

## 1. Introduction

State-building, a multifaceted undertaking, has occupied an important place in the current political discourse in Nepal. The agenda has taken momentum after the election to the Constituent Assembly (CA) which is all set to write a new constitution to define the vision for state-society relations. In fact the CA election has provided Nepalese societal actors, including workers, institutional means to participate in the legislative power of the state. Nepali state as a whole is undergoing multiple transformations. New rules of the games are being framed up in different domain of governance to address past grievances, current challenges and to secure a shared prosperous future of each and every Nepali. However, the agenda of state-building will only accomplish successfully when the political process that follows is participatory, inclusive and addresses demands generated by diverse stakeholders of society located in multiple social and economic hierarchy and patriarchy. State-building is a crucial task and balancing between the capital and the labour and hard-ware (foundations) and soft-ware (values and norms) of democracy is essential for the functional state, which is both just and legitimate.

This paper argues that a vibrant trade union movement in the country serves the democratic nation-building process by holding political leaders accountable, by calling attention to the issues of public concern, by educating workers, by connecting workers with each other to cope with the challenges of regional and global integration process and by democratizing the economic power of the state<sup>2</sup>. However, the success of workers largely depend on how they strengthen their unions; organize inter-institutional movement building and effect collective action in constitution-making, policy mediation, public communication and distributional benefits. There is an additional need for the workers to take in the future: work for the sound industrial relations as a mechanism for poverty alleviation, employment generation and peace-building so as to lift the citizens in general and workers in particular out of social, economic and political crisis<sup>3</sup>.

This paper also discusses state-building agenda within the context of labour-capital relationship in Nepal. This is primarily because labour has never been an issue of discussion in Nepal despite the

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<sup>2</sup> Dev Raj Dahal, "Labour and Democracy in Nepal: A Look into the Future", *Socio-Economic Development Panorama*, Vol. 2, No. 2, 2008

<sup>3</sup> Dev Raj Dahal, "Labour and Democracy in Nepal: A Look into the Future", *Socio-Economic Development Panorama*, Vol. 2, No. 2, 2008.

fact that trade union movements provided impetus to the oppositional movements of political parties (to establish democracy) in late 1940s, 70s, and 80s and even now but as latter succeeded in achieving their goals they pushed the social-agenda of trade unions into the backburner. National planners never formulated a “national labour policy” and Nepalese labour remained a “travelers without destination” and adhocism never came to an end<sup>4</sup>. The absence of concrete policy has resulted in the huge gap between labour and capital. The unions are, therefore, starting their movements from the same point where the party-oriented movements discarded their concern<sup>5</sup>.

The successive political class after 1990 assumed market ideology and left the promises of socio-economic transformation articulated by trade unions in limbo. They adopted more centralized polity, represented the interests of the dominant classes of society such as bureaucracy, political class, big business houses and urban professionals whereas large number of workers were left out. The gap between the rich and the poor continued to galore and deteriorated labour-capital relationship for a harmonious evolution of society. This has vertically polarized society and resulted in the hegemony of the capital against the labour. These factors have contributed towards political instability one after another and finally pushed Nepal on the vortex of class-based Maoist insurgency. By and large, the overarching aim of this paper is to make an endeavour to redefine labor-capital relationship for democratic peace in the country through inclusive socio-economic development to accomplish democratic state-building agenda<sup>6</sup>. It will also shed light on as what role trade unions could play to this end.

## 2. Theoretical Framework

It is normally said that economic deprivation is the main source of conflicts in society. Marx explains the reasons of alienation of workers under capitalist relations pointing out the separation of workers from products as causes for misery and advocates conscious class action. The alienation of workers both from capital and products vertically divides society and creates different “classes”. This could be the reason, among others, why Karl Marx termed capitalism as

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<sup>4</sup> Bishnu Rimal, “The Role of Trade Union in Nepal in the 21<sup>st</sup> Century - A Position paper of Nepalese Trade Union Centres”, *The GEFONT, NTUC and NTUF for the National Tripartite Training Programme on Industrial Relations*, Hetuada, 19-25 August, 1995.

<sup>5</sup> Dahal, Dev Raj, “Trade Union Movement in Nepal : A Leading Social Movement for Socio-economic Transformation and Social Justice”, *Paper presented at the DECONT, FES Seminar*, 2003.

