

[Draft]  
Creating a Functional State  
Redefining Labour-Capital relationship in Nepal

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1. Introduction

The global financial crisis has brought about new crisis and challenges for labour, capital and the state. Since 2007, we have been living through economic crisis – the worst economic downturn since the 1930s and its repercussions are felt everywhere. During 1930s the financial crisis was not felt in the agrarian economies primarily because they were not connected with global financial system. The current financial crisis for its part, however, has hit each and every economy in the world. In the words of Kevin Rudd, the former Australian Prime Minister, it is a financial crisis which has become a general economic crisis; which is becoming an employment crisis; and which has in many countries produced a social crisis and in turn a political crisis<sup>2</sup>. Rudd further argues that it is a crisis which is simultaneously individual, national and global; it is a crisis for both the developed and developing world. It is a crisis which is at once institutional, intellectual and ideological. It has called into question the prevailing neo-liberal economic orthodoxy of the past 30 years argues Rudd<sup>3</sup>. The Washington Consensus which is blamed to have produced “capitalist system” based on neo-liberalism which is anti-tax, anti-regulation, anti-government conservatives. The system itself now demands overhaul reviewing to save capitalism from itself.

Nepal could not remain exception to this phenomenon. 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 produced hegemony of the capital against the labour. In the long term, these factors have contributed towards political instability one after another and finally pushed Nepal on the vortex of class-based Maoist insurgency.

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<sup>2</sup> Kevin Rudd, “The Global Financial Crisis”, *Monthly Review*, February 2009, No.42

<sup>3</sup> *ibid*

The overarching aim of this paper is to shed light on the current trend of relationship between labor-capital and the state. It also emphasises on the need to redefine labour-capital relationship to accomplish democratic state-building agenda<sup>4</sup> which has come vociferously over the years. Citing the case of Nepal, it explores under what conditions (the degree of autonomy from political parties and business class) trade unions could become active or inactive to bridge the gap between labour and capital. It asks whether trade unions are 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 enlist their agendas into the upcoming constitution? These are some of the questions which will set the scene for the study. Hence, the current contribution neither criticizes nor develops any theory of economic development but it does critically analyses the position of labour-capital relationship within the current trend of “capital formation”. It also traces the role of the state, trade union and capital

## 2. Theoretical Framework

Historically, capitalism has been termed as the crisis-ridden cyclical economic system largely motivated by the culture of capital accumulation and produces a social system based on class and competition. Such a society guarantees not just inequality of *result*, but insofar as the results of inequality are passed on through the institution of the family and the spatial divisions of uneven capitalist development, the inequality is reproduced inter-generationally and inter-regionally. This leads to a decisive inequality of opportunity *and undermines the value of labour*<sup>5</sup> (Gindin 2002:3, emphasis added). It regards labour no different from any other economic commodity as there is only “contract” no “social contract” between capital and labour. Under these circumstances what becomes importance is balancing between the capital and the labour and hard-ware (foundations) and soft-ware (values and norms) of democracy for the functional state which is just, legitimate, able to deliver services, provide security to its people, creates opportunities for economic activities and strikes a balance among different societal actors.

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<sup>4</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).

<sup>5</sup> Sam Gindin, “Anti-Capitalism and the Terrain of Social Justice”, *Monthly Review*, February 2002, Vol.53

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 causes 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 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 against the market and capitalist classes. In the same vein, Friedrich Engles’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’ based on new social contract. The aim was either to advance to classless, ‘socialist’ society or to create a ‘social democratic’ class compromise. The redistributive achievements, within ‘social democratic’ industrialised countries, have been remarkably successful, with many achieving near full employment and a substantial social wage<sup>6</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

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<sup>6</sup> These countries were inspired by the state-led Keynesian alternative to capitalist crises

“social movements” by constructing collective identity through interpersonal relations backed-up by collective engagement in action and decision making process<sup>7</sup>.

The post-industrial social contract in Europe has not only established rights of workers, they indeed helped to build up an egalitarian society to some extent. Trade unions graduated into political parties became important actors in policy formulations. For example, majority of the ruling political parties of the western democracies have their roots in the class-based trade union movements. In the same vein, much of the contribution in which form or policy (welfare state, social security ec) that Europe has adopted today is the result of trade union activism backed up by new social contract. 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 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. Likewise establishment of Corporate Social Responsibility (CSR) culture within the capitalist and industrialist societies helped to invest in the social sector. 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 the vertical hierarchy between labour and capital has been reduced.

Nonetheless during the same period of time much of the developing world 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. Likewise, the rapid expansion of financial capitalism across the globe – backed up by ‘free’ market or neoliberal globalization – pose severe challenges for the entire world. The adoption of neoliberal

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<sup>7</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.

policies have created wealth and prosperity but it has also created gaps between rich and poor, curtailed 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>8</sup>. The basic values of union movements such as freedom, equality, justice and solidarity are on the serious attack.

Hence the major theoretical framework for this study is based on the premises that state should remain neutral but active between economