



UNIVERSITI PUTRA MALAYSIA

**LABOUR EMPLOYMENT IN PADDY, WHEAT AND VEGETABLES
IN KATHMANDU VALLEY, NEPAL**

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FEP 1986 1

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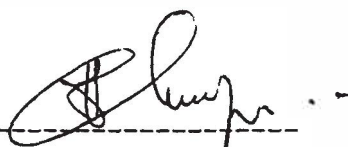
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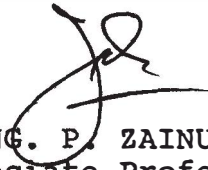
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by

Prahlad Kumar Thapa

A thesis submitted in partial fulfilment of the
requirements for the degree of Master of Science
in the Faculty of Economics and Management
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**Dedicated to my mother who left for heaven
leaving me alone at the age of eleven months.**



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TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENTS	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	ix
ABSTARCT (English)	xii
ABSTRACT (Bahasa Malaysia)	xiv
CHAPTER 1 INTRODUCTION	1
Background Information	1
Statement of the Problem	11
Objectives	15
Significance of the Study	16
Limitations of the Study	17
Organisation of the Thesis	18
CHAPTER 2 REVIEW OF LITERATURE	20
Review of Agricultural Employment Policy of His Majesty's Government of Nepal	20
Employment Intensities in Nepalese Agriculture	22
Labour Absorption Capacity of Agriculture	23
Prospects for Vegetable Development in Nepal	25
Review of the Methodology Used in Farm Employment Studies	27



	Page
CHAPTER 3 METHODOLOGY	35
Theoretical Framework	35
Rationale for Selection of Variables in Models	39
Production Function Variables	39
Farm size	39
Seed-Manure-Fertilizer-Pesticide	40
Irrigation	41
Tractor use	42
Bullock power	42
High Yielding Varieties (HYV)	43
Cropping Intensity	44
Price of Labour	45
Substitutability of Variables	46
The Empirical Models	48
Total Labour Model (Model 1)	48
Family and Hired Labour Model (Model 2)	49
Estimating Technique	51
Sampling and Data Collection	52
Selection of Area	52
Sampling Procedure and Sample Size	53
Data Collection	56
CHAPTER 4 GENERAL FINDINGS	57
Demographic Characteristics	57
Family Size	57



	Page
Economically Active Population	57
Education Status	58
Farm Characteristics	61
Farm Size	61
Area Coverage by Paddy, Wheat and Vegetables	63
Major Types of Vegetables	64
Use of High Yielding Varieties	64
Cropping Intensity	66
Farm Labour Use	67
Use of Family Labour	67
Use of Family and Hired Labour on Crop Basis	70
Analysis of Costs and Returns	73
CHAPTER 5 EMPIRICAL RESULTS	76
TOTAL LABOUR MODEL (MODEL 1)	78
Summer Crops	78
Winter Crops	83
Evaluation of Model 1 Results	85
FAMILY AND HIRED LABOUR MODEL (MODEL 2)	87
Family Labour	87
Summer Crops	87
Winter Crops	92
Evaluation of Model 2 Results Family Labour Equation	95



	Page
Hired Labour	97
Summer Crops	97
Winter Crops	97
Evaluation of Model 2 Results	
Hired Labour Equation	101
EMPLOYMENT OF FAMILY VERSUS HIRED LABOUR	103
CHAPTER 6 POLICY IMPLICATIONS AND CONCLUSIONS	109
Type of Farming and Farm Employment	109
Farm Size and Labour Intensity	110
Biological Technology and Farm Employment	111
Distribution of Employment Benefits	113
Farm Mechanization and Labour Employment	114
Suggestions for Further Reaearch	115
Optimum Level of Land Size Ceiling	115
Labour Employment per Farm	115
Labour Employment in Paddy, Wheat, and Vegetable Cultivation in High Hills and Tarai	116
CHAPTER 7 SUMMARY	117
Introduction	117
Review of Literature	118
Methodology	119
Findings	119
Conclusions and Recommendations	120
Suggestions for Further Research	120