<sup>6</sup> State-building is a multifaceted process but within the context of post-conflict situations like Nepal, state-building primarily is the creation of new government institutions and strengthening of existing ones in order to address the challenges brought about by the changed political situations (Fukuyama 2004, Preface).

the highest form of imperialism. To break the vicious circle built up by the capitalistic imperialism he suggested, back in 18<sup>th</sup> century, that trade unions should work as the ramparts of workers and globalise their collective action. He made this remark for two obvious reasons first to break the nasty circle of economic imperialism and second to lead the social revolutions for overall social transformation that could establish primacy of workers rather than that of market and capitalist classes. In the same vein, Friedrich Engels's says that trade unions are the military schools of class wars who could contribute towards the establishment of an egalitarian society. These are the views expressed by political and social thinkers of the eighteenth century, that too, precisely at a time when industrial revolution was about to kick-start in the north Western Europe and there was only one boundary, between labour and capitalist classes, that is, the boundary of owner (*malik*) and servant (*naukar*) wherein capitalists and ruling classes were buying people's capacity to work (labour power) at a virtually 'zero' price and generating surpluses through exploitation of working classes and constraining their freedom of action. In response to this working class across northern Europe organised and formed trade unions and political parties to fight against the wave of relatively unregulated capitalist expansion in the nineteenth century. Legislation and welfare provisions were redefined to civilize the ruthlessness inherent in a "free-market". The aim was either to advance to classless, 'socialist' society or to create a 'social democratic' class compromise. The redistributive achievements, within 'social democratic' industrialized countries, have been remarkably successful, with many achieving near full employment and a substantial social wage<sup>7</sup>. Western European unions, since then, have brought tremendous changes into the life of working people and managed to establish labour-capital relationship intact. This served as a motivational force in the unification of workers worldwide to bring about changes in society through "social movements" by constructing collective identity through interpersonal relations backed-up by collective engagement in action and decision making process<sup>8</sup>.

The industrial revolutions followed by the political changes in Europe have not only established rights of workers, they have indeed helped to build up an egalitarian society. Trade unions graduated into political parties. For example, majority of the ruling political parties of the western democracies have their roots in the class-based trade union movements. The labour parties across the Europe are true manifestation of this movement. In the same vein, much of the contribution in which form or policy (welfare state, social security etc) that Europe has adopted today is the result of trade union activism. The capital that was solely used to service the 'ruling classes' and the "owners" have been equally distributed for the overall transformation or development of

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<sup>7</sup> These countries were inspired by the state-led Keynesian alternative to capitalist crises

<sup>8</sup> Dahal, Dev Raj, "Trade Union Movement in Nepal: A Leading Social Movement for Socio-economic Transformation and Social Justice", *Paper presented at the DECONT, FES Seminar*, 2003.

society through democratic distribution of economic power. This has been done through progressive taxation, through social contribution, through social security, through social justice and alike. This helped to harmonise ‘industrial relations in the Europe and decreased ‘class conflict’ in society. Those who were/are rich have contributed for the upliftment of poor, charities were established, rich became philanthropists and the vast capital collected by the ‘rich’ have been utilised for the overall development of society. This has led to the establishment of Corporate Social Responsibility (CSR) within the capitalist and industrialist classes as well. Thus European trade unions have successfully bridged the gap between labour and capital through special rights for the workers, affirmative action and sharing of benefits in economic prosperity. Labour which used to be treated solely as ‘priceless commodity’ has become precious commodity and there is no hierarchy between labour and capitalist class.

However, during this same period much of the developing world have experienced low or at best ‘enclave’ development, where a few cosmopolitan elites enjoy the fruits of development, while the majority experience massive unemployment, informalised work, low wages and poor working and living conditions<sup>9</sup>. Likewise, the rapid expansion of capitalism across the globe – in particular the current phase of turbo-charged, hyper-competitive ‘free’ market or neoliberal globalization<sup>10</sup> – pose severe challenges for the entire world. The adoption of neoliberal policies in the world are diminishing labour rights, welfare provisions, informalisation of labour and employment relations; created jobless economic growth, threatened natural environment, reduced capacity of the state to regulate and improve labour and other social standards – as well as rising social inequality within and between countries that increasingly threatens global security. The labour movement is consequently challenged to look beyond narrow workplace concerns, in order to more assertively address the broader social and environmental issues of our times, both nationally and globally<sup>11</sup>. The basic values of union movements such as freedom, equality, justice and solidarity are on the serious attack.

