

Social Security: Concerns of Nepalese Workers

**A national seminar Organized by CLASS, Nepal
and FES, Nepal in Kathmandu on Aug 24**

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Social security issue has received a significant place in various discussion forums these days as the country is bracing for a new constitution. According to the International Labor Organization, social security is the rights of workers to get unemployment benefits, health care, sickness, old age, accident benefits, care of family and children, maternity protection, disability, dependency support etc. However, the social security should not be confined to workers alone. It is the matter concerned with all citizens. Therefore, the Constituent Assembly that is assigned to write the new constitution has, in principle, recognized social security as the rights of the people. The Interim Constitution guarantees people's rights to work, health and food sovereignty, residence and clean environment.

These provisions envision Nepal's desire to be a welfare state that is based on a 'compromise between internal welfare need of people and the imperative of liberal international economic order'. Despite the fact that the country's depressing economic condition does not allow it to pump money into social security schemes. It is currently spending only 3 per cent of GDP to the social security. Inclusive economic growth is the key to enable the nation to fulfill the basic requirements of its citizens. With the CA engaged in the process of writing the new constitution, it has become necessary for all concerned stakeholders to voice for the institutionalization of social security agenda to build a class-neutral, socially and ecologically embedded state.

Against this backdrop, Friedrich Ebert Stiftung (FES) and the Centre for Labour and Social Studies (CLASS), Nepal joined their hands to stimulate debate on the social security issue at a national seminar 'Social Security: Concerns of Nepalese Workers' in Kathmandu on August 24. Altogether more than 70 representatives from different like-minded organizations participated in the event where experts presented their working papers, and interacted with the participants.

Opening Session

Speaking at the inaugural session, political leaders, experts and business people put emphasis on coordination and cooperation among the government, employers and employees to ensure the social security of workers. Many of them were unison that there should be balanced role of capital and labour, and equal focus on the right and duty.

Go for social market economy, Dahal prescribes

FES, Nepal head Dev Raj Dahal said that the country had not yet settled the discourse about the social security.

Among the three social dialogue partners, only trade unions are pro-actively engaged in defining the social security and have proposed to cut one per cent of their salary for social security funds, which can benefit 2 million workers, but the tripartite arrangement should bring all 10.7 millions Nepalese workers under this scheme, Dahal emphasized.

He said, “The main question is: how can the state and trade unions maintain social solidarity between formal and informal sectors and compete with their new rivals NGOs, civil society and identity-based various groupings? How can trade unions and employer’s council transcend their class interest to work together for the common interests of all Nepali citizens for sustainable development?”

Dahal said that the poor in the informal sector needs access to land, water, credit, seeds, education and technology so that there will be better exchange relations between urban and rural areas, and formal and informal ones for social transformations. Calling for structural reforms to meet the rising aspirations of the marginalized groups such as ethnic and indigenous people, Madhesis, dalits, women, youths and the needy, Dahal envisioned a workable constitution as a new social contract, which he said, must ensure democratic accountability of leadership and the social equity for the poor.

He stressed that the future’s economy of the country should focus on welfare state, social market economy, funding of social security system, green growth, good governance, rule of law and human rights, and uplift of marginalized. Dahal opts for social market economy to address Nepal’s transitional problems, claiming that it can provide a common political ground between left-right divide, a mechanism of resolving contradictions within capitalistic economy and better minimum wage to support the lifetime capability enhancement and welfare of the people.

According to him, social market economy did not subordinate politics and government to the dynamic properties of market or class imperatives. “Rather it allows politics to coordinate market for common good, maintain a balance between productivities and social aims, support the welfare state, and provides the people all five sets of human

rights – civil, political, social, economic and cultural, inclusive political process and agreement on social justice as reflected in the interim constitution.”

“A respect of minority, poor and workers to regime and their stake on democracy can make it stable, judicious and peaceful. Social justice, the lynchpin of social democracy, is the most important factor because it glues the multi-levels of societal hierarchy and removes structural injustices,” he concluded. He also drew the attention of the participants to the equal emphasis on right and duty, and the balanced role of capital and role for the sustainable development.