	Page
BIBLIOGRAPHY	121
APPENDICES	130
APPENDIX A Simple Correlation Coefficients among Independent Variables of Model 1 and 2	130
APPENDIX B Test for Significant Differences in Employment Elasticities	134
APPENDIX C Costs and Returns per Ropani of Land (1984/85)	146
APPENDIX D List of Major Vegetables Grown by the Surveyed Farmers (1984/85)	150
APPENDIX E Area Covered by Different Vegetables (1984/85)	152
APPENDIX F Average Return from High Yielding and Local Varieties of Paddy, Wheat and Vegetables in the Surveyed Sample (1984/85)	154
APPENDIX G Farmer's Response About the Extension Worker (1984/85)	155
APPENDIX H Guide to Map of the Study Area	156
APPENDIX I Questionnaire	161



LIST OF TABLES

Table	Page
1.1 Land Use in Nepal	2
1.2 Population Growth (1911 - 1981)	4
1.3 Economically Active Population	4
1.4 Economically Active Population According to Major Industry Group (1981)	5
1.5 Unemployment and Under-employment in Nepal ...	6
1.6 Growth of Labour Force in Some LDC'S	7
1.7 Real Gross Domestic Product Growth Rate	8
1.8 Percentage Distribution of Gross Domestic Product of Nepal	9
1.9 Farm Size	10
1.10 Population Density per unit Weight of Production (1970/71 - 1981/82)	12
1.11 Population Density (1985)	12
1.12 Vegetable Export and Import	13
1.13 Aggregation of Vegetables into "Vegetable" ...	17
2.1 Population Density, Farm Input Use and Productivity in Selected Asian Countries	24
3.1 Sampling Frame and Sample Size	55
4.1 Distribution of Surveyed Sample by Sex (1984/85)	58
4.2 Distribution of the Surveyed Sample by Age (1984/85)	59
4.3 Education Levels of the Decision Makers in the Surveyed Sample (1984/85)	60



	Page
4.4 Education Levels of the Farm Family Members of the Age Group of Ten Years and Above in the Surveyed Sample (1984/85)	61
4.5 Distribution of Farms According to Size in the Surveyed Sample (1984/85)	62
4.6 Total and Harvested Area Under Paddy, Wheat and Vegetables in the Surveyed Sample (1984/85) ..	63
4.7 Percentage of the Area Under Paddy, Wheat and Vegetables Sown to the High Yielding Varieties in the Surveyed Sample (1984/85)	65
4.8 Cropping Intensity in the Surveyed Sample (1984/85)	66
4.9 Availability and the Use of Family Labour in the Surveyed Sample (1984/85)	68
4.10 Use of Family Labour in Paddy, Wheat and Vegetables in the Surveyed Sample (1984/85) ..	69
4.11 Use of Family and Hired Labour in Paddy, Wheat and Vegetables in the Surveyed Sample (1984/85)	70
4.12 Use of Family and Hired Labour in Paddy, Wheat and Vegetables by the Surveyed Farmers in per Ropani Basis	72
4.13 Costs and Returns per Ropani of land from Paddy, Wheat and Vegetables (1984/85)	74
5.1 Regression Coefficients, Standard Errors, and Employment Elasticities for Total Farm Labour Employed per Ropani (Model 1) in Summer Crops (1984/85) (Ordinary Least Squares Estimates) ..	80
5.2 Regression Coefficients, Standard Errors, and Employment Elasticities for Total Farm Labour Employed per Ropani (Model 1) in Winter Crops (1984/85) (Ordinary Least Squares Estimates) ..	81
5.3 Confidence Intervals and Standard Errors in Total Labour Model (1984/85)	82



	Page
5.4 Regression Coefficients, Standard Errors, and Employment Elasticities for Farm Family Labour Employed per Ropani (Model 2) in Summer Crops (1984/85) (Instrumental Variable Estimates) ..	88
5.5 Regression Coefficients, Standard Errors, and Employment Elasticities for Farm Family Labour Employed per Ropani (Model 2) in Winter Crops (1984/85) (Instrumental Variable Estimates) ..	89
5.6 Confidence Intervals and Standard Errors in Family Labour Equation of Model 2 (1984/85) ..	90
5.7 Regression Coefficients, Standard Errors, and Employment Elasticities for Farm Hired Labour Employed per Ropani (Model 2) in Summer Crops (1984/85) (Instrumental Variable Estimates) ..	98
5.8 Regression Coefficients, Standard Errors, and Employment Elasticities for Farm Hired Labour Employed per Ropani (Model 2) in Winter Crops (1984/85) (Instrumental Variable Estimates) ..	99
5.9 Confidence Intervals and Standard Errors in Hired Labour Equation of Model 2 (1984/85) ...	100
5.10 Confidence Intervals and Standard Errors in Family and Hired Labour Model (Model 2) (1984/85)	104
5.11 Summary of Regression Results on the Substitution between the Family and Hired Labour in Model 2 (1984/85)	105