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<sup>9</sup> See Devan Pillay, “Globalisation and the Challenges to Labour Development” at [http://www.global-labour-university.org/fileadmin/Selected\\_Publications/Pillay\\_-\\_Globalization\\_and\\_the\\_Challenges\\_to\\_Labour\\_and\\_Development.pdf](http://www.global-labour-university.org/fileadmin/Selected_Publications/Pillay_-_Globalization_and_the_Challenges_to_Labour_and_Development.pdf)

<sup>10</sup> See Devan Pillay, “Globalisation and the Challenges to Labour Development” at [http://www.global-labour-university.org/fileadmin/Selected\\_Publications/Pillay\\_-\\_Globalization\\_and\\_the\\_Challenges\\_to\\_Labour\\_and\\_Development.pdf](http://www.global-labour-university.org/fileadmin/Selected_Publications/Pillay_-_Globalization_and_the_Challenges_to_Labour_and_Development.pdf)

<sup>11</sup> See Devan Pillay, “Globalisation and the Challenges to Labour Development”, at [http://www.global-labour-university.org/fileadmin/Selected\\_Publications/Pillay\\_-\\_Globalization\\_and\\_the\\_Challenges\\_to\\_Labour\\_and\\_Development.pdf](http://www.global-labour-university.org/fileadmin/Selected_Publications/Pillay_-_Globalization_and_the_Challenges_to_Labour_and_Development.pdf)

At this backdrop, the current contribution neither criticizes nor develops any theory of economic development but it does critically analyses state of labour-capital relationship within the current trend of “capital formation”. It also traces the role of the state, trade union and capital. Hence the major theoretical framework for this study is based on the premises that political economy of the modern state should be governed by three variables: state, social classes (labour) and the economy. State should remain neutral but active between economies and labour whereas labour force should try to mediate between state and capital and engage actively to formulate labour friendly policies in order to maintain harmonious societal as well as industrial relationship, to streamline distributional justices and to deconstruct “class formation” which occurs wherever humanity’s interactions with nature take the form of social relations between those who produce and those who appropriate what others produce<sup>12</sup>. Trade unions should mediate both politics and policies as their movements are emancipatory form of politics. It is the politics of life-chances because it tried to achieve what Jurgen Habermas calls liberation of the life-world from the penetration of technological, bureaucratic and economic rationality in everyday life<sup>13</sup>. It asks what can Nepalese trade unions and industrialists learn from the European experience, are trade unions strong enough to address the challenges brought about by the bourgeoisie capital or they are co-opted with capitalist and political classes? How trade unions could move ahead at a time when the whole nation is enmeshed in the process of constitution writing but the formal job market is shrinking? These are some of the questions which will set the scene for the study.

### 3. Challenges for Nepali Trade Unions

Nepal’s ongoing transition process seems to be particularly affected by many of trends<sup>14</sup>. For example, Nepali society is transitioning from a semi-feudal pre-capitalist phase and the entrepreneur-business class is evolving into the capitalist class from the land-based feudal class. The feudal nature of land property is thus changing into modern capital investment, but not the mentality, which is still feudal. Consequently, the Nepali business class does not have a balanced approach in industrial relations<sup>15</sup>. In fact the formation of capital in the country is separating

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<sup>12</sup> Kees van der Pijl, “The history of class struggle: from original accumulation to neoliberalism”, *Monthly Review*, May 1997, p. 1.

<sup>13</sup> Jurgen Habermas, “The Theory of Communicative Action: Reason and the Rationalization of Society”, Cambridge: Polity Press, 1995, pp. 335-7 .

<sup>14</sup> Lok Raj Baral, “Introduction: New Frontiers of Restructuring of State”, in Lok Raj Baral (ed), *New Frontiers of Restructuring of State*, New Delhi: Ardoit, 2008, p.4,

<sup>15</sup> Workers News, “Social Dialogue”, Vol. 36, march, 2004:14

people from their means of livelihood and mobilising social wealth as exclusive private property. This has created what Garret Hardin has called “the tragedy of the commons”<sup>16</sup>. This “tragedy” has forced many Nepalese to leave the country in search of jobs.