‘State needs to mediate between labour and capital’

CA member from Nepali Congress Gagan Thapa said that social security was the key component social democracy but there had not been much debate on this issue among the members in the CA.

Thapa said that chiefs of the major parties had not yet spent a single hour in the debate of social security discourse. The CA has endorsed the social security provision in the new constitution without meaningful debate, he admitted.

"We have put everything in the Interim Constitution envisaging the welfare state but the parties have undermined the institutional and decision-making capacity of the state," added Thapa.

He also said that the constitution should contain interpretive comments on the 'social security provisions' to specify the basic needs to be met by the state.

"By merely framing a good constitution, peace and harmony could not prevail. We need to build such social and political systems which the common citizens, employers and employees could own it," he said.

Thapa stressed on the sound relations among the state, capital and labour, and the state should mediate between the capital and labour.

He said that worker was not merely a citizen but also a human and there should be life-long security for him or her.

“However, the nation could not implement the social security scheme until it comes out of the crisis-ridden transition,” he said.

Former FNCCI president Kush Kumar Joshi said that social security was a mandatory provision that the state should implement for the wellbeing of the citizens.

Joshi said that it should not be confined to the workers only; it was the agenda of the nation and all the people were obliged to enjoy the social security rights.

“The social security scheme evokes a feeling among the citizens that there is a state that looks after them. It is the duty of the government to assist the disabled, old, sick, needy and unemployed. So, it is an important and sensitive issue,” he said.

He, however, said that there should be an atmosphere for carrying out entrepreneurship activities unhindered.

Stating that the employers look for productive and dedicated workforce for the economic growth, Joshi insisted for the implementation of hire and fire, and no work and no pay policy.

He said that the tripartite historical deal in which employers commit to contribute 20 per cent and workers 11 per cent to create a social security funds was thrown into limbo after the government did not take its ownership of the agreement.

The FNCCI and the three major trade unions struck the deal on March 24, 2010 following the incessant strikes by the labour organizations. The deal also fixed the basic salary of the workers.

GEFONT general secretary Umesh Upadhyaya said that social security is a burning issue and its importance has increased day by day with the expansion of the employment.

He said that the social security should gradually cover all segments of the society.

“Economic agenda needs to be viewed from the social eye, and a balance between the capacity and need should be maintained when it comes to applying the social security scheme,” he said.

Upadhyaya called to identify the need, methods, measures and resources to implement the social security plan.

Vice-chairman of Nepal Trade Union Congress (NTUC) Prem Singh Bohara said that the NTUC had been raising the social security issue for the long time.

The history of social security could be traced to the pension of army and now it has become basic rights of the people, he said. “So, it has been linked with the human civilization.” He said that there are two types of provisions in the social security funds –

contributive and non-contributive. The state should also provide social security benefits to those who have not contributed to the government's coffer, he said

Quoting an English phrase- healthy mind remains in the healthy body, Bohara said that social security helps workers to be productive.

Comparing the employer with a milking cow, he said that the workers should extract from the employers to the extent they could provide them. "We should not milk a cow beyond her capacity."

Manish Agrawal, vice-chairman of FNCCI, said that the tripartite agreement was landmark in strengthening social security system.

"As per the agreement, the employers have made significant contribution for the social security of the workers, and the government should also play an important role to implement it," he added.

Agrawal pointed out the need of institutional plan and mechanisms in place for the workable social security system and said the FNCCI was committed to implementing it.

Tina Marie Kristensen, international consultant at the LO/FTF Council, South Asian Sub Regional Office, wished the seminar would succeed to further strengthen the idea of social security of the Nepalese workers.

Baburam Gautam of All Nepal Trade Union Federation said that social security was a new concept as the country's industrial sector was at the nascent stage. He noted that the contribution to the social security funds would also contribute for the national development.

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CLASS Nepal chairman Shankar Lamichhane said the social security was the workers' fundamental rights to enhance their quality of life.

"To increase the productivity, the workers must be healthy and active. For this, the employers should pay attention to the basic needs of the workers. So, the social security is the key to boosting the productivity and production of goods," he said.

Lamichhane said that the informal sector workers were still out of the social security net.

He urged concerned stakeholders for taking social security issue seriously.

