (Diamond 1977).

Social security programs can play an instrumental role in raising the welfare of the society in different ways. First, there are many marginalized individuals who cannot plan for their old age. Such individuals are vulnerable to welfare demands in their retired life. They are viewed furthermore vulnerable due to reduced consumption spending compared to their pre-retirement spending. A social security system helps such individuals improve on their consumption-saving behavior. Second, social security programs are also instrumental for income redistribution among individuals based on lifetime earnings rather than a single year's earnings. Third, market failures leading to adverse selection due to asymmetric information begs for active role of government in providing social security. However, it is argued that due care should be taken while designing social security programs as they can create moral hazard by distorting incentives.

It appears from the literature (Silver Miller, 2003; Verma, 2011) that the success of such social protection program depends, especially on the relationship a state has with its citizens. Domestic and international policy processes that a state adheres to, substantially affect social protection programs (see Ghellab et al. 2011). A 'lack of political will' is often cited as the reason why social protection is not given due priority. Schuering and Lawson-McDowall (2011) argue that a more nuanced understanding of what shapes 'political will' in each country and how this affects the social protection landscape is necessary to explore if social protection is to be strengthened. This is particularly evident in the Indian case.

In the case of Nepal, social protection programs have an even more important role to play. It is often argued that social exclusion has been at the center of conflict in Nepal. It is now a known fact that there are prominently four kinds of exclusion prevalent in Nepal, namely, social, financial, political and cultural (SIRF 2009). And hence, it appears that inserting social protection measures will contribute in economic, cultural and political dividends that will bring changes in deep-rooted social structures while protecting vulnerable groups. Social security and protection programs can thus help enhance social inclusion and galvanize the post-conflict peace process and economic development.

In the last decade, from Nepal, it appears that all four major parties have shown a strong commitment to provide social security to its vulnerable population. Although they differentiate on ideology yet there seems similarity in understanding while having social protection measures for the people (Drucza 2017). This is also over emphasized due to the reason that the political parties see a space to gain political mileage while ensuring social protection for marginalized population. This is the reason that all political parties in Nepal want to experiment something new with social security schemes when they are in power. The Prime Minister's Employment Program that was introduced in 2019 (2075 BS) can be viewed as an innovation in this direction.

Nepal has seen the expansion of different social security programs after first introducing universal old-age pensions in 1994. There are programs ranging from supporting single/widow women to child protection and allowance to marginalized ethnicities. Recently introduced contribution based social security system is the most expansive of all and the PM's employment program the latest in list of social security measures envisioned by the government of Nepal. For instance, for the fiscal year 2019 - 2020 government of Nepal has allocated Rs. 5.1 billion for implementing the Prime Minister Employment Program, one of the politically hyped initiatives.

Further, the monthly social security allowance for all senior citizens above age of seventy has been raised from Rs. 2000 to Rs. 3000. This will benefit to about 3 million senior citizens. Also the social security allowance for the infirm, disabled, single women and indigenous nationalities has been upgraded to Rs. 1000 per month. For the children living in the families below the poverty line including Dalits and children from the Karnali Region, and Terai-Madhesh districts has also been incorporated in the scheme. Rupees 1.64 billion is allocated for child protection grants. The contributory social security program is introduced. Overall, the government of Nepal has allocated Rs. 64.50 billion for the fiscal year 2019 - 2020 for social security programs.

In this context, how Nepal is preparing to respond to the existing inequalities while using an approach of social protection measures becomes important. This study thus focuses on understanding the strategies and programs that address a combination of issues while having social protection measures in place. This study is therefore an attempt to examine the present situation of social security measures and the sustainability of such programs in the context of Nepal. Drawing upon the experiences of developed countries and the ongoing demographic transition and new initiatives that has been taken, this study discusses on the sustainability of such programs over the long run. While doing so in brief Prime Minister's Employment program has been examined.

This study report is organized in five sections. After introduction, section 2 draws upon the experiences of social security measures in the developed countries. More specifically the Mahatma Gandhi Rural Employment Program of India is discussed in brief to draw a parallel for PM employment program. The next section 3 discusses different types of social security programs currently adopted by the government of Nepal. Section 4 discusses the fiscal sustainability of social security programs considering the ongoing and upcoming demographic transitions the country is expected to experience and how PM's Employment program contributes to the debates of social protection and sustainability. Finally Section 5 concludes the argument with some discussions.

2. Methodology

To come at this report, a rigorous desk review was carried out regarding the present situation, opportunity and challenges of social security program in Nepal. Secondary data were collected from various sources, including Government online portals, review of policy, procedures and legal documents related to PM Employment Program. Also, informal discussions with relevant authorities were carried out to learn about the program implementation and its features. This was also triangulated with other published reports and documents related to the program. Focused discussions inside policy institute with experts were carried out to synthesize problems and possible outcomes. A few key experts, policy makers and stakeholders were approached and their writings as well as unstructured personal conversations contributed to arguments presented here in this study report. Also the documents available in the concerned departments and government Ministry and people responsible to run the program were communicated but had a thin response.