The Interim Constitution of Nepal 2006 emphasises on new rights—right to work, education, health, food, health, social security, social justice, etc but the major bone of contention, however, is whether Nepali state will be able to fulfill them or not. This is primarily because the material and institutional framework of the state is too weak to implement these rights. For example, contribution of tax to GDP is only 12 percent which is not sufficient to cater the demands generated by the different societal forces. Nepalese political leaders and interest groups are busy in incorporating rights into the constitution but not advocating developing mechanism to ensure these rights. It looks that they have not realized the fact that political rights can only be fulfilled through economic prosperity. This leads us to analyze economic policies vis-à-vis with the structure of capital formation in the country.

The trend of capital formation which leads to economic prosperity is anti-labour, anti-poor wherein the poor are becoming poorer and rich are becoming richer<sup>17</sup> and labours are having difficulty to meet their basic needs. The adoption of neo-liberal economic policy, in the past, largely promoted by the World Bank, the IMF and other multilateral agencies, despite constitutional commitment to adhere social policy based on the welfare notion, have had multiple impacts on Nepali economy, polity and society. Its most visible impact was witnessed in agriculture and industrialisation process. In agriculture, for example, Nepal removed the subsidy and in industrial sector state has adopted de-industrialisation and de-nationalization process and whatever industries Nepal have had were sold to the private individuals. The mismatch between politics and policy has resulted in the denationalization of state-owned corporations/organisations and most of which were established during the Panchayat era and have raw material, skills and infrastructures available in the country. The de-nationalisation and de-industrialization has

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<sup>16</sup> Garret Hardin, “The Tragedy of the Commons, Social Contract”, *Fall 2001*.

<sup>17</sup> The gap between the rich and poor in Nepal is such that 90 percent Nepalese are leaving measurable life and 48 percent of national income is allocated form them whereas 10 percent of Nepalese who are super rich enjoy 52 percent of national income. Twenty years ago Nepal has less poor, more richer today it has more poor less rich. 20 percent upper class Nepali (rich) has 90 percent of national resources to their disposal whereas 80 percent of lower echelons have only 10 percent of national resources for their development. See Dr. Narayan Narsinha Khatri, “The Economic Agenda of New Nepal: Welfare State and Prosperous Nepal”, *Paper presented at the Seminar organised by Friedrich-Ebert-Stiftung, Kathmandu, May 19, 2009*.

thrown huge labour forces out of gear. It has forced Nepali workers to look beyond their own state for the “opportunities” which has weakened their bond to the polity. This has led to the erosion of state's monopoly on power, policy and sovereignty and increased competitive violence and clientalist political culture and surfaced multi-layered conflicts in society<sup>18</sup>. The repercussions of this phenomenon are such that large numbers of youths were forced to flock to the urban centers in search of job<sup>19</sup>. Those who neither could find job in the urban centre nor could go for foreign employment were radicalized by the political parties through “promises” which were never to be fulfilled. Those who could afford to go abroad were exploited by mushrooming number of manpower agencies mostly operated either by the bureaucrats or politicians or their close-associates. These agencies started “trading” youths in the name of foreign employment. The ‘human trafficking’ increased to such an extent that it became most sought profession to make money after ‘real estate businesses’. The regime in Kathmandu has developed unique type of slavery in the modern era within the state in the name of “foreign employment”.

The migrant workers were subjected to neglect, harassment and violation of rights both in the sending and receiving states. In fact states are working like freeloaders at the cost of the migrant workers who invest their own resources to bring in so much financial benefits and their newly required skills to the region. The real issue is the transparency and accountability in the sending country itself: the nexus between bureaucracy and politicians is utilized for their own personal benefit. In Nepal, government officials these days want to go to the Department of Labour than to the Customs Department as it now a most sought after place of employment as there is money to be made from the innocent labourers waiting to go abroad<sup>20</sup>.

All these factors have had twin effect in Nepali society – “crisis of opportunity” within the country which led to the erosion of loyalty of the citizen towards state, system, policy and politics and second the formation of comprador political economy in the urban centre. Comprador political economy which neither contributes to the national economy nor generates employment (for the masses) have further widened the gap between haves and have-nots. And its benefits

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<sup>18</sup> Dev Raj Dahal, “Trade Union in the New Context: An Agenda of Social Transformation in Nepal”, *Paper presented at a panel discussion organized by GEFONT in Cooperation with FES*, on April 4, 2009.