Badri Koirala, a senior official at the National Planning Commission, said that the commission had not yet ascertained the amount of Social Security Funds for which employees and workers contribute one per cent of their salary.

Koirala said that there were many schemes of social security and they needed to be coordinated and integrated.

CLASS Nepal general secretary Tilak Jung Khadka said that his organization was involved in spreading the labour education in addition to focusing on other social and economic agenda.

He stressed on the sound ties between the employers and employees for the economic growth and stability.

Outlining the objectives of CLASS, Nepal, Khadka said that it aimed at consolidating the labour and social justice movements; striving to build a just, peaceful and better society by transforming the social conflicts into constructive force and promoting a peaceful co-existence by negating violence and promoting peace.

“For the last few years, the CLASS, Nepal has been active to improve the relations between the employers and employees that were at the lowest ebb owing to the increasing labour unrest. There is the need to expand labour education and awareness in the both circles- industrialists and workers- for the congenial atmosphere in the industrial sector,” he said.

He said that the seminar aimed at soliciting the ideas and suggestions of experts for the consolidation of social security system. “Our primary focus is that the social security is the matter of common concern,” he said.

Sushila Bhatta Mishra, secretary at the CLASS, Nepal, said that the programme highlighted the necessity of social security in Nepal.

Discussion Session

During the discussion sessions, Director at the Social Security Funds Mahesh Baral, former chairman of Nepal Teacher Association Keshav Bhattarai and GEFONT general secretary Umesh Upadhyaya presented their workings papers, which drew comments and suggestions from the participants.

Social Security Funds at early stage

In his working paper, Baral shed light on the activities and plans of the Social Security Funds, which was set up last year and assigned to carry out the social security schemes of the government.

It manages and operates the funds collected from the one percent cut of employee’s salary.

Constitutional & Legal Provisions

The Article 18 of the Interim Constitution 2063 BS has recognized employment and social security as the fundamental rights of the citizens.

The government started collecting social security tax by one per cent from the workers since fiscal year 2066/67 BS. It set up the Social Security Funds and issued its Regulation last year. The Regulation provides guidance for the structural and operational framework for the Funds. It has recommended implementing the schemes of insurance for unemployment, injured or accident while in job, sickness, delivery, dependence, disabilities, old age, medicine and treatment and family.

The government's Three-Year Interim Plan (2067/68-2069/70) has embraced the social security concept following ways:

- Social security as the rights of citizens,
- Guaranteeing the minimum social security to marginalized persons and community,
- Starting the social security schemes from the poor and marginalized people with the theme of social security for all,
- Giving special encouragement to the community-based and community-led care and security,
- Strengthening the scattered social security programmes into an integrated system,
- Linking the social security schemes with social, economic and human development and
- Bringing the weak and the people at risk into the social security net.

Baral said that the Funds received Rs. 100 million last years and was engaged to implement the ideas suggested in the regulation and government's policy documents.

“It is a challenge for the Funds to clarify many things associated with it and muster the support of concerned stakeholders to enforce the social security schemes,” he said.

He said that the Funds had to collect data of the contributors, update this monthly and provide identity cards to them, which he said, was really a tough tasks for his office as it was at its fledgling stage.

He said that it had not yet been clear whether the Funds would run as an autonomous body or a state-owned agency following the promulgation of the new constitution.

Baral attributed cumbersome and lengthy administrative and legal processes to the poor performance of the Funds.

He informed that half-a-million employees were engaged in the formal sector but the challenge was to bring the part-time workers and workers in the informal sector into the social security net.

Nepal's Journey towards Welfare State System

Trade union leader Prem Singh Bohara coordinated the first discussion session in which former NTA president Keshav Bhattarai presented his working paper '*Nepal's Journey Towards Welfare State System with Reference To Ancient Values.*' Dr. Balaraju Niku, principal at Kadambari College of Social Work, commented on his paper. Due to the time constraint, only a few number of participants passed their judgments on Bhattarai's paper.

Bhattarai's paper touched on the welfare system in the ancient Hindu society, and ancient and medieval, and modern Nepal. He, however, does not go beyond the end of the Rana rule. Bhattarai, quoting the lines of famous Hindu books such as Balmiki Ramayana, Mahabharata and Srimad Bhagabat Geeta, said that Hindu society used to have a welfare state but one cannot expect all salient features of modern welfare system in it.