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April 1986

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Unemployment and under-employment are major problems in Nepal resulting from growth in agricultural labour, insufficient agricultural land, small farm size and low cropping intensity. One way to alleviate such problems would be to adopt a more intensive system of agriculture. This requires a knowledge on the labour absorption capacities of different crops. This study examines the employment of farm labour in vegetable cultivation as compared to cereal cultivation in Kathmandu valley. More specifically, it examines the influence of production function



variables, cropping intensity and price of labour on the employment of total labour and, employment of family and hired labour separately in paddy, wheat and vegetable cultivation.

The employment of total labour is modelled using a single equation model and the employment of family and hired labour is modelled using a simultaneous equation system. The total labour model is estimated by ordinary least squares technique and the simultaneous equation model is estimated by the instrumental variable estimation procedure.

Variables such as farm size, tractor use, bullock power and price of labour are found significantly and negatively related to the employment of farm labour. The other set of variables such as seed-manure-fertilizer-pesticide, irrigation, high yielding varieties and cropping intensity are found significantly and positively related to the employment of farm labour. In addition, vegetable cultivation is found more profitable and more labour intensive than cereal cultivation.

Vegetable cultivation is recommended as a possible solution to ease the problems of unemployment and under-employment in Nepal. Hired labour is found to be an important beneficiary of vegetable cultivation. Vegetable cultivation would therefore provide more employment opportunities to the landless and marginal farm workers in Nepal.



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LABOUR EMPLOYMENT IN PADDY, WHEAT AND VEGETABLES
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Pengangguran dan pengangguran tidak ketara merupakan masalah utama di Nepal disebabkan oleh peningkatan bilangan buruh di sektor pertanian, kekurangan tanah pertanian, ladang-ladang yang kecil saiznya dan kekerapan penanaman yang rendah. Satu cara penyelesaian ialah melalui pengamalan pertanian berbentuk intensif. Ini memerlukan pengetahuan tentang kunpayaan penyerapan tenaga buruh keatas tanaman yang berlainan. Penyelidikan yang dijalankan ini mengkaji tentang penggunaan tenaga buruh dalam pananaman bijirin di Lembah Kathmandu. Secara khusus, penyelidikan ini bertujuan mengkajipengaruh angkubah-angkubah



fungsi pengeluaran, kekerapan penanaman upah buruh keatas jumlah gunatenaga buruh keluarga, dan buruh upahan berasingan di dalam penanaman padi, gandum, dan sayur-sayuran.

Dalam kajian ini, bagi menganggar angkubah-angkubah tersebut, model satu persamaan dan penganalisaan kaedah kuasa dua terkecil digunakan terhadap gunatenaga jumlah buruh. Dan bagi buruh keluarga dan buruh upahan, dianggarkan dengan menggunakan model sistem persamaan serentak dan kaedah angkubah instrumental.

Angkubah-angkubah seperti saiz ladang, penggunaan traktor, kuasa kerbau dan upah buruh didapati berpengaruh serta berhubungan negatif dengan gunatenaga buruh ladang. Angkubah-angkubah lain seperti benih-baja asli-baja kimia-racun serangga, pengairan, biji benih hasil-tinggi dan kekerapan penanaman didapati berpengaruh serta berhubungan positif dengan gunatenaga buruh ladang. Juga penanaman sayur-sayuran didapati lebih menguntungkan, dan lebih intensif dalam penggunaan buruh di bandingkan dengan penanaman bijirin.