3. Social Protection for inclusive development

In recent past, scaling up social protection is seen central to development discourse in Nepal. It is argued and debated at times suggesting that social protection can reorient the development philosophy not only in Nepal but in South Asia altogether. It is this reason that the first social protection action plan for the region is now ready. This was a resolution passed in 8th SAARC summit that was held in Kathmandu of which Nepal was holding the secretariat. Although, the plan was to submit the proposal in the ninth SAARC summit in Islamabad but it has not yet taken place. Hence, not only Nepal but in South Asia, social security is debated with due interest. Although it seems there are hidden political resistance to change persist in Nepal yet when it comes to social security benefits it seems there is no going back since it is seen as a policy change.

However, there are pertinent questions that can be raised. For instance –

- How to create better mechanisms to integrate ongoing social protection schemes?
- How to develop a system that would cater the functioning of social protection needs and to scale up the outreach?
- How to develop human resource that would require scaling up of the implementation of social protection scheme in Nepal?
- How we design fiscal instruments to cater social protection needs of the people and whether we are prepared for it?

On the other hand, Nepal's trade and industry are argued to be in crisis and agricultural productivity is all time low. The lack of access to affordable credit and dysfunctional bureaucracy has further contributed in weakening Nepal's economy. As a result, a large number of Nepali people are still trapped in poverty. For them social protection benefits remain a privilege. Therefore, social protection measures have due currency among Nepali people including political class.

However, both operational efficacy and economic viability can be questioned when viewed from economic sustainability and management perspective.

This appears much more challenging for implementing social protection programs. The commitment to ensure social security of the people would thus require an effective and efficient social protection system with regulatory oversight, and delivery capabilities. If social protection schemes are to yield result, the availability as well as effective utilization of financial, institutional, and human resources remain critical. Thus to examine the ways in which vulnerability and marginalization might correlate with economic possibilities is a question that need to be answered. An attempt is made to examine social necessity as well as economic viability to sustainably implement social protection program in Nepal, while examining initial operation of PM employment program. The analysis of social protection program will help in drawing on measures that must be taken while to implement the program in terms of its policy implications.

3.1 Social security in OECD countries

Compare to Nepal social security measures has been a tested tool to ensure inclusive democracy in developed countries. Historically, the old-age pensions emerged as early as in the late 19th century and expanded to most of the industrialized countries during the first half of the 20th century. The German government introduced the old-age pensions for private sector employees in 1889. Under the German scheme, both employers and the employees were required to make contributions and the benefits were paid out to disabled workers and to former workers who survived beyond the age of seventy. The German style compulsory and contributory social security was adopted in Austria in 1910.

Meanwhile, there were some other countries prompted for alternative approaches for social security of the elderly. For instance, Denmark introduced general-revenue financed means-tested old age pensions in 1891 followed by New Zealand in 1898. Australia and Britain adopted a similar approach in 1908. The British system provided benefits to citizens over seventy who were poor and could pass a character test. The benefits under the British system were higher than under the German system and covered three times as many persons (Feldstein and Leibman 2002). Canadian also introduced a non-contributory means-tested system in 1927. Similar were the social security programs, first enacted by the state governments in the United States during the late 1920s. The Social Security Act of 1935 passed by the federal government created different social protection programs including unemployment insurance, aid to dependent children, old age insurance and old age assistance.

The coverage of social security programs expanded gradually in all these countries. For instance, in the United States, social security system covered only 43 percent of the workers in 1935 to 96 percent in 2002. The expansion of these programs accounts for a large share of the rapid growth in government spending as a share of GDP that occurred in most of the industrial countries in the post-war period (Feldstein and Liebman 2002). Population ageing due to the demographic shift has posed increased pressure on public finance and the long-run sustainability of the pension system is in question (See Conde-Ruiz and Profeta 2007; Kitao 2014). This has brought social security systems at the center of both the academic and policy debates in the OECD countries in recent decades. The current political and academic debate is centered on how to reform the system in order to make it sustainable over the long run (Attanasio et al. 2007).

There are basically four types of social security systems currently adopted by the OECD countries: Pay As You Go (PAYG) and Fully Funded (FF) social security schemes, each with a Defined Benefit (DB) or Defined Contribution (DC) rules (Borsch-Supan et al. 2016). In a PAYG system, the young generation contributes to the system and the older generation receives the benefits. In a DB system, the benefits are fixed. So, if the PAYG system is of the DB type, then the contribution rate of the younger generation adjusts to changing demographic patterns and the labor force. For instance, if the number of retirees increases relative to that of the workers, then the workers have to contribute more to sustain the social security system. On the other hand, in a DC system, the contribution of the workers is fixed ex ante and thus the benefit of the retirees needs to adjust for changing demographic and labor force parameters.