Bhattarai said that *Yagyan* (fire ceremony) stood for collective production system of Aryans: collective labour and collective sharing of outputs. "Under this mode of production and distribution, everybody was happy and satisfied and it was a prosperous society."

According to Kautilya's Arthashastra, the happiness of the king lies in the happiness of his people and in their welfare his welfare. What is good and pleasant to his subject should be treated as something good and pleasant to him.

Interestingly, Kautilya, also known as Chanakya, practiced the concepts of social security more than 2,300 years ago. He stressed that the state should provide special facility to the poor, children, the old, disabled and the childless women. He was against the exploitation of women and sexual harassment. Chanakya, who was prime minister of Emperor Chandra Gupta, talked about jail reform and asked the authority to provide the prisoners with clean water, bathrooms, latrines and protection against insects. He said that the poor should be given priority of audience with the king and judges and should have free travel on ferries.

Bhattarai said that the concept of Guthi evolved during medieval period. The term was derived from 'Gosthika and Goshti' in Sanskrit, and it provided social and economic protection and carried out welfare activities to its members as well as the whole society.

Bhattarai also described the social and legal reforms of famous king of Gorkha Ram Shah. With a view to maintain order and ensure justice to his subjects, Ram Shah had called a summit of kings from the neighbouring states and announced to enforce laws and introduced several reforms for the wellbeing of his people.

Prithvi Narayan Shah, unifier of modern Nepal, favoured a truly democratic method in the appointment of his ministers, stated Bhattarai.

“Ministers should be appointed according to the will of the people. If the people are healthy, the palace will be stronger. People are the real treasure of the kingdom,” Bhattarai quoted some statements of Prithivi Narayan Shah.

He said that Prithvi Narayan Shah patronized indigenous industries, recognised diverse cultural identities, and enforced zero tolerance to corruption and injustice.

Bhattarai also talked about the legal, social and economic reforms carried out by the Rana prime ministers.

“When compared with our present status and the efforts to turn Nepal into a welfare state, anybody can easily claim that our ancestors with so many limitations had done their best than we have done,” argued Bhattarai.

Commenting on his paper, **Dr. Balaraju Niku** said that the references of ancient society were very useful to build a welfare state in the 21st century.

He said that eastern society had already devised welfare system before the idea was born in the western world.

Calling for collective measures to provide special protection to the helpless and the people at the risk, he said that Nepal should offer a model of the welfare state to the world by utilizing its ancient knowledge and practices.

From the floor

Many participants expressed their satisfaction over Bhattarai's papers. Their comments can be summed up in following remarks:

- There was social security system in the Nepali society more than five hundred years ago. We have to move ahead by following the path shown by our ancestors and predecessors.
- How to utilize the ancient knowledge is a challenge to the present leadership.
- Bhattarai's paper fails to cover the labour practices during the different phases of history.

- His paper creates confusion about the ownership of the property. The students have been taught that all the property in the ancient time belonged to the king. In such a situation, how can the common people enjoys the benefits granted by the state? (Badri Koirala)

In his replies, Bhattarai said that he just quoted the references of the history. The terminology ‘welfare state’ was coined in 1940 in the western political literature but Kautilya had already mentioned about it more than two thousand years ago, he said.

From the chair, Bohara noted that the idea of social security was as old as the ancient civilizations. “It is not only in the human society, the social security exists even in the world of animals, birds and insects,” he said.

Social Security and Informal Sector

GEFONT general secretary Umesh Upadhyaya’s paper ‘*Social security and informal sector*’ makes distinction between the formal and informal workers, and suggest creating an integrated social security funds so as to bring the vast number of informal workers into it. Arjun Kumar Gautam, social security trainer at the Employees’ Revolving Funds, commented the paper.

How formal and informal sectors differ?

Formal Sector	Informal Sector
Formal contract/appointment letter	No informal contract/appointment letter
Continuity of job	No continuity of job
Fixed remuneration	Uncertain wage and income
Fixed hour of work	No fixed hour of work
Provisions for the legal protection	Very few provisions for legal safety

Upadhyay said that the globalization had led to the informalisation of labour aimed at decreasing the costs of production, which he said also, left many workers jobless.