<sup>19</sup> The unemployment has increased to 42 percent primarily due to lack of capacity of the economy to provide productive employment opportunity affective the most the youth in the age group between 15-19 yers. For details see Pravin Sinha, “Agenda for Nepalese Trade Unions”, Paper delivered at the 20<sup>th</sup> Anniversary of GEFONT in Kathmandu, 20<sup>th</sup> July, 2009.

<sup>20</sup> Khatri, Shridhar, “Problem Faced by Migrant Workers”, *Telegraph Weekly*, 5<sup>th</sup> August, 2009.

cannot trickle-down to the grassroots level<sup>21</sup> due to its connection with global economy. This has definitely benefited urban elites but it has in no way contributed towards nation building. In contrast, people involved in this economy are notoriously known for the misappropriation of bank loans as defaulters<sup>22</sup>. This happened all in the early good years after the reinstatement of democracy. Within this economic framework, the work force has been suppressed. The case in point is the hiring workers on contract basis, reduction in wages weakening the bargaining power of the trade unions thereby. Recent recommendation submitted by the Chambers of Commerce to the Constitution Committee of CA has demanded a ban on the trade union<sup>23</sup> as against existing law of the land. In the same vein, World Bank/IMF/ADB and other multinational companies are exerting pressure on the government for the flexible labour act which is directly linked with the fate of labour and puts water on their demand of “social security”.

To conclude, the de-industrialization policy of the state has contracted internal formal economy and job market. The urban comprador political economy largely built-up by the banking system, financial institutions, consultancies, private schools, hospitals, and insurance companies and alike can neither cater our demand nor is it well-connected with Nepali society. Nepal's large workforce either semi-skilled or unskilled who cannot compete in this market, they can only be absorbed when industrialization takes place. This economy has created further fissures in Nepali society (the rise of the class). This has also promoted unhealthy competition – the heart of the capitalism. Those who cannot compete will have to become slave of capital; their wages will be compromised with no job security.

What indicate above discussion is that Nepalese trade unions rather than rallying behind political parties, should focus more on the problems of labour and democratization of economy, otherwise, they are bound to face tougher challenges in the days to come. That said, trade-union politics should be guided to reduce the gap between labours and capital by forcing both the state and corporate sector to generate more jobs. Trade union politics should focus more for ‘class’ benefits and maintain autonomy from political parties. Trade unions are not apolitical but their politics should influences polices. Trade unions should not be dependent on political parties for their survival; in contrast, they should work for the broader welfare of the worker. That said, trade unions should be free from the government, political party and the employer with greater degree

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<sup>21</sup> Chandra Dev Bhatta, “Challenges of State Building in Nepal”, *Friedrich Ebert Stiftung*, Kathmandu 2008, p.100.

<sup>22</sup> For detail see Clare Lockhart and Ashraf Ghani, “Fixing Failed States”, *Oxford University Press*, 2008.

<sup>23</sup> Labour rights are fundamental right and the workers have right to join unions and bargain collectively as enshrined in the Interim Constitution 2007.

of cooperation among themselves for social security, for better pay, for better working environment, respect of labour, equal pay for the same job and many more pertaining their rights, dignity and identity. In many occasions, women workers have been denied of these opportunities including equal wage for similar job.

To address these challenges trade union should design strategy to improve working environment of the workers by ensuring their rights in the upcoming constitution. Nepal is in the constitution writing process and it is the right time for the trade unions to work together to intervene in the state policies to bring about positive change, prosperity and social security of the workers. This practice has not been initiated in Nepal. In most of the time only employer and the government alone decide the fate of the workers or policies that affects them.

Majority of workers and stake-holders of society in Nepal are in favour of 'welfare state' but this will only happen when we have some sort of mechanism for economic democracy. This will enable to achieve social security, a decent salary to live a decent life (with no hire and fire policy), unemployment benefits, and create job opportunities by consolidating economic sphere of the state. This will also create an environment where capital and labour can work together during the post-conflict reconstruction thereby taking peace building process to the logical end.

