

**Assessing Impact and Opportunities for Child and  
Family-friendly  
COVID-19 Response in Nepal  
10 December 2020**

**A study on  
The Effect of COVID-19 Pandemic  
on Foreign Employment and Its  
Impact on Economy of Nepal**

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# Outline

- **Background of the study**
- **Study objective**
- **Methodology**
- **Contents**
- **Results/findings**
- **Policy Response**

# Background

- **Among others, COVID-19 pandemic has adversely affected the foreign employment status of Nepal**
- **Due to job losses, a significant portion of the wage/salary and social security benefits of foreign labor migrants is expected to be reduced and thereby decrease in remittance inflow.**
- **Not only job losses; social factors, and various other socio-psychological factors, large-numbers of Nepali migrant workers are expected to return Nepal.**
- **Possible loss in remittance inflow will affect macro-economic indicators of the nation and it also affects household income and consumption.**

# Background

- To address the loss of employment and remittance inflow due to COVID-19 pandemic, a study has been conducted from NPC via. a committee formed by GoN.
- The study is recently finished but its findings has not disseminated yet.
  - The study report has two parts:
    - **Part I: Foreign Employment**
      - Impacts of COVID-19 Pandemic on Foreign Migrant Labors of Nepal
    - **Part II: Economic Impact**
      - Effects of COVID- 19 on Remittance Inflows and Its Economic Impacts

# Study Objectives

The specific objectives of the study (**component- 1**) are:

- a) To assess effects of the COVID 19 Pandemic on extent of losses of employment of Nepali migrant workers, and number of migrant labourers and other groups of Nepali who would return to Nepal due to factors associated with the pandemic,
- b) Discuss briefly on silent features of domestic labour markets, and provide policy measures for generating employments for returnee migrant workers in the domestic markets in Nepal.

# Study Objective (component II)

- a) To assess loss of foreign employment due to COVID 19 pandemic and its impacts on inflow of remittances in Nepal.**
- b) To assess and quantify impacts of loss of remittance inflow on macroeconomic indicators such as GDP Level , Household expenditure, Final Consumption, GNI, Import, Foreign exchange reserves, savings, BOPs, etc.**
- c) To discuss alternate policy measures to address the loss of remittance and alternate options to mitigate, and options for recovery of the economy.**

# Methodology (component I)

- Adopts mixed approach of the study design to derive the results by combining secondary data of national survey with primary data compiled from various reliable sources (various public agencies, Ministry of Foreign Affairs (MOFA), Central Bureau of Statistics(CBS), Department of Foreign Employment.
- Network of migrant labor and NRN are also used.
- key informant interviews (KII) and other experts on the issues.

# Methodology (component II)

- a) Review of past study and findings
- b) Graphical illustration
- c) Regression analysis

**Dependent Variable (t)** =  $a_1 + b_1$  Annual growth of Agril. & Forestry (t) + Time Trend (t) +

$b_2$  Remittance (t) + e (t) Equation (1)

d) Factors directly affected by the Remittance Inflow (**Dependent variables**)

I. Macroeconomic indicators such as Actual Final Household Consumption, GDP, GNI, Annual imports, Foreign reserves, Final Consumption, etc.