In a FF social security system, workers contribute to a fund during their working age; receive interest on their accumulated capital which then finances their consumption during retirement. Generations in this system are only linked through the macroeconomic general equilibrium that determines the interest rate. This makes the FF system financially more sustainable vis-a-vis PAYG system. However, the benefits of the system are conditional on whether the funds of system are invested in productive capital. In a FF system, the benefit of the retirees is determined by the market interest rate which is affected by demographic as well as labor force. For instance, population aging leads to shrinking of the labor force which tends to reduce the rate of return of capital. In a FF-DB system, the benefit is fixed ex ante and the government bears the risk associated with the uncertain return. On the other hand, in FF-DC systems, the contribution of the workers is fixed and the retirement benefits adjust to the changing interest rates.

Different policy options have been floated for the reform of the PAYG social security systems. Some of them termed as parametric reform include raising the social security tax, reducing the replacement rates of the benefit and increasing the normal retirement age among others. In recent times, the relative sustainability of a FF system vis-a-vis PAYG system has led to a secular shift from the latter to the former (Borsch-Supan et al. 2016). Such reforms are typically termed as systemic or fundamental reform. This has seen the birth of Notional Defined Contribution (NDC) system in which contributions are defined ex ante and are credited on an individual account which earns a notional interest which is the sum of the growth rates of labor force and labor productivity. The accumulated contribution and the interest income are then converted to an annuity while retiring. Such a system is financially self-stabilizing as the notional interest rate adjusts automatically with the changing demographic and labor force participation patterns. Thus, the experiences of social security measures of OECD countries suggest that the sustainability of these actions are quite dependent on how efficiently a country develops its financially self-stabilizing mechanism to fund social protection initiatives.

3.2 MNREGA – the Indian Case

The MNREGA scheme of India appears quite identical to the Prime Minister Employment Program that is implemented in Nepal in 2019. Further, as this study aims to specifically elaborate on, and discuss the PM's Employment program of Nepal, it would be useful to draw a parallel from the Indian experience of implementing a similar program called the Mahatma Gandhi National Rural Employment Guarantee scheme.

India, in 2005, enacted the Right to Work Act called the Mahatma Gandhi National Rural Employment Guarantee Act, 2005. The act eventually came into force in 2006 and was implemented in a phased manner to cover all rural districts within three years. Under the Act, a minimum of 100 days employment is guaranteed by the State. It currently operates in rural blocks of 644 districts. In 2010–11 alone, it covered more than fifty-five million rural households (around one-third of all rural households), generating 2.6 billion person days of employment in that year (Ghosh 2014).

MNREGA scheme is for the unskilled unemployed workers. Under this scheme the BPL (below poverty line) households are provided unskilled job by the Government at stipulated wage rate within a period of 15 days of registering with the Gram Panchayat. This scheme protects the right of the people to work. Within this program, adult members of all rural households who wish to do unskilled manual work are eligible to apply for registration with the local Gram Panchayat (lowest level elected body). Each household is entitled to one hundred days of employment per year. Once registration is done the household is then issued a job card that must be done within fifteen days. Thereafter, a written application for work has to be made to the Gram Panchayat or the block office, stating the time and duration for which work is sought. The dated receipt of the written application serves as the guarantee of providing employment within fifteen days. In case, employment is not provided within fifteen days, the state must pay an unemployment allowance (of half the wage rate) to the beneficiary. Work should be provided within a radius of five kilometers from the village. In case the work place is distanced far from a radius of 5 kilometers, extra wages of 10% must be provided to meet additional transport and living expenses. One third of the workforce is reserved for women (MORD 2013, 20114).

One of the objectives of the scheme is to arrest distress migration by guaranteeing 100 days of wage employment to the unskilled & unemployed. However, various studies suggest that employment was not provided to all the households and hence distress migration is continuing. It is argued that the Gram Panchayat responsible for implementing the scheme at the grassroots level are not taking any measures to create sustainable assets to create wage employment and stop the distress migration (Sjoblom & Farrington 2008; Ghosh 2014). The requirement of the beneficiaries to register with the Gram Panchayat for job cards is seen problematic as this is eventually contributing to exclusion. For instance, in Gujarat, Madhya Pradesh and Jharkhand it has been found that the bribe demanded by local officials for an application form for a job card may range from Rs.5 to Rs.50. And those from the margin find it difficult to arrange the papers by themselves leading to forced exclusion (Sirija 2014).

Although the implementation of the scheme has raised certain questions, but MGNREGA remains one of the major interventions to ensure livelihood security to unemployed in rural India. This scheme is complemented by a rights-based approach, whereby employment is seen as the right of the citizen that must be delivered by the state.

4. Social security and protection in Nepal

The history of social security measures in Nepal dates back to 1994. The cash transfer scheme of Rs. 100 to all the elderly people aged 75 and above was first introduced. The program was expanded to widows aged 60 and above as well as the disabled persons in 1996. Since fiscal year 2008/09, the government of Nepal has been providing allowances to single women and endangered ethnicities. The successive governments have not only increased the monetary value of the allowances but have also redefined the eligibility criteria to qualify for such allowances. Also, the government of Nepal has reduced the threshold age for Dalits and citizens living in the Karnali region from 70 years to 60 years. As per Social Security Act 2075, senior citizens as well as single/widow women are each entitled to a monthly stipend of a thousand rupees.