All said, the choice for the various unions in Nepal is to establish the condition necessary for the promotion of the general interest of workers in the productive sector. The current level of "unity in diversity," "networking" "occasional team spirit" and "working relationship" among them is a necessary to strive for common ground and collaborate for influencing state policy on areas of mutual social, economic and political benefits<sup>24</sup>. The fourteen CA committees have provided Nepalese trade unions vital opportunity for discourse on their rights. It is a strong platform of political struggle and social change through legislative means as it offers a chance for the unions to make proper designing of the future of state power and the overarching vision of social transformation. The recently formed Joint Trade Union Coordination Centre (JTUCC) has submitted their demands to the Constitutional Committee of the Constituent Assembly but these demands can only be fulfilled when trade union work collectively for the benefits of the labour and are not co-opted by political parties and business leaders.<sup>25</sup>

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<sup>24</sup> Dev Raj Dahal, "Trade Union in the New Context: An Agenda of Social Transformation in Nepal", *Paper presented at a panel discussion organised by GEFONT in Cooperation with FES*, April 4, 2009.

<sup>25</sup> Dev Raj Dahal, "Trade Union in the New Context: An Agenda of Social Transformation in Nepal", *Paper presented at a panel discussion organised by GEFONT in Cooperation with FES*, April 4, 2009.

#### 4. The Future

In the past, Nepali state never attempted to strike a balance between labour and capital through democratization of economic power of the state. Political parties have formed trade unions merely to serve their utilitarian political agendas. This has led to the mushroom growth of trade unions in the country but there is no space for them to be productively engaged in labour work and action<sup>26</sup>. With the change political environment in the country, there is an urgent need that trade union should make paradigm shift from their traditional roles both to bridge the “existing gap” in order to ensure their rights and make a strong functional state. Because it is only the state that can guarantee different sorts of rights of people. The duty of the modern state is to look after political, social, economic, cultural and other issues of its citizenry. And state has a capacity to absorb its citizens in its institutional life. It can develop alternative mechanism (the private job market) to absorb surplus labour that could not be accommodated in the public sector job through ‘industrial’ development. However, the key question is: what *kind* of developmental state is needed to achieve inclusive development, and what are the role of organised labour as a transformative actor in relation to the state, capital and the rest of civil society? Where the state has been mainly embedded with an emerging indigenous industrial bourgeoisie, labour and other civil society actors have often been excluded or suppressed. Even if organised labour is incorporated, the question remains whether development that is subordinated to economic growth, in a context of extensive labour-saving technology and fierce global competition, will achieve inclusive or enclave development. Will a different paradigm, that of a *democratic* developmental state that is embedded primarily with organised labour and other civil society actors - such that growth is subordinated to development (or human needs) - achieve holistic, balanced and inclusive development<sup>27</sup>?

The only option to make a functional state is to expand industrialization process and increase the tax sphere by bringing large capital formers into the tax net and force them to contribute towards the upliftment of poor and powerless. That said, the basic and decisive impulses to social change must be seen as emanating, not from the economics of the profit making process, but from the developments of the labour process evolving under the impact of the profit making process<sup>28</sup>.

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<sup>26</sup> See Hahhah Arendt, *The Human Conditions*, Chicago: The University of Chicago Press, 1988

<sup>27</sup> See Devan Pillay, “Globalisation and the Challenges to Labour Development” at [http://www.global-labour-university.org/fileadmin/Selected\\_Publications/Pillay\\_-\\_Globalization\\_and\\_the\\_Challenges\\_to\\_Labour\\_and\\_Development.pdf](http://www.global-labour-university.org/fileadmin/Selected_Publications/Pillay_-_Globalization_and_the_Challenges_to_Labour_and_Development.pdf)

<sup>28</sup> A. Sohn-Rethel, “The Dual Economics of Transition” In R. Panzieri et al., *The labour P rocess and Class Strategies*, London – CSE, 1976, p. 27

Unless we do not have these mechanisms in place there is no point of guaranteeing these rights through constitution.

