

COMMENT

Wages in Nepal

Good news for Nepal's carpet weavers and workers: thanks to new legislation they will not only get a significant pay rise, but should at last also receive social service benefits. Reto Aschwanden of Label STEP reports

The government of Nepal has increased the minimum wage to 13,540 Rupees (\$119/105€), 39 percent above the previous rate. All of the country's employers, including the carpet industry, have to implement the new minimum wage.

STEP, the label for fair trade in handmade carpets, has been lobbying for decent wages in Nepal for over twenty years. The non-profit organisation welcomes the new minimum wage: for the first time it reaches the level of what STEP considers a 'Living Wage'—the amount a worker should earn to sustain her or his family's basic needs.



Even more notable than the wage raise is the introduction of social benefits for all Nepali workers. The scheme to ensure social security was launched by the Government of Nepal on 27 November 2018 and called the beginning of a new era by Prime Minister K.P. Sharma Oli.

The social security scheme will apply to both the formal and informal sector so weavers will also benefit from pension funds, gratuity and holiday allowances. If implemented as planned, Nepal will be the first carpet-producing country systematically granting access to social benefits for weavers. Written contracts and salary payments to bank accounts will further increase the industry's professionalism, reputation and attractiveness for workers.

The weavers will continue to be paid in piece rates. Therefore, the monthly minimum wage had to be translated to square metre rates for different carpet qualities. For many years, STEP has supported industry stakeholder dialogue, providing a platform for constructive dialogue and legal advice. It seems that the former days of labour dispute in Nepal are over; the industry association and trade unions have mutually agreed on the new wage rates. All parties involved deserve praise for finding solutions to their industry's issues in a peaceful and democratic way.

It seems inevitable that the new regulations will result in higher prices for handmade carpets from

Nepal. In a challenging economic environment, these are never easy for the trade. But Label STEP calls on all to see the bigger picture: many producers in Nepal struggle to find weavers, and the improved working conditions will attract new workers and hopefully prevent some young Nepali from seeking jobs abroad (the huge number of migrant workers being one of Nepal's most urgent social challenges, see the report in COVER 50). Good working conditions and decent wages for the artisans are also increasingly important to more and more buyers.

The new labour legislation is an investment in the sustainability of Nepal's handmade carpet industry. Other production countries, facing similar challenges, will have to follow in order to safeguard their carpet sector's future. Nepal strengthens its cutting-edge international position as a high-end maker of truly contemporary handmade carpets: beautiful inside and outside.

Find more information about the new minimum wage and social security scheme in Nepal on the Label STEP website.

www.label-step.org

These new minimum wage laws are hot off the press and yet to be implemented in Nepal. It is to be seen how they will impact the rug market and the price of rugs. In the next issue of COVER we will be speaking to a selection of rug companies to see how the wage rise will affect business.