

Skills for gainful employment: The Employment Fund in Nepal

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OVERVIEW OF EMPLOYMENT FUND

It is estimated that about 450,000 young people enter the Nepalese labor market every year, out of which almost 90% are unskilled (Ministry of Finance, 2013). Nepal has 26.5 million inhabitants (National Census of 2011) and 46% of its young people are un- or underemployed.

With the aim of addressing the low skills levels and trainings that often do not match with the market demand, the Employment Fund was established in 2007 in a joint effort of the Government of Nepal, the Swiss Agency for Development and Cooperation (SDC) and HELVETAS Swiss Intercooperation, funded by SDC, UKAID and World Bank.

The Employment Fund (EF) program is implemented by HELVETAS Swiss Intercooperation. It focuses on providing **short-term training to poor and discriminated young people**, most of them un- or underemployed, in technical, business and life skills in order to enhance their employability in self- or wage-employment.

The skills trainings are either provided as mobile trainings or in training centres and typically consist of **1-3 months practical instruction, which includes on-the-job training.**

Apart from the **technical skills, trainees are provided with a training package on labour rights, HIV/ AIDS, reproductive health and business skills training.**



Nirmala in the carpenter training



Radika Maka took a three months training in electronics and is now running a small company together with her husband.

RESULT-ORIENTED APPROACH

In many skills development projects, the main aim is to increase the employability of young people through quality training. Often, however, not much emphasis is put on follow-up activities that are strongly linked to potential employment. Result-oriented payment therefore has a strong potential to generate i) **high employability of graduates** through market-oriented quality training, and ii) **gainful employment of graduates** through job placement, career counselling, entrepreneurship training and networking with potential employers.

General concept: The project agrees with training providers on services and their respective prices. Hence, the training providers are compensated for performance regardless of inputs. As a result, they carefully assess their own capacity, costs and risks.

Pricing: EF negotiates the training costs with each training provider. In addition, an incentive is provided, which covers costs for monitoring, job placement, management and profit. The outcome price is the sum of the costs for the training and the incentive.

Direct training costs + incentive

=
Outcome price for training AND gainful employment

Focus on highly disadvantaged youth through a differential pricing of the incentive.

Payment and monitoring: The outcome price is provided in three instalments in relation to performance (see Figure 1).



Figure 1: Result-oriented payment and its instalments



Luxman Subedi, electrician in Pokhara

COLLABORATION WITH THE PRIVATE SECTOR

Demand orientation of training offer

- Identification of wage and self-employment opportunities through Rapid Market Appraisals
- Curriculum development (DACUM)

Practice orientation of training offer

- Trainings follow the national curriculum and are strongly practice-oriented
- Trainings given by 40 private and public training providers
- In-Service trainings in companies

Focus on Employment

- Support during the first year after training for entering the labour market
- Private training providers maintain a network with companies and former graduates
- Entrepreneurship training
- Linking with credit institutions (self-employment)

Challenges

- Limited readiness of the private training providers to pre-finance trainings
- Reluctance to invest in market research
- Contribution to funding of training limited, but increasing

LEARNING FROM EXPERIENCE

Focus on job placement and employment

Result-oriented payment in TVET has proven to be an effective approach to bring trained people into gainful employment.

Rapid market appraisals

They are crucial in order to verify employment opportunities and to define the number of youth who can be employed in a certain locality in specific trades.

Priority access to women and discriminated youth

Inclusion of financial incentives for specific groups.

Monitoring system

Monitoring of activities and results must be reliable and trusted by the training providers, because payments are directly linked to result achievement. Monitoring of each trainee is highly resource intensive. Therefore, resources are optimized through self-monitoring by training providers, combined with randomized sample verification by the project management.

ACHIEVEMENTS

Skills Training: In eight years (2007-2014), almost 100,000 young disadvantaged people, half of them women, were trained in more than 80 occupations (Figure 2).

Employment: The average employment rate (six months after training) oscillated between 68% and 90% (Figure 2). 71% of the graduates are still in employment three years after training. Overall, up to 75'000 graduates will have found employment until the end of 2014. More than half of the graduates opted for self-employment.

Income: Through the training and job placement, the income of the graduates has more than tripled on average, as shown in Figure 3.

Systemic change: The Employment Fund fostered the engagement of the private sector in the curriculum development process. The Ministry of Education of Nepal introduced outcome-based payments at national level.

Sources: Development Vision Nepal (2012 and 2013), Johanson and Sharma (2013).

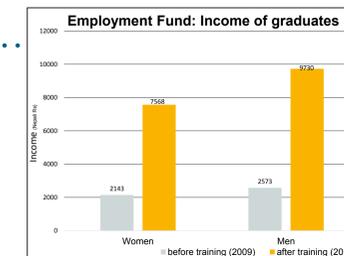


Figure 3: Average income of graduates (Development Vision Nepal, 2012)

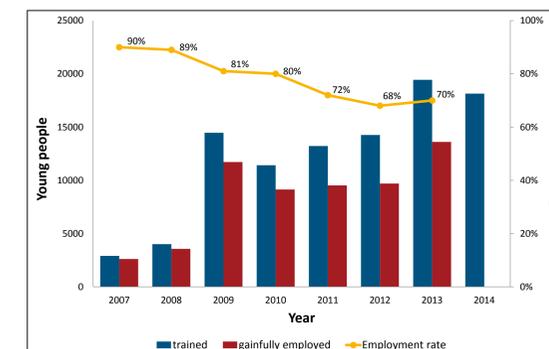


Figure 2: Achievements of the Employment Fund regarding training and employment of youth

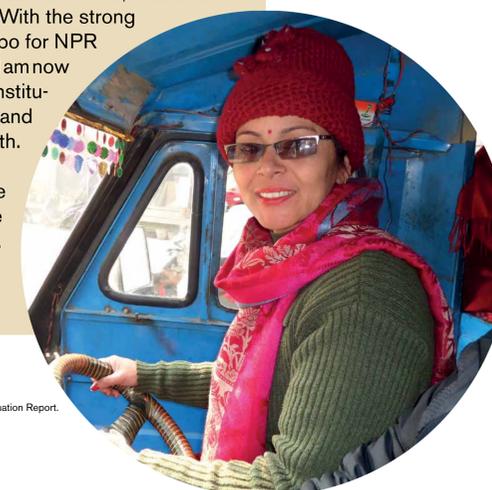
A visit to Tulasa Thapa, electric vehicle driver

My name is Tulasa Thapa and I am 38 years old. At the age of 23, I left my home and went to the capital Kathmandu. As I had no profession, I could not find a job in the beginning and often remained hungry. Finally, I found a job in hand knitting, but the earning was very low, which was very difficult for me as a mother of two children. My husband took less and less care of our family, and ten years after our marriage, he migrated.

Thus, the sole responsibility of my family was with me. One day, I heard about the skills training opportunity in Three Wheeler Electric Vehicle Driving (Locally known as Tempo Driver) provided by the Employment Fund and decided that this was my chance. The training course lasted for three months, and was practical from the beginning.

After the training I worked as a driver for a small company. After some months, I decided to take the risk and to buy my own tempo (electric vehicle). With the strong financial help of my family and with a loan, I could buy a tempo for NPR 1,140,000. Now, my daily earning is about NPR 2,500-3,000. I am now in the position to pay back the monthly instalment to the credit institution, to have enough money to cover the expenses of my family and to still have an average net saving of NPR 15-20,000 per month.

I am extremely satisfied with my work and life. When I am in the driver's seat, I feel the positive perception of others. It made me aware how small changes can bring back happiness in life.



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