

Chapter X ECONOMIC ACTIVITY OF THE POPULATION

A. Introduction

In Nepal, information relating to the economic activity of the population is available from the three censuses carried out in the country in and after 1952/54. However, a systematic analysis of the time series data is to a large extent handicapped by changes in the definitions and concepts of "economically active population" adopted in the three censuses. The 1952/54 census used the "labour force" concept when it defined the economically active as those who were either working or had a job from which they were temporarily absent or were looking for work at the time of the census. Thus, according to this definition, the economically active population consisted of persons who were employed as well as those who were unemployed (i.e., those who were seeking employment) at the time of the census.

The 1961 and 1971 censuses appear to have adapted a mixture of the "labour force" concept and the "gainful work"¹ concept when their questions concerning economic activity of a person referred to his gainful activity during a period of eight months in the course of the year preceding the census. Of the persons who were seeking work at the time of enumeration only those who had worked for eight months and more previously were considered active while those who had worked for a period of less than eight months and were out of work at the time of enumeration were classified as inactive.

It will thus be seen that while in the 1952/54 censuses, all persons seeking employment (i.e., the unemployed) were also considered economically active, in the 1961 and 1971 censuses only those unemployed who had worked for eight months and more previously were included in the category of economically active. Further, the reference period for reporting

economic activity in the 1952/54 census was "at the time of the census" while in the 1961 and 1971 censuses, the period related to "eight months in the course of the year preceding the census."²

Further, the minimum age used for defining the economically active population has also varied from one census to another. At the 1952/54 census, particulars regarding economic activity appear to have been collected in respect of all persons including those under 15 years of age. However, these particulars were collected only in respect of all those aged 15 years and over in the 1961 census and those aged 10 years and over in the 1971 census. In order to effect comparability in the time series data, the discussions in the sections that follow will be based on the economically active population aged 15 years and over as enumerated in the three Nepalese censuses of 1952/54, 1961 and 1971.

B. Economically active population

1. *Over-all Trends*

The total population and the economically active population by sex as recorded at the three censuses, together with the activity rates, are given in table 78. It will be observed that while the total population of the country increased by 14.3 per cent between 1952/54 and 1961, the economically active population increased by only 10.6 per cent during this period. Consequently, the crude activity rate, or the proportion of the economically active to the total population, decreased from 47.3 per cent in 1952/54 to 45.8 per cent in 1961.

It may, however, be noted that since the number of economically active persons shown in table 78 refers to persons aged 15 years and over, a more meaningful measure of the activity level could be

Table 78. Total and economically active population by sex, 1952/54, 1961 and 1971

Sex and year	Total population		Population aged 15 years and over		Economically active population ^a		Activity rate	
	Number	Percent increase	Number	Percent increase	Number	Percent increase	Crude ^b	Refined ^c
Both sexes								
1952/54	8235079		5069434		3893997		47.3	76.8
1961	9412996	14.3	5659931	11.6	4306839	10.6	45.8	76.1
1971	11555983	22.8	6881405	21.6	4197962	-2.5	36.3	61.0
Males								
1952/54	4050607		2434482		2314042		57.1	95.0
1961	4636033	14.4	2724757	11.9	2563915	10.8	55.3	94.1
1971	5817203	25.5	3437781	26.2	3017767	17.7	51.9	87.8
Females								
1952/54	4184472		2634952		1579955		37.7	60.0
1961	4776963	14.1	2935174	11.4	1742024	10.2	36.5	59.3
1971	5738780	20.1	3443624	17.3	1180195	-32.2	20.6	34.3

Source: Computed from the data of the 1952/54, 1961 and 1971 censuses of Nepal.

a In respect of population aged 15 years and over.

b The crude activity rates refer to the number economically active per 100 of the total population.

c The refined activity rates refer to the number economically active per 100 of the population aged 15 years and over.

obtained by relating the total number of economically active population to the total population aged 15 years and over. These refined rates indicate that increases in the number of economically active persons have more or less conformed to an increase in the population of corresponding ages. Thus, while the population aged 15 years and over increased by 11.6 per cent, the economically active population increased by 10.6 per cent resulting in a very slight decline in the refined activity rate from 76.8 to 76.1 per cent between 1952/54 and 1961.