# Contents (Component I)

COVID-19 and the Domestic and Foreign Labor Markets

Size, Structure and Employment Categories in Nepal

Size, Distribution and Employment Categories of Nepal Migrant Workers

Return Migration

Arrival of Migrant workers from India

Arrival from Destination Countries Excluding India

Returnee Reintegration

Migrant Worker Reintegration: Policies and Programs

Profile of Returnee Migrant Workers

Voices of Migrant Workers

Impact on the Domestic Labour Market

Policy Response

# Contents (Component II)

COVID-19 Pandemic and its Effect on Remittance Inflow

Remittance Inflow Prior to COVID-19 Pandemic in Nepal

Remittance Inflow at the onset of the COVID-19 Pandemic in Nepal

Remittance Inflow Forecast for the Current and Next Fiscal Year

COVID-19 Pandemic and its Economic Impact via Remittance Inflow

GDP Growth Rate Scenario in Nepal

Impact on Macro Economic Aggregates

Production (Real) Sector

Fiscal Sector

Monetary and Financial Sector

Impact on External Sector

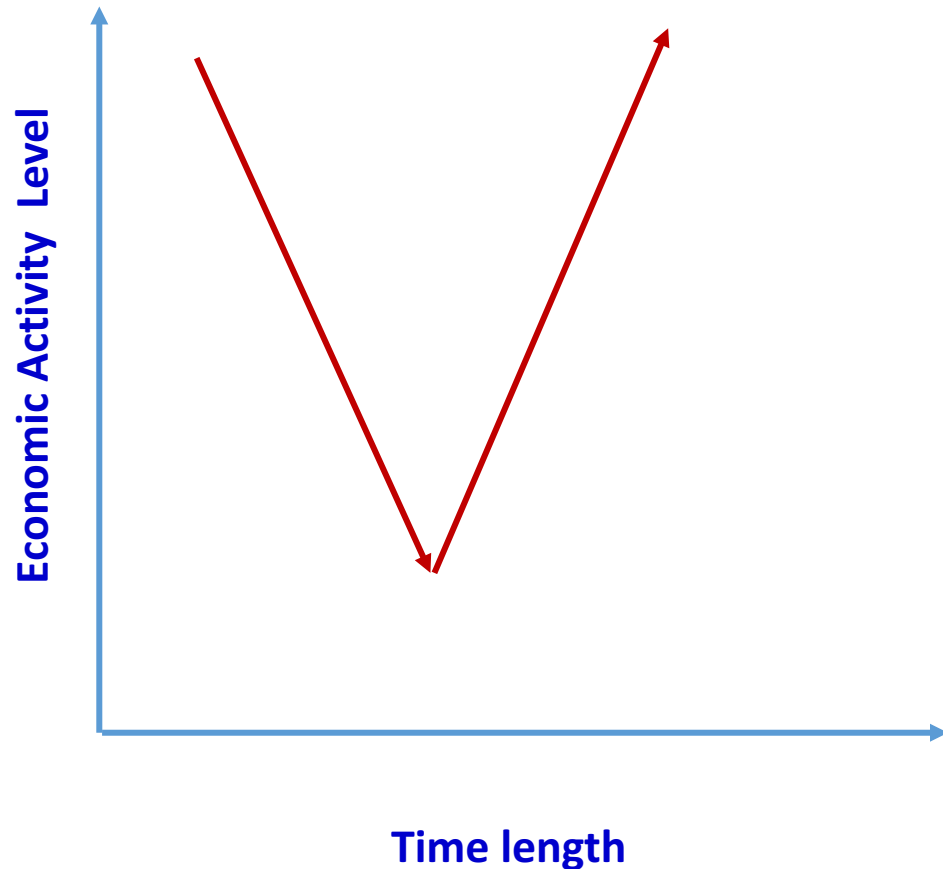
Impact on Household Sectors

Policy Response

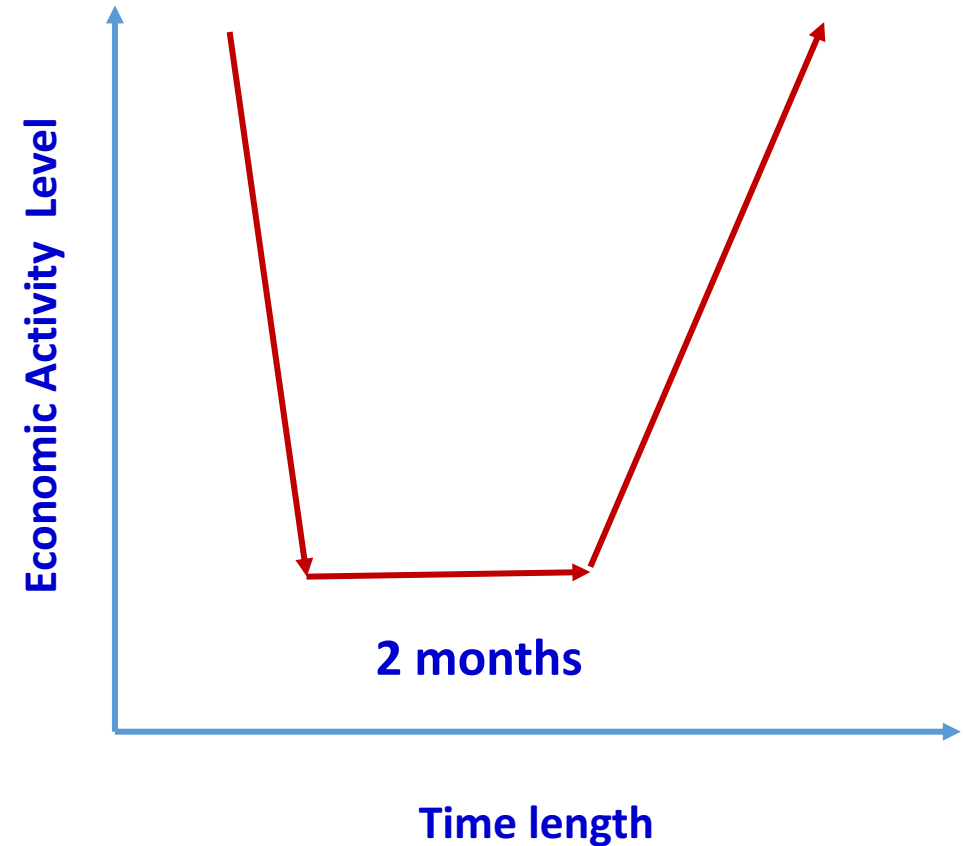