Penanaman sayur-sayuran disyorkan sebagai kaedah terbaik bagi menyelesaikan masalah pengangguran dan pengangguran tidak ketara di Nepal. Oleh kerana penanaman sayur-sayuran memberi kesan yang baik ke atas buruh upahan, penanaman sayur-sayuran boleh meningkatkan peluang pekerjaan bagi mereka yang tidak mempunyai tanah atau tanah yang terhad di Nepal.

CHAPTER 1

INTRODUCTION

Background Information

Agriculture is an important sector of Nepal's economy and contributes 62 per cent of the national gross domestic product, generates 90 per cent of national employment and produces 80 per cent of the exports (Ali, 1982: 4). Geographic elevation varies from 50 metres above sea level to the highest peak of the world, Mount Everest, at 8848 metre above sea level. Climate varies from tropical in the South to alpine type in North region. Temperature in cultivated area ranges from - 15°C to 41°C. The annual rainfall ranges from 250 millimetre to 2800 millimetre. The major portion of the rain is received in summer. Due to such extreme variations in the elevation and the climate, there is a wide variety of crops grown. Crops are grown up to the elevation of 4000 metre.

Nepal faces a serious problem of both unemployment¹ and under-employment.² As agriculture is the main occupation of the

1

Unemployed persons are those who fall in the working group of 10 years of age and above and are not at work, but are seeking work (National Planning Commission (NPC), 1978).

2

Under-employment means working less than a prescribed number of working hours in a day during the year, or there being more persons engaged in a particular work than actually required according to a given standard (NPC, 1978).



people, employment is solely dependent on available cultivable land. In Nepal, almost all of the arable land has been brought under cultivation by 1980 (see Table 1.1). Despite the

TABLE 1.1
1
LAND USE IN NEPAL

Use	* 1975		* 1980		** 1985	
	sq.km.	%	sq.km.	%	sq.km.	%
Forest	48,230	34.19	40,997	20.06	53,900	36.62
Cultivated land	23,260	16.49	31,268	22.17	29,590	20.10
Permanent snow	21,121	14.97	21,121	14.97	22,470	15.27
Pasture land	17,857	12.66	17,857	12.66	19,780	13.44
Settlements and roads	300	0.21	300	0.21	1030	0.70
Water bodies	4,000	2.84	4,000	2.84	4,000 ²	2.70
Others	26,291	18.64	25,516	18.09	16,410 ³	11.15
Total	141,059	100.00	141,059	100.00	147,180	100.00

1 Until 1980, the break-down of land use was on the basis of 141059 sq. km. Recent survey showed the total area of 147180 sq. km. The data on the break-down of land use could not be found for 1985 from the same source. Hence, the difference in the total area is due to the different sources of data.

2 This figure was derived by assuming that the water bodies do not change in 1985.

3 This figure was derived after subtracting water bodies from the subgroup 'others' for this particular year.

(Source: * Asian development Bank/His Majesty's Government Nepal (ADB/HMGN) (1982) Nepal Agriculture Sector Strategy Survey, Vol. II, p.5

** Agricultural Projects Services Centre (APROSC) (1985 a) Perspective Land Use Plan, Annex. II, Table 2.2.1)



demands for new land for agriculture, there is no additional land to bring under cultivation in Nepal (Pant and Thapa, 1981: 1). Table 1.1 shows the land utilisation pattern in Nepal. It shows the government's effort to save forest area. The forest area decreased drastically from 34.19 per cent in 1975 to 20.06 per cent in 1980. This would have repercussions on the ecological system. Realising this, the Nepalese government has increased the forest area from 20.06 per cent in 1980 to 36.60 per cent in 1985. However, the need for settlement and roads is increasing very fast. This would inevitably mean a reduction in the agricultural land.

If the rate of population growth is high and labour absorption by non-agricultural sectors is low, particularly in an agriculture dominant country, then more of the labour has to be absorbed by the decreasing cultivated land. Table 1.2 shows the population growth in Nepal. It is increasing at an increasing rate. More specifically, during the period of 1961 to 1981, the population growth was very fast (2.84%). Therefore, adoption of some preventive measures to control the population could be helpful in this context.

If government efforts are successful and the population growth is reduced, the population of Nepal is expected to reach 21.42 million persons by the year 2000. Otherwise, at the present growth rate, the population of Nepal is predicted to reach 23.65 million by the year 2000 (ADB/HMGN, 1982: 194). This increased population has to be supported by the agriculture sector. Table 1.3 shows the economically active population in Nepal.