However, between 1961 and 1971 there was a decline in the actual number of economically active persons from 4,306,839 in 1961 to 4,197,962 in 1971, leading to a sharp decline in the crude as well as refined activity rates. Initially, these figures "lead us to suspect that either the size of the labour force in 1961 was inflated, or that 1971 labour force figures have, in some way, been under-estimated. Similarly, other factors such as differences in data collection methods, editing, coding and tabulation might have emerged to produce these variations."^b Nevertheless, a closer examination of table 78

indicates that while the number of economically active males increased by 17.7 per cent between 1961 and 1971, there was a sharp decline in the number of economically active females by 32 per cent during this decade, and that the decline in the total economically active population as well as the activity rates has largely been due to the decline in the number of economically active females. Several factors have been identified as contributing to the decline in the absolute number of economically active females during this decade.

"First, it seems quite apparent that 1971 census was more strict in verifying female activities and distinguishing the active females from the inactive ones. While in 1971 census, 2,006,887 females 15 years of age and over out of total population 3,443,624 or 58.3 per cent in the same age group, have been reported inactive as being house-wives, only 34.7 per cent or 1,017,180 females out of 2,935,174 females above age 15 were reported inactive in 1961, and classified under the category of domestic workers. This reason seems to be the main factor in reducing

female crude activity rate. Secondly, the remarkable increase in female enrolment rate in higher education has also contributed to the retention of some females in the inactive category. While only 3,550 females above age 15 were reported to be students in 1961 census, the number of inactive female students was 21,836. Similarly, on the male side, the sharp rise in school enrolment had also affected the size of labour force. While in 1961 about 21 per cent of all inactive male population were considered to be students, this ratio amounted to 35 per cent of total inactive males above age 15 in 1971 census.¹⁴

2. *Age-sex Trends and Patterns*

The age-specific activity rate, or the rate calculated for a specific age group, is a more reliable measure of trends in economic activity since these rates are independent of the age structure of the population. However, these rates are affected by certain socio-economic and demographic factors. "In countries where education is compulsory up to age 15, for example, active persons form only a small fraction of total population below that age. Similarly, in countries where old age pensions are given through a network of social security after the individual reaches a certain age, the participation rates drop sharply after that age. The implications of high fertility levels on female participation rates in the labour force need no explanation. High fertility levels deter women from participating actively in the labour force."¹⁵

The trend in age-specific activity rates by sex is shown in table 79. The censuses of 1952/54 and 1971 revealed that a significant proportion of children below 15 years participated in economic activity. This proportion, which was about 23 per cent in 1952/54, increased to about 51 in 1971. In 1971, the economically active children aged 10-14 years constituted 13.5 per cent of the total economically active population in the country. Compared with rates obtaining in neighbouring countries such as Bangladesh (10.2 per cent),

India (6.0 per cent) and Pakistan (8.8 per cent), the participation rate for these children in Nepal is indeed very high.

In the 1952/54 and 1961 censuses, the participation rate was highest in the age group 25-44 years for males and in the age group 15-24 years for females. In 1971, the participation rate for the total population reached its maximum limit at ages 35-39 and continued to show a broad peak up to age 59. thereafter, it declined rapidly with advancing age. While the trend for males conforms to these over-all trends, in the case of females, the participation rates rise to a maximum at age group 15-19 and thereafter decline gradually with advancing age. It may also be noted that participation rates do not differ substantially from one age group to another for women in the childbearing age groups.

3. *Industrial Classification*

The type of economic activity that a person performs can be looked at from the point of view of the industry or the activity of the establishment in which the economically active person works during the time reference period. It is customary to classify the labour force by three major industrial sectors which together make up the economy: the primary, the secondary and the tertiary sectors. Primary industry includes agriculture, forestry, hunting, fishing, mining and quarrying. The secondary sector comprises manufacturing, construction and public utilities. In other words, the secondary sector comprises all activities engaged in the process of primary products, disregarding the stage of production. The tertiary sector consist of trade and commerce, transport and communications, and personal and domestic services.