Moreover, senior citizens aged 70 and older are provided another thousand rupees monthly to cover for health expenses. Fully disabled citizens and those from endangered ethnicities are provided a monthly stipend of two thousand rupees. There is also a provision of monthly allowances of Rs 600 for severely disabled citizens. Until the fiscal year 074/75 (2018) altogether 2,326,695 beneficiaries have been registered in the MIS system of the government of Nepal who has received allowances. This has amounted to 29,740,000,000 NPR in the fiscal year 074/75 (2018) alone.

The social security program has been expanded to include a monthly grant of Rupees 400 for Dalit children below 5 years and those from the Karnali region, Achham, Rautahat and Bajhang districts. The current government expanded the program to districts in Province 2 during the fiscal year 2075/76. These benefits are limited to up to two children per family. All of these allowances are further increased during the fiscal year 2019/20 (See Table 1).

Table 1: Different social security allowances currently offered by the government of Nepal

Type of allowance	Eligibility	Amount (Rs. monthly)
Elderly citizens	Aged 70 and older (60 for Dalits and those from the Karnali region)	3,000
Single/Widow women	This includes all the women who are single (unmarried or divorced) or widow and aged 60 or older	2,000
Fully Disabled	Fully disabled persons who have obtained a red disability identity card from the government	3,000
Severely Disabled	Severely disabled persons who have obtained a blue disability identity card from the government	1600
Endangered ethnicities	Citizens of the following communities: Kusunda, Bankariya, Raute, Surel, Hayu, Raji, Kisan, Lepcha, Meche, Kusbadiya	3,000
Children	At most two children per mother from the Dalit communities and from Karnali region the Province 2 as well as from districts Achham and Bajhang	400
Source: Samajik Surakhsya Karyakram Sanchalan Karyabidhi 2075 and Budget Speech 2019/20		

An emphasis is given to cover every citizen in one or other social security net. The intervention ranges from providing health check-ups and nutrition to pregnant women after conception. Vaccination, allowances for nutritious food and child protection during childhood is planned. Free education and scholarships to students, employment security to adults and social security allowance and free health insurance during old age are also incorporated in the social security and protection measures. Senior Citizens Service and Meeting Centers are planned. These centers will be established and get operated at all local levels in partnership between the federal, provincial, local levels. The private sector has given responsibility for assisting the intergenerational transfer of knowledge, skills in children.

Further, programs are under implementation for free insurance for families under the poverty line and senior citizens. The program to provide health insurance to the aged population of 10 premiums for schemes up to Rs. 100,000, for individuals above the age of 70 years is designed. The insured amount is doubled to Rs. 100,000 for expanding the coverage of health insurance also to other family members. In the last budget of the fiscal year 2019-20, it is mentioned that the families of martyrs, conflict-affected and the injured will be brought under the scope of social security net.

The government of Nepal has also adopted different other programs to increase the social safety net for the needy citizens. One of the most politically hyped initiatives is the Prime Minister Employment Program which is grounded on the Employment Related Rights Act 2075. The government of Nepal has allocated Rs. 5.1 billion for the fiscal year 2019/20. This program guarantees every citizen at least a hundred days of employment per year and those who fail to get minimum employment are entitled for compensation from the government. Various social security and protection programs of government of Nepal is categorized below.

4.1 Contribution-based Social Security measures

Arguably one of the most ambitious of such programs is the recently introduced contribution based social security program. In 2017, the Government of Nepal passed a major legislation related to the Contribution-based Social Security Act that created the new Social Security Fund. Both, workers and employers are expected to make their contribution to the fund mandatorily from 22 May 2019 onwards. The fund is to finance the payments of benefits for the contingencies of accidents, sickness, maternity, gratuity, medical and old age pension as per the following different schemes. This fund is already in operation.

Medical and Health Protection Scheme: Under this scheme, the contributors receive support for medical expenditure including admission to hospitals, doctor's services as well as expenses on medicines. Scheme also covers doctor's expenses for those who are treated at home. A person who has contributed for three months is eligible for these benefits for the next three months.

Maternal Protection Scheme: This program covers the regular health expenditures during pregnancy for the contributor (or spouse) and the treatment for the infants up to three months. A woman who gives birth to a baby is entitled to at least a month's salary for the care of the baby. This is applicable for men as well. To be eligible for this scheme, a person needs to have contributed to the fund for at least three months. The benefits apply until three months after the person has stopped contributing to the fund.

Accidental Protection Scheme: This scheme provides protection against accidents and injuries. Treatment at the fund-specified hospitals are provided free of cost. If the treatment were carried out in other hospitals, the social security fund will cover up to the expenses as specified in the scheme. If the injuries preclude a person to return to work, the scheme will provide 60 % of the salary until the person manages to recover to return to work. In the case of injuries that lead to the person's permanent inability to return to work, there is a provision for pensions for life.