During the field visits organised by the author in different parts of the country many participants have said that trade unions have been used by political parties to meet their interests. They have said that trade union leaders and the employer in many occasions get very closer which jeopardizes the interest of the labour. Equally important is that we need to strike a balance between politics and policies. In many occasions political leaders are found to have capitalized on “mass” for the political power and with “class” for the economic power. Policies, in most of the cases, are made for the “class” not for the “mass” and policy related dialogue processes are exclusively dominated either by the industrialists or members of the Chambers of Commerce but not from the labour community. The reluctance to accept trade union as representative of employees and development of new form of mechanism of direct communication with employees as individual, team work collective decision making process by the management and willingness and ability of multinational companies (MNCs) to escape from national regulatory force has further jeopardised the future of collective bargain in Nepal<sup>29</sup>. This has promoted anti-labour and pro-capitalist policies in the country. Marx made a distinction between merchant capital (that profits from financing trade), usurers' capital (that makes profits from interests on lending) and productive capital (that profit). Merchant capital and usurers' capital existed under all the old empires, wherever there was large-scale trade or money lending. But productive capital made only a rare and fleeting appearance. This approach has to be discontinued, if Nepali state really wanted to reduce the gap between capital and labour for an egalitarian society.

The other factors that needs to be carefully looked into is that in many occasion “profit” has been individualized and “cost” has been “socialized”. This has resulted in the frequent industrial action in the country. Hence it would be appropriate to invest on the organizations, that work for the poor and marginalized groups, such as NGOs, CBOs, academic institutions, think- tanks and alike in addition to trade unions. These organizations will spread the message of civic culture and generate the sense of CSR across different layers of society. Trade unions are formed basically to overcome exploitation of weak labour by strong capital and this exploitation of labour has to be stopped through Amartya Sen’s 3Rs – Reason, Result and Reach. Therefore, trade unions as a political agency of workers have to establish their social utility by humanizing working conditions, improving industrial relations and exerting pressure on the agencies of capital and

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<sup>29</sup> Pravin Sinha, “Agenda for Nepalese Trade Unions”, *Paper delivered at the 20<sup>th</sup> Anniversary of GEFONT*, Kathmandu, 20<sup>th</sup> July, 2009.

political authority to set a framework of social justice at multi-level governance in a broader goal of state-building by reaffirming democratic practice as the source of value and political action<sup>30</sup>.

## 5. **State-building agenda**

Nepal is at historical movement of change. Debates, discussions and mobilization around new constitution making process are becoming interesting, contentious and promising. That said, however, there are three main challenges that need to be addressed urgently: first, logical conclusion of the peace-process by addressing all social/political contradictions; second, writing of the constitution within the stipulated time-frame, and third, creating sound environment for the economic development. By addressing these challenges, Nepali state will be able to restore its legitimate power on violence, taxation and loyalty. State can only restore its legitimacy when it neutrally tries to strike a balance between different societal forces including labour and capital. When it comes to the point of labour and capital, trade unions role becomes crucial both to sensitize the state and its other machineries on the issues of political economy. Nepalese trade unions have grown out of labour movements and in the process they have emerged as the most organized actors with most articulating voices in society. The mobilizing capacity of unions has been a unique asset; it is the backbone of their political influence which has helped deliver successful outcomes in terms of equity and justice to workers all over the world. Trade unions should play a bigger and more dynamic role in society politically, socially and economically to achieve their noble goals vis-à-vis equity, justice, poverty eradication, full employment and social cohesion.

The intellectual and political leadership for the social transformation should come from the trade unions from their “organic intellectuals” to use the concept of Antonio Gramsci. Trade unions principally have the agenda of “empowering” the powerless through capacity building, training, and policy interventions. The environment is ideal for unions to play a bigger role in Nepal at a time when we are in the process of writing a new constitution. Unions can contribute by advocating labour friendly policy (or by putting a human face on the policy formulation) which can strike a balance between capital and labour by promoting the notion of equity for the people, that is, wealth-creating capacity of the market and the social needs of people. Striking the balance

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<sup>30</sup> Dev Raj Dahal, “Trade Union in the New Context: An Agenda of Social Transformation in Nepal”, *Paper presented at a panel discussion organised by GEFONT in Cooperation with FES, April 4, 2009.*

between these decisions requires collective inputs from all social actors. In this setting, the trade unions can become valuable partners for steering things in the right direction<sup>31</sup>.