Table 79. Age-specific economic activity rates, 1952/54, 1961 and 1971

Age group	1952/54			1961			1971		
	Male	Females	Bothsexes	Male	Females	Bothsexes	Male	Females	Bothsexes
10-14	25.3 ^a	20.1 ^a	22.7 ^a				59.2	40.1	50.5
15-19	96.1	72.8	84.2	94.1	73.3	83.4	75.7	46.2	61.6
20-24							89.8	39.2	63.5
25-29	99.1	61.4	79.4	98.5	63.1	79.9	95.1	36.6	65.3
30-34							96.6	33.9	63.7
35-39							97.4	34.0	66.9
40-44							97.2	32.9	64.7
45-49	98.0	52.9	75.3	97.4	51.1	73.9	96.8	32.5	66.7
50-54							94.0	30.5	62.9
55-59							90.3	27.7	60.0
60-64	61.4	22.6	39.9	65.2	25.7	43.6	64.1	17.9	39.7
60 and over							40.5	10.4	25.1
All ages	60.7	40.5	50.4	94.1	59.4	76.1	82.9	35.1	59.3

Source: Computed from the data of the population censuses of 1952/54, 1961 and 1971.

^a Economically active population under 15 years of age per 100 persons aged 10-14 years.

The proportionate distribution of the economically active population by three broad industrial sectors is shown in table 80. The proportions of the labour force engaged in the three main sectors are in certain respects an index of the development of the economy over the years. The experience of the developed countries shows that, as economic development advances, the proportion of the labour force in the primary sector gradually declines and correspondingly there is an increase in the proportion of the labour force engaged in the secondary and tertiary sectors. An examination of the data in table 80 indicates that over 93 per cent of the working population has in all years been engaged in agriculture and allied industries and that there has been a steady increase in the proportion of the labour force engaged in the primary sector. It is thus clear that

"Nepal's economy was not able, during a period of almost twenty years, to bring changes in the functional distribution of the labour force. Primary sector has prevailed to be labour-intensive, while secondary sector, consisting mainly of cottage industry and a small size mechanized consumer's industry with very limited workers absorbing capacity, has not yet sufficiently developed to cover the expanding needs of the population for consumers' goods."¹⁶

A clearer picture of the industrial distribution of the economically active population can be obtained by classifying the industries into two groups: agricultural (farming, forestry, fishing and hunting) and non-agricultural (all other industries). Such a classification for urban and rural areas in 1961 and 1971 is shown in table 81. It will be noted that non-agricultural industries

Table 80. Percentage distribution of economically active population by major industrial sector and sex, 1952/54, 1961 and 1971

Sex	Year	Primary ^a	Secondary ^b	Tertiary ^c	Unspeified	Total
Both sexes	1952/54	93.5	2.1	4.2	0.2	100.0
	1961	93.8	2.0	3.4	0.8	100.0
	1971	94.4	1.2	4.4	0.0	100.0
Males	1952/54	91.7	2.5	5.6	0.2	100.0
	1961	91.7	2.6	4.8	0.9	100.0
	1971	92.8	1.4	5.8	0.0	100.0
Females	1952/54	96.0	1.7	2.1	0.2	100.0
	1961	96.9	1.3	1.2	0.6	100.0
	1971	98.1	0.5	1.4	0.0	100.0

Source: Computed from the data of the population censuses of 1952/54, 1961 and 1971.

a Comprising the major divisions of agriculture, forestry, fishing and hunting; and mining and quarrying.

b Comprising the major divisions of manufacturing; construction; and electricity, gas and water.

c Comprising the major divisions of transport and communication; finance and business service; and personal and community service.

Table 81. Percentage distribution of the economically active population by agricultural and non-agricultural industries for urban and rural areas in 1961 and 1971

Major industries	1961			1971		
	Urban	Rural	Total	Urban	Rural	Total
All industries	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	37.5	95.5	93.8	32.8	96.3	94.4
Non-agriculture	62.5	4.5	6.2	67.2	3.7	5.6
Non-agriculture	100.0	100.0	100.0	100.0	100.0	100.0
Manufacturing	24.0	32.9	30.4	15.5	20.7	19.0
Electricity, gas, water	1.2	0.3	0.6	0.8	0.5	0.6
Construction	3.6	1.5	2.1	2.1	1.8	1.8
Commerce	22.0	16.6	17.7	22.9	23.6	23.3
Transportation	7.5	5.6	6.2	4.8	2.9	3.5
Services	37.2	28.1	30.7	53.9	50.5	51.7
Unspecified	4.5	15.5	12.4	-	-	-

Source: Government of Nepal, *The Analysis of the Population Statistics of Nepal* (Kathmandu, Central Bureau of Statistics, 1977), p. 177, table 6.10.