Old-age Protection Scheme: This scheme provides pensions after retirement. This scheme has been expanded in the pension system to employees in the private sector and non-governmental organizations as well.

Dependent Family Protection Scheme: Under this scheme, in the case of death or injury of a contributor, his or her spouse will be entitled to a pension based on the salary at death. There is also a provision for the educational expenses of the children up to 21 years of age.

These above mentioned contribution based social security programs are first implemented in Province 3 and based on the references it is now in the process of extending the program in the other Provinces of Nepal. Under the Ministry of Labour, Employment and Social Security, an employees' database has been created. The program is designed to fund by the social security fund contributed by the workers and the employers. While the workers contribute 11 percent of their basic salary, the employers top up 20 percent of the workers' basic salary.

Most importantly, the workers are eligible to participate in the social security scheme from day one of their employment, and there is no probation period of employment to be eligible to participate in the scheme. However, there are restrictions while to claim a particular benefit. Unless a worker has made mandatory contribution for a number of months into the fund s/he will not be able to claim the benefit. For instance, to claim a medical benefit, a worker must have deposited his/her contribution regularly for at least six months.

While the scheme is promising, a preliminary assessment shows that the contribution based social security scheme lack appropriate planning and coordination to implement the program. It appears that until December 2019 this scheme has not received due attention from those who are responsible to implement the program including policymakers, bureaucracy and political leadership to implement the program appropriately. As such, they have not been able to develop an appropriate database itself on which this scheme has to be rolled out.

An absence of appropriate database and lack of weak coordination has resulted in further complexity to implement the program. For instance, there are cases within ministries where agencies provide similar benefits to the employees. The Employees Provident Fund and Citizens Investment Trust provide medical coverage to their members, mostly government employees who are members of both organizations. This indicates the contradiction of universal applicability of the program. Similarly, a Health Insurance Board reporting to the Ministry of Health has been established to provide health benefits to all citizens. However during the same period the Contribution-based Social Security Rules has also provided medical benefits to workers. In the absence of appropriate database, it appears problematic to continue having actual estimations of the rate of contribution to ensure the long-term financial viability of the schemes. Singh (2019) argues that the challenge to implementing social security protection in Nepal is the lack of human resources assigned for the administration of the schemes.

The policies and programs of the government of Nepal appear a move in the right direction to provide social protection for the needy and promote inclusiveness. But most of these programs are in their infancy and lack adequate planning for effective execution. Skilled and efficient manpower has been a concern since the beginning of the program implementation. Also, the social security schemes need to be devised properly to make it sustainable over the long run. Similarly, any new program in this direction would require a through grounding when it comes to the implementation of the program.

To further elaborate on the above raised concerns, here it would be appropriate to discuss one of the politically hyped social security program of the government of Nepal, the Prime Minister's Employment Program and its modality so as to advise or for that matter to replicate the learning that is required in ensuring social security for the people of Nepal.

4.2 PM's Employment program

In continuation to various direct measures (allowances) taken to ensure social protection of its people in Nepal, PM's employment program is a new addition that seeks to create internal employment for unemployed workforce. This is a social protection initiation that seeks to explore the ways in which unemployment issues can be addressed locally. Apart from mandatory 100 day employment guarantee, this scheme is designed to impart training for skill development to unemployed youths.

In the program's policy documents, it is argued that ruling government is committed to the motto of 'Samaridhha Nepal Sukhi Nepali' – prosperous Nepal happy Nepali. PM's employment program is seen as one such initiative that will contribute in this direction. The program is mainly focused on the fulfillment of government's commitment to ensure constitutional rights to employment of the people in Nepal. Hence in its policy document it focuses on –

- Labour and employment policy, regulations, laws and measures
- Social security laws, rules, regulations and policy formations and taking measures
- Keep statistics of unemployed work force

A new unit has been set up to look after the implementation of the Prime Minister's Employment Program within the Ministry of Labour, Employment and Social Security, in the leadership of a joint secretary, a senior bureaucrat in the government, apart from three major departments – administration, employment management and labour relations and social security.

5. Legal Framework

The program is governed by the various legal documents approved by the Cabinet of Ministers of Nepal. Hence, when it comes to rules, regulations and other documents to guide the program, all most all the documents are now created. These include, Rojgari Ko Hak Sambandhii Ain (Employment Rights related Act 2075), Rojgari Ko Hak Sambandhi Niyamabali (Employment rights related regulations 2075), Pradhan Mantri Rojgar Karyakram Nirdesika (Prime Minister Employment program regulation guidelines 2075). These documents are developed by the government of Nepal, Ministry of Labour, Employment and Social Security. The Bill of Employment Rights Act was amended and approved by the Council of Ministers on Magh, 25 2075 (February, 8 2019). To generate enough employment within the country and to incorporate work force so as to use the manpower for the economic development of the country, a minimum employment of 100days for all is provisioned in the bill within the social protection scheme of the state.