TABLE 1.2
POPULATION GROWTH
(1911-1981)

Year	Population (,000)	Average Annual Growth Rate
1911	5,639	-
1921	5,574	-0.10
1931	5,533	-0.10
1941	6,284	1.20
1952-54	8,257	2.30
1961	9,413	1.80
1971	11,556	2.07
1981	15,020	2.66

(Source: ADB/HMGN (1982), Nepal Agriculture Sector Strategy Survey, Vol. 1, p. 7)

TABLE 1.3
ECONOMICALLY ACTIVE POPULATION
(In Millions)

Description	1975/76	1979/80	1984/85
Total population	12.84	14.26	16.00
Population of 10 years and above	9.31	9.81	11.14
Economically active population	6.20	6.52	7.40

(Source: NPC, (1981) The Sixth Plan)



The distribution of the economically active population by major industry groups is shown in Table 1.4. The table shows that the major portion (91.1%) of the economically active population is absorbed by agriculture sector, whereas, non-agricultural sectors absorb about 8.9 per cent. Therefore, it is clear that agriculture is the mainstay of Nepal's economy.

TABLE 1.4

ECONOMICALLY ACTIVE POPULATION
ACCORDING TO MAJOR INDUSTRY GROUP
(1981)

Industry Group	Per cent of Economically Active Population
Agriculture, Forestry and Fisheries	91.1
Manufacturing	0.5
Commerce	1.6
Transport and Communication	0.1
Finance and Business	0.1
Personal and Community Service	4.6
Others	0.1
Industry not stated	1.9
Total	100.0

(Source: Central Bureau of Statistics (CBS) (1984) Population Census, The Geographic Regions Vol. II, p.11)



The distribution of economically active population in Table 1.4 does not reflect the level of unemployment and under-employment in the country. In a survey conducted by the National Planning Commission (Nepal) in 1977, it was found that 63.07 per cent of the rural and 44.71 per cent of the urban households were under-employed. Unemployment and under-employment in Nepal are shown in Table 1.5.

TABLE 1.5
UNEMPLOYMENT AND UNDER EMPLOYMENT IN NEPAL

Region	Per cent Unemployment			Under-employed days per households (as percentage of annual working days)
	Male	Female	Total	
Rural	5.47	5.68	5.57	63.07
Urban	4.52	10.20	5.98	44.71

(Source: NPC (1978) A Survey of Employment, Income Distribution and Consumption Patterns in Nepal, p. 54-58)

Following the population growth rate in Table 1.2, and distribution of economically active population in Table 1.4, we can predict that by the year 2000 the level of unemployment and under-employment will increase. With the majority of the population residing on and deriving their income from farms, much of the population growth occurring here would cause a higher level of under-employment. The labour absorption by the agriculture sector in Nepal is much higher than many of the other less developed (LDCs) neighbouring countries. Table 1.6 shows

the comparative statistics on it. The percentage of labour force absorbed by the industrial sector has remained constant. The services sector absorbed only small percentage of the labour force. This implies that the increased labour force has to be absorbed by agriculture sector.

TABLE 1.6
GROWTH OF LABOUR FORCE IN SOME LDC'S

Countries	Percentage of Population of working age 15-64 years		Percentage of labour force in						Average annual growth of labour force in %
	1960	1978	Agriculture	Industry	Services	1960	1978	1960	
Bangladesh	53	54	87	74	3	11	10	15	2.4
Bhutan	56	55	95	93	2	2	3	5	2.0
Burma	59	55	68	53	11	20	21	27	1.5
India	57	56	74	74	11	11	15	15	1.7
Nepal	57	55	95	93	2	2	3	5	2.0
Pakistan	52	51	61	58	18	19	21	23	2.5
Sri Lanka	54	58	54	54	14	15	30	31	2.1

(Source: World Bank (1980) World Development Report, p.146)

The increase in aggregate production in Nepal in the last decade (1975-85) has been only three per cent against the population growth rate of 2.66 per cent (NPC, 1984: 6). Table 1.7 shows the growth rate of gross domestic product (GDP) in