# Possible Recovery Path

Major impacts of COVID-19 on Nepali Migrant Labor: 3 major scenarios

1) Scenario **A**- with V shaped recovery

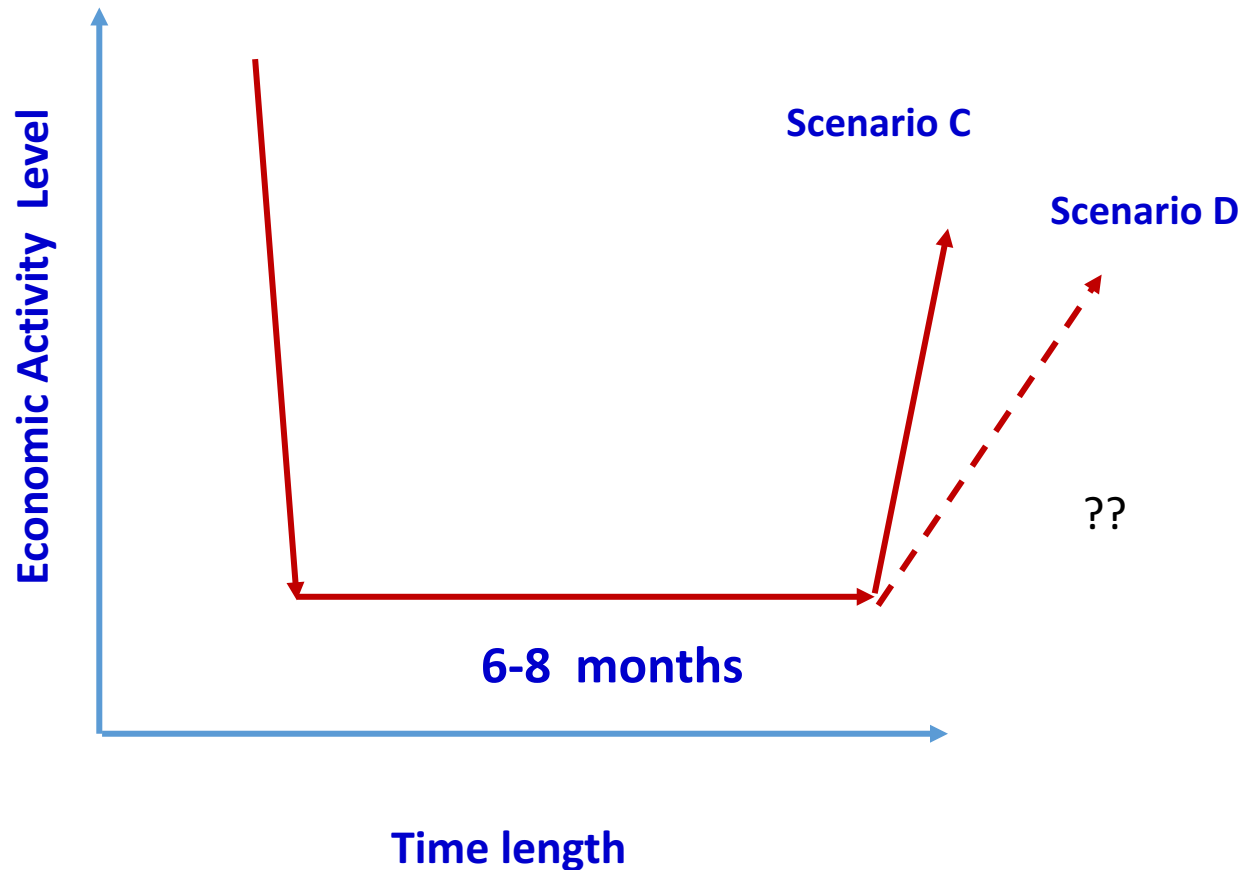


2) Scenario **B**- with U shaped Recovery curve



# Major assumptions on impacts of COVID-19

## 3) Scenario C & D with trapped recession for longer period



### Note:

- a) How long the economy of destination countries get trapped at the recession period, and how it effects on structure of sectoral production and employment availability in the destination countries.

# Results/findings (Component I)

- Employment status of Nepali population by occupation and industry)
- Total no. of emigrants (persons residing aboard) by country of designation
- Among emigrants, the estimated no. of foreign labor migrants
- Total no. of possible returnees (immediate and within one year) by countries.
- Estimated no. returnees due to COVID-19 and other causes
- Returnees reintegration
- Impact on domestic labor market

# Results/findings (Component II)

- Annual and monthly remittance inflow by countries
- Remittance Inflow Forecast for the Current and Next Fiscal Year
- Impact of change in remittance inflow on major macro-economic aggregates (three variants)
  - Real sector
  - Fiscal sector
  - Monetary and financial sector
  - External sector
- Impact of change in remittance inflow on consumption, saving and investment
- Impact on household consumption

# Policy Response (Component I)

- Immediate Rescue and Relief Policy
- Survival and Recovery Strategy (3 to 12 months)
- Rebound and Revival Strategy (1- 2 years)

Policy Response	Action Points	Lead Ministry/Agency	Supporting Ministry/ Agency/Partners	Remarks
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# Policy Response (Component II)

- **Immediate Policy Actions for Humanitarian Relief and Economic Stimulus**
  - Economic Recovery Policy

Policy Response/	Action Points	Lead Ministry/Agency	Supporting Ministry/ Agency/Partners	Remarks
1	2	3	4	5

- **Policy response for revival of the economy**

Policy Response	Action Points	Lead Ministry/Agency	Supporting Ministry/ Agency/Partners	Remarks
<b>Fiscal Measures:</b>				
<b>Monetary and Financial Measures</b>				
<b>Balance of Payments and Exchange Rate Measures</b>				
<b>Other Sectoral Policy Measures including Employment Policy</b>				