Also, the rights to states are given to develop program related to employment support and implementation. It is envisioned that at the local level basically at Gaunpalika level there will be a forum created called Rojagar Sambad Manch (employment discussion forum) – that will initiate dialogue at the local level to create employment as well as to identify those who need support from PM employment program.

5.1 Definitions

Anybody between the age ranges from 18-59 years is eligible to find a job within PMES. To get employed within PMES, an application must be put locally from where they originally belong. Trainings will be provided to the job seekers for a particular nature of the work. Those who will receive training under employment support program will have to work, given if they are provided with work. If an individual denies to work they will be removed from unemployment list and would not be provided with 'nirbah bhatta' – unemployment benefit. This unemployment benefit will be provided to the unemployed under the section 6 (22) of the act of Rojagari Ko Hak Sambandhi Ain 2075.

If a person who is registered for and if they are not provided with job opportunity they will be paid 50% of the minimum wage within minimum employment scheme that is 100 days employment guarantee. 50 days minimum wage payment as unemployment benefit will be provided to the registered unemployed.

It is suggested in the regulation that whatever that is written in the regulation and act to put an application for the employment, Ministry will announce the date and within stipulated time frame application must be put for the respective year. This has to go through ward office at gaunpalika/municipality level. It is wards office's responsibility to send the forms to employment support center within seven days. Finally ESC is the local office responsible to compile the list and send the list of unemployed to the respective Ministry within 30 days. The timing to put an application is fixed for the month of Chaitra (April/May) of each fiscal year.

- Priority or eligibility for unemployment benefits/job is identified -
- If none is employed in the family
- Low income strata as fixed by government of Nepal poverty index
- None of the family members have self-employment
- Food production for only three month's subsistence, those families dependent on agriculture
- Homeless family
- Single women family
- Dalit , Minorities and endangered community
- Below annual minimum earning employment
- No employment in the families/no self-employment
- Martyrs family / disappeared family
- Unemployed women and other unemployed

5.2 Mechanism for implementation of the scheme

As per the provision of the Employment Rights Act 2075, an employment support center has to be created at the Gaun Palikas level. Section 10 (1) notes that every local body will have one employment service center, within every Gaunpalika bodies. Direction, coordination and facilitation will be done by the Ministry at central level.

To get employed within PMES, an application must be put at the support center if one aspires to get employment within minimum employment scheme. The applicant must also mention their skill, education, and other capacities within the framework provided to put an application. The responsibility of the employment center is to keep records. Also these centers are authorized to ask other government/NGOs organizations for information on employment that they give to people. It is obligatory for the organizations that they should provide appropriate information to employment service center as per asked and required. After consolidating all information on employment at local level, center will have to send employment information to provincial and central government.

Furthermore, other organizations can ask for labour force from employment service center. ESC can provide information on local employment available in the area. It seems that it is more focused on local employment through private firms, and NGOs and these different other organizations come under this ambit. There is also provision of a directorate committee at both central and state level to oversee implementation of the program. However this mechanism is yet to be functional.

A guideline for the monitoring and evaluation of the program is developed. This proposes once in a year public hearing of the program. One can put complain through email and other electronic means if observed irregularities in implementing the program. There is a provision that once a complaint is made, it would be addressed within 15 working days. Also accident insurance is provisioned mandatory of which 40% will be labourer's contribution.

6. Current state of affairs

Economically uplifting people's life/living standard is aimed through PM's employment program. From the review of the program and related documents, it appears that this initiative if implemented appropriately must yield result in at least focusing on selected marginal groups in the communities. This is therefore seen also as a step forward to strengthen social protection measures especially for marginalized people. The activities to ensure employment are therefore modeled in two different ways.

- *Payment for wage (kam ka lagi parisharamik)*
- *Labours wage sharing (sharmik ko jyala ko rupma sajhedari)*

The PEP program is implemented through Antarik Rojgar Byabasthapan Maha Sakha. Prime Minister Employment program secretariat is created in Singhdarbar, Kathmandu in 2019 (2075 BC). This is the central office that regulates the program and oversees overall monitoring and evaluation of the program. To run the program, a system for information management is envisioned and an online social security information management system has been created. However its functioning is yet to be ensured. All together 14 employment information centers have been established in all provinces. A few employment coordinators are hired in contract.

At present, PEP has introduced a program called – Shram Ko Samman Rastra Ko Abhiyan. Within this initiative a total of 12 projects are implemented. Initial financial data for the fiscal year 074/75 suggest that most of the expenses are related to the creation of employment management mechanism. At this initial stage employment information center is working partially and it is learned that this office lack appropriate workforce and are facing other operational issues. Until 2019 a total of 67% of allocated budget has been spent on creating Employment Management system.

Table. 2. Expenses of PEP for year 2074/75

Fiscal Year 2074/75	Total Budget	Total Spent
Program budget	118,949,000.00	966,808,00.00
Employment Information Center	21169000.00	20088000.00

If one looks at the initial data, it suggests that for the fiscal year 074/75, a total 14927 unemployed were registered through employment information center. Of which 738 recommended for employment and 1374 were recommended for training. Beneficiaries have been provided with employment identity card. Altogether 80.81% of the total budget was spent.