"are by their nature concentrated in urban places where skilled manpower, energy and moreover, markets and importing and exporting facilities do exist. But certain crafts, retail trade and cottage industry which are particular related to agriculture and to the needs of the village population are practiced in the rural area."¹⁷

Between 1961 and 1971, the proportion of the workforce engaged in agriculture and allied industries increased for rural areas and for the country as a whole, while a substantial decline was noted in the urban areas. However, the proportion engaged in non-agricultural industries recorded a decline for the rural areas and for the country as a whole, and a substantial increase for the urban areas. It will also be noted that the

proportions of the economically active persons engaged in most of the non-agricultural industries have shown a decline between 1961 and 1971, the only increase being noted in regard to commerce and the services.

4. *Occupational classification*

The economically active population can also be looked at from the point of view of the occupation or kind of work done during the time reference period. Particulars regarding the occupations of the economically active population were collected only in 1961 and 1971. However, the classification adopted at the two censuses is not uniform and it is therefore not possible to present a comparative picture. Hence, an analysis of the data relating only to the 1971 census is presented in table 82.

It will be noted that the occupational structure of the economically active population more or less reflects the industrial structure of the country. Nearly 95 per cent of all economically active persons are engaged in farming and related occupations and this proportion roughly corresponds to the proportion of workers engaged in agriculture and allied industries. The very low proportion of professional, technical, clerical and production workers reflects the limited employment opportunities available outside the agricultural sector.

Table 82. Percentage distribution of economically active population by broad occupational group, 1971

Occupational group	Males	Females	All persons
Professional/technical workers	0.7	0.1	0.5
Administrative workers	0.1		
Clerical workers	1.3	0.1	1.0
Sales workers	1.5	0.5	1.2
Service workers	0.8	0.4	0.7
Farm/fish workers	92.8	98.2	94.4
Production labour workers	2.8	0.7	2.2
All occupations	100.0	100.0	100.0

5. *Employment Status*

The economically active persons are classified according to their employment status into four broad categories: employee, employers, own account worker, or unpaid family worker. It has, however, to be noted that at the 1952/54 census, unpaid family workers were included along with own account workers, but at the 1961 and 1971 censuses they were tabulated separately. The proportionate distribution of the economically active population by employment status is shown in table 83.

It will be noted from the table that more than 75 per cent of the economically active persons were own-account or self-employed workers. Between 1961 and 1971, there was an increase in the proportion of self-employed males as well as females. While among males, the second largest category of economically active persons were paid employees, among females unpaid family workers ranked second. There was a decline in the proportion of the paid employees and unpaid family workers between 1961 and 1971.

In most countries, the proportion of employees (salary and wage earners) usually increases in the course of development. But in Nepal, the proportion for the total population declined from 16.2 per cent in 1961 to 9.3 per cent in 1971. There is, however, a marked difference in

Table 83. Percentage distribution of economically active population by employment status, 1952/54, 1961 and 1971

Employment status	1952/54			1961			1971		
	Males	Females	Both sexes	Males	Females	Both sexes	Males	Females	Both sexes
Employer	1.1	0.6	0.9	0.9	0.4	0.7	0.5	0.2	0.4
Employee	20.6	14.8	18.2	20.1	10.4	16.2	11.7	3.7	9.3
Own account worker	78.0 a	84.3 a	80.5 a	75.6	77.3	76.3	84.7	89.0	85.9
Unpaid family worker				2.8	11.3	6.3	3.1	7.2	4.3
Status not known	0.3	0.3	0.4	0.5	0.6	0.5			
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Computed from the data of the population censuses of 1952/54, 1961 and 1971.

a includes unpaid family workers.

the proportion of employees among the two sexes and between urban and rural areas.

and this difference is more marked in the case of females than males.