He said that formal social security system had given protection to the middle income earning and urban middle class but the informal sector that included a large number of workers engaged in construction and agriculture were out of this social security system. Through the reliable social protection measures, they could be brought into the social security frame, he suggested.

He noted that social protection measures consisted of the parts of the social security system.

He said that social security system is the lifeline of welfare state and basis of socialism, and, therefore, there is the need to ensure social security system to build socialism-oriented state and economy.

The GEFONT general secretary said that the concept of collecting the social security tax is an innovative idea and bears far-reaching importance in the Nepalese context.

He suggested renaming ‘social security funds’ as ‘broader social security funds’.

According to him, the government, employers and workers or trade unions should represent Funds’ board with the rights to set working procedures.

“The need of the hour is to enact the necessary laws for the Funds. It should first encompass the workers on the payroll of the monthly-basis salary and then the agriculture, construction and self-employed workers should be brought into it within the span of five years,” said Upadhyaya.

He, however, said that it would be wrong if the workers wanted to meet their all demands from the Funds.

He suggested the government to take following initiatives for the social protection of informal sector workers:

- a. Categorizing the target groups all over the country and preparing the appropriate social protection projects with special priority to the landless and Dalits,
- b. Initiating funds based tax and contribution-oriented,
- c. Establishing strong relations between the health workers and target groups through zonal, district and local health centres,
- d. Distributing contribution-based Funds’ memberships and collecting social security tax at the village level,
- e. Creating an intensive network of Labour Offices across the country and expanding the labour monitoring mechanism in every district,
- f. Conducting health insurance projects by mobilizing the compulsory contribution for private clinics and nursing homes,
- g. Asking the pharmacy companies, both producers and dealers, to contribute certain amount of medicines free of cost equivalent of certain per cent of their annual transactions,
- h. Encouraging the cooperatives and volunteers’ groups to contribute to the social protection and cooperation at the local level
- i. Channeling the Poverty Alleviation Funds to invest for the workers and unemployed in the remote rural areas.

Commentator’s Views

Commenting on Upadhyaya’s paper, Gautam said that it clarified the distinction between the concepts of social security and social protection. He said that the social security does not relate to the minimum needs of the workers but to the quality of their life.

He underlined the need of the collective programmes to provide social security to the informal sector workers.

Digging out the reasons behind the growing importance of social security, Gautam said, “The country’s economy that is 90 per cent informal; family structure, which is becoming nuclear and aging population that is rising demand the social security system.” He also pointed out the need of banking mechanism for the informal workers so that they would make some savings from their income.

From the Floor

NPC official Badri Koirala said that social security was very necessary for the informal sector workers who are vulnerable to the natural, social, economic, ecological and health risks.

Radhika Poudel demanded that the trade union leaders and the government must be accountable to the amount of the security funds: where has the social security tax gone and how has it been spent?

“These are the questions of 11 million workers, not only of mine,” she said.

Another participant said that Upadhyaya’s paper failed to include those labourers involved in banks, schools and hospitals, and those working abroad.

One participant cautioned that the growth of many trade unions created a mess in the industrial sector and called for an authorized union. He also asked the government and the trade unions not to focus on the increase the salary of employees and workers because the rise in the salary and wages would give rise to price hike of essential goods. “In stead of raising the salary, the employers and the government should provide other incentives to the workers,” he added.

In his responses to several queries, Upadhyaya said that the amount collected under the Social Security Funds would be properly utilized as per the commitment of the Finance Ministry’s officials. “We have to also sensitize the political leadership for the broader utilization of the Funds.”

Private Pension Scheme: Could it Support Social Security?

Nirmal Kaji Shrestha, agency director of Metlife Insurance Company, spoke about the pension scheme his company launched last year.

Shrestha said that persons desirous to be the member of the pension campaign had to pay premium for limited period when s/he earns and enjoy monthly income up to age 100 after retirement.

“The pension insurance covers cost of the treatment of critical disease like cancer and accidental death,” Shrestha said.

He claimed that this scheme provides a sense of security to the insured that s/he will receive amount on the monthly basis after the retirement.