Moreover, there are no sectoral solutions to integrated problems. Hence, Nepalese trade unions have to equip themselves to be seen as spokespersons of the broader concerns of society and perform new roles that go beyond their traditional functions, rather than being a spokesperson of sectoral group<sup>32</sup>. They need to work for unified trade union movement in the country this will assist to implement policies<sup>33</sup>. This will help union to build up necessary organizational base for political support for influencing outcomes at the national levels. By and large, the role of the trade unions in different domain such as *social cohesion* can be sustained only in an environment which secures income for all concerned under conditions of freedom and dignity. Trade union can develop *partnership in development* as the largest organized group in civil society due to their direct involvement with economic systems of production and distribution; they can influence for employment, social and economic policies. Trade unions can also contribute by *promoting human rights and democracy*, as critical catalysts, which is historically important mandate of labour unions. Right through the 20<sup>th</sup> century, unions have decisively influenced the struggles either to establish or to revive democratic institutions<sup>34</sup>. Civil and political rights are an essential precondition for access to labour rights and only democracy can background for the fulfillment of labour rights as human rights. All these above task can only be accomplished through a political process. Trade unions can contribute in political process by building support for an agenda based on workers' rights, employment creation, social protection and social dialogue.

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<sup>31</sup> See keynote speech by Juan Somavia, Director General, International Labour Organization on “Trade Unions in the 21<sup>st</sup> Century” at <http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/1999/network.htm> visited on 20th August, 2009.

<sup>32</sup> See keynote speech by Juan Somavia, Director General, International Labour Organization on “Trade Unions” in the 21<sup>st</sup> Century at <http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/1999/network.htm> visited on 20th August, 2009.

<sup>33</sup> The idea of “one union-one voice” has been proposed by Nepalese trade unions. For detail see “Unity for Transformation: Direction of Nepali Trade Union Movement”, *Draft of Policy Document for GEFONT Fifth National Congress*, April 4<sup>th</sup>, 2009. The same issue has also been raised during this author’s interaction with several stakeholders.

<sup>34</sup> See keynote speech by Juan Somavia, Director General, International Labour Organization on “Trade Unions in the 21<sup>st</sup> Century” at <http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/1999/network.htm> visited on 20th August, 2009.

## 6. Conclusion

The gap between the capital and the labour can only be reduced when policies are made in favour of poor and capital and production are distributed/utilised on the basis of justice, whereas, in the context of Nepal both government and trade unions has remained mere spectator in front of the 'capitalist' class. This is partly because political parties take heavy donations from 'industrialists' and trade union leaders are very close to political leaders and partly because both government and political parties are more inclined towards capital and are trying to shy away from labour. This has, in many occasions, resulted in the failure of collective bargain to strike a right deal that serves the interest of the labour. In addition to this, in many instances, industrialists threaten political leaders, trade unionists and workers to shut down the industry if they push hard on them. This has also become major problem to push for industrialization in Nepal.

The first and foremost objective of trade union is to maintain 'dignity' of the labour by creating an environment for "decent work". JTUCC should ensure that upcoming laws in the state work towards this end. In addition to this, the collective bargaining process has to be transparent and should work both for labor as well as to protect the capital which has not been the case in Nepal. The collective bargaining process of trade unions is highly influenced by the political parties to fulfill partisan interests than the interest of the actual labour. In some circumstances, trade union leaders are putting the very future of the industry at stake for their own political benefit. Trade unions can only do so when they become free from political parties, state and the employer. Trade union movement, which is the part of broader civil society, should protect 'civil' not only from the aggressive powers of the groups, political power of the state but also from the economic power of the state. In the same vein, the future state must not passively submit to market forces; by contrast, it must channel these forces so that they can have lasting, positive impact and thus assist as many people as possible<sup>35</sup>. Equally important is that militarization of trade union has to be discouraged to upkeep industrial peace which can happen when there is economic development and healthy relationship between labour and employer. Both should view each other as equal shareholders rather than "unequal travelers" on the same route. The current economic system and capital formation process are tilted towards global capital which is more fascinated by profit making approach and does not support workers at large. By and large, the economic is anti-democratic and it needs to be democratized for the broader interest of state and society when we are so dearly discussion about state-building process in Nepal. Finally, let us return to our forefather's philosophy of the "survival of the weakest" from the current "survival of the fittest".

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<sup>35</sup> Peter Bofinger, "What Role for the State", *International Policy Analysis*, Friedrich Ebert Stiftung, February 2009.

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