Apart from the real employment generation for the rural youth, the work related to creating the operational structure to implement the program is in progress. By fiscal year 2075/76 most of the policy and plan related operational documents have been prepared. Also outcome indicators, for 10 years, to monitor the program have been developed. A week but developing implementation mechanism has been developed and initial inter-ministerial and inter-state/municipality level discussions are held. However, it is obvious that the skilled manpower to operationalize the scheme remains an issue. The government has identified the areas in which employment can be generated mainly includes public area development and construction program, private and NGOs and various schemes under poverty eradication program of the government of Nepal. The major areas in which there might be a possibility of employment generation is further narrowed down. These are –

- Agriculture, cooperative and animal development
- Energy, irrigation and river control
- Drinking water and cleanliness
- Forest and environment
- Tourism development
- Road transport
- Education, youth and sports
- Reconstruction
- Community infrastructure development
- Big national priority projects
- Information technology and communication

In addition, it is envisioned that social security fund's office will be at all three levels of executive structure - federal, provincial and local. This would then connect with the PM employment scheme. However these structures are still not created and there persist confusion how these mechanisms will be developed. Social security fund and social security program were advertised by various media. Until 2019, NPR 1,69,79,00,000.00 has been deposited in social security fund. However, there is no clear guideline available to invest money from social security fund to generate employment. Also, there is very little done to explore various employment generation initiatives within already identified areas. Until now none of these initiatives have taken a real shape to cater the employment need. In contrary, it appears that the employment initiatives are designed more to incorporating unskilled wage labour and also the categories of work is not identified as per an individual's skills or needs. Instead jobs are mainly assigned in manual work in some of the cleaning and hygiene programs and argued only favoured to political cadres.

In terms of skill development trainings that are designed to make workforce skillful. Again the modalities are seen quite traditional and are failed when tested in the past. A few short term employment initiatives of having budget below 5 lakhs in a year are implemented at Gaunpalika level. But there too, it lacks any systematic implementation of the project. This initiative has been seen as a pocket fund for the political cadres already elected local representative locally.

From a review of PME initiative it is clear that PME is based on the strategy of implementing public works as part of employment guarantees. This will have positive effects on both the demand side of the labour market and the supply-side of production conditions. However, the specific question whether employment programs can actually work on various levels including raising the level of employment, increasing wages and thereby reducing poverty is yet to be established. From the case of India as discussed in previous section, it is evident that these kinds of initiatives have positive impact on the lives of marginalized people if implemented without corruption. In the case of Nepal, the PME program is certainly ambitious in its scope. Its stated objective to ensuring social protection for the most vulnerable people living in rural Nepal through providing employment opportunities; ensuring livelihood security for the poor through creation of durable assets is yet to be seen. Moreover, given the crisis ridden economic scenario of Nepal, the sustainability of such initiatives remains a matter of concern.

7. Sustainability of social security in Nepal

In Nepal, social security programs have accounted for an increasing portion of the national budget in recent period. As shown in Table 2, the allowances for senior citizens, single women, endangered ethnicities and the disabled people have increased over time. From 2000/01 to 2007/08, the share of these programs in the national budget was 0.7 % on average. There was a large jump from 2007/08 to 2008/09 when social security programs claimed a hefty 1.9 percent of the national budget. The fiscal year 2009/10 also saw a substantial increase to 2.8 percent which decreased to 2.4 percent in 2010/11. During the fiscal year 2014/15, the social security programs took a huge chunk 6.3 percent of the national budget and about 1.6 percent of the nation's GDP. These imply an increasing trend of the social security expenses exerting increasing pressure on public finance. The expansion of social security programs and increase in benefits will further lead to increased pressure on public finance in the future.

Table 2: Annual government expenditure on social security allowance (Thousand Rupees)

Fiscal Year	Expenditure on social security	Total budget	Gross Domestic Product	% of total budget	% of GDP
2000/01	525,297	79,835,098	441,519,000	0.7	0.1
2001/02	541,966	80,072,291	459,443,000	0.7	0.1
2002/03	571,395	84,006,081	492,231,000	0.7	0.1
2003/04	583,440	89,442,593	536,749,000	0.7	0.1
2004/05	734,051	102,560,471	589,412,000	0.7	0.1
2005/06	822,180	110,889,158	654,084,000	0.7	0.1
2006/07	1,038,251	133,604,606	727,827,000	0.8	0.1
2007/08	941,201	161,349,894	815,658,000	0.6	0.1
2008/09	4,265,184	219,661,918	988,272,000	1.9	0.4
2009/10	7,251,673	259,689,106	1,192,774,000	2.8	0.6
2010/11	7,598,000	323,109,224	1,366,953,000	2.4	0.6
2011/12	8,299,745	339,167,485	1,527,344,000	2.4	0.5
2012/13	10,206,392	358,637,980	1,695,011,000	2.8	0.6
2013/14	10,545,704	449,852,021	1,964,540,000	2.3	0.5
2014/15	33,289,700	531,339,983	2,120,470,000	6.3	1.6
2015/16	34,717,300	601,031,855	2,248,691,000	5.8	1.5

Source: Expenditure on social security allowances and the total national budget are taken from the Ministry of Finance, Government of Nepal. The GDP data are taken from the Central Bureau of Statistics (CBS).