"For total population the proportion of employees was about 9.3 per cent in 1971 (11.7 per cent for males and 3.6 per cent for females). In the urban area, this proportion was 52.4 per cent (54.8 per cent for males and 36.3 per cent for females) as against 8.0 per cent (10.0 per cent for males and 3.2 per cent for females) in the rural area. The low proportion of female employees is mainly caused by the low rate of literacy among females on the one hand and by the nature of their role as unpaid family workers in the household enterprise on the other"⁸

"It could be possible that persons in the urban area go to work later and retire earlier than people in the rural area. Besides, the urban areas may have less opportunity for child employment. Female labour in the transplantation of paddy is of first importance in the rural economy of Nepal, where no certain skills are needed for the performance of this work. Meanwhile, jobs in the city are bound to certain level of skills or qualifications."⁹

6. Regional Differences

The over-all activity rates for persons aged 10 years and over by sex and by rural-urban residence are shown in table 84. It will be noted from the table that there is a remarkable difference in the working habits of the people in urban and rural areas. The activity rates for both sexes is lower in the urban than in the rural areas,

The age-specific activity rates for the four development regions in 1971 are shown in table 85. In regard to males, it will be noted that in all development regions, activity rates are very high between ages 20 and 59, and that at younger ages the rates appear to be a function of the level of school enrolment. For example, the

Table 84. Labour force participation rates of persons aged 10 years and over in rural and urban areas, 1961 and 1971

	Urban		Rural		Total	
	1961	1971	1961	1971	1961	1971
Males	79.5	66.8	94.8	83.7	94.1	82.9
Females	27.8	12.3	60.5	36	59.4	35.1
Both sexes	55.5	42.3	76.9	60.1	76.1	59.3

Source: Government of Nepal, *The Analysis of the Population Statistics of Nepal* (Kathmandu, Central Bureau of Statistics, 1977), p. 157, table 6.1.

western development region, which has the highest school enrolment rate of 32.9 per cent for persons aged 6 to 24 years, has the lowest economic activity rate for children aged 10 to 14 years. on the other hand, in the far-western development region, where the school enrolment rate is the lowest (17.3 per cent), the activity rate for males aged 10 to 14 years is the highest. It may also be noted that activity rates of older

males (that is those aged 60 years and over) appear to be lowest in the far-western development region which is considered to be the least developed of the four regions in Nepal.

In all regions, female activity rates reach a peak at ages 15 to 19 years. the over-all activity rate for females and 10 years and over was highest (52.6 per cent) for the western development region and almost equal in the central and eastern development regions with 28.6 per cent and 28.5 per cent respectively.

"Most likely, variations in female activities between zones can be attributed, in addition to the availability of male worker, to variations in marital status, female enrolment in school, economic conditions and social attitudes towards women participation in gainful work".¹⁰

Table 85. Age-specific economic activity rates for various development regions, 1971

Age group	Eastern development region		Central development region		Western development region		Far-western development region	
	Males	Females	Males	Females	Males	Females	Males	Females
10-14	56.7	31.7	61.5	34.0	54.9	55.0	64.4	41.8
15-19	73.7	26.0	76.4	39.3	72.2	65.4	80.3	46.8
20-24	89.3	30.2	89.1	31.3	88.3	58.5	92.8	42.2
25-29	95.5	28.4	95.2	29.3	93.2	54.8	96.3	38.9
30-34	97.7	27.5	96.9	26.7	94.9	50.3	97.6	36.3
35-39	98.0	28.2	97.6	27.1	96.0	49.2	97.8	35.5
40-44	97.7	28.3	97.3	25.9	97.4	47.0	97.5	34.6
45-49	97.6	29.1	97.0	25.2	95.4	44.5	97.3	32.9
50-54	94.4	26.8	94.0	24.8	93.4	42.3	93.8	30.6
55-59	91.3	24.6	90.3	22.5	90.2	38.6	89.1	27.2
60-64	70.0	16.8	66.8	15.4	66.8	24.7	51.0	14.9
65+	45.1	9.6	43.0	9.4	40.4	13.7	30.1	8.1
Total	82.7	28.5	84.0	28.6	80.0	52.6	84.6	36.9

Source: Government of Nepal, *The Analysis of The Population Statistics of Nepal* (Kathmandu, Central Bureau of Statistics, 1977), pp. 166-167, table 6.5 and 6.6.