Furthermore, sustainability of the schemes under the contribution based social security as well as PME program depend on whether the fund can make productive investments. Also these schemes, especially the old-age protection programs need to be organized based on current needs and future trend as it is susceptible to different risks arising out of the demographic transition. Policymakers should learn from the experience of OECD countries while designing proper social security schemes. Specifically, given the unemployment and (more commonly) underemployment being the dominant features of the Nepali economy, when it comes to PME, it can have a positive effect if surplus labour force is provided with jobs in development of infrastructure. This again depends on sustainability of funds to a large extent.

8. Conclusion

From the data presented in this paper, it is obvious that social security is an effective tool for modern states to carry out redistribution of income and wealth and to enhance inclusiveness. A social security system helps individuals who cannot plan ahead to improve on their consumption-saving behavior. Also, market dynamics and its failure leading to adverse selection due to asymmetric information seek for active role of government in social security measures. More specifically, in the post 2006 changed political context of Nepal, Social security programs are a necessity for the realization of the 2015 constitution's goal of achieving inclusive economic development, equity and democracy-based socialism in Nepal. It appears that major political parties have shown a strong commitment in that direction as well.

Social protection programs in Nepal are still at its infancy, although it was started in 1994 when the old-age pensions were first introduced. Data suggests that the social security programs have seen gradual expansion over recent years as have their share in total government expenditure. The government has introduced different social protection schemes under the contribution based social security act 2074. These schemes protect the contributors against medical, maternal and accidental expenditures, provide benefits for the dependents and family and also provide old-age pensions. On the other hand, the Prime Minister Employment Program guarantees minimum days of work to protect the citizens against unemployment.

These social security programs are in the right direction and can help raise welfare and enhance social inclusion and galvanize the post-conflict peace and stability in Nepal. However, preliminary assessment shows that the contribution based social security scheme lack appropriate planning and coordination to implement the program. Lack of a proper database and inadequate human resources have complicated the implementation of the program. The long run sustainability of such programs, especially the old age pensions or for that matter PM employment program depends on the Social Security Fund's ability to make productive investments. This involves a crucial reversal of the underlying basis of public delivery in Nepal, which had hitherto been much more driven by a paternalistic view of the state as delivering 'gifts' to the people and has evolved in patron client relationship.

On the other hand, the success of social security and protection schemes depend on its ability to adjust to changing demographic parameters. Nepal is undergoing a demographic shift as the population of children under the age of 10 is declining. The largest segment of the Nepalese population lies between the ages of 10 and 14, but it is experiencing slower growth. According to the World Population Projection 2015, Nepal is expected to turn to an ageing society as early as 2028. This means that more than 7 percent of the population will be aged 65 or older by that year. Furthermore, Nepal will turn into an aged society by the year 2054 when the respective share increases to 14 percent of the total population.

Social security programs have seen their share in total national budget increase over recent years. Population aging will further put increasing pressure on the working age population who contribute to the tax revenues in general and the social security fund in particular. The demographic transition will pose a challenge for the sustainability of the social security programs. Policymakers in Nepal need to learn from the experience of other countries where population ageing due to the demographic shift has posed increased pressure on public finance and the long-run sustainability of the pension system is at the center of policy debates. These factors need to be taken into account while designing social security schemes, especially the old-age pension scheme. As reforms of such programs are difficult due to high associated political costs, it would be wise to look into these matters at the very inception.

Finally, the extent to which an excluded group or individual successfully or legally claim specific provisions in the principles and policies and even fundamental rights will inevitably depend upon how the nature of politics and government is able to reach out to the marginalized group of people. For that matter, indicators must be utilized for productive inclusion of youth workforce in developing local infrastructure. For this, it is imperative to create a credible mechanism to operationalize and implement the program like PM employment scheme. A household poverty classification system across the country would be essential to target the excluded and marginalized ones.

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Author Introduction:

Dr. Sujeet Karn holds a PhD in Social Anthropology from the University of Hull. A former PRI Research Fellow, Dr Karna’s research focuses on anthropology of violence, borderland livelihoods, peace building and security in South Asia.

PRI is a think tank of the government of Nepal established on 14 November 2018 in accordance with the Policy Research Institute Board (Formation) Ordinance with a vision to contribute to effective and responsive public policy for national prosperity. PRI's mission is to establish itself as a credible institution that offers informed public policy and its goal is to generate reliable, evidence-based and transformative knowledge for public policy. Its seven core values – quality, objectivity, integrity, diversity, transparency, accountability and engagement – define its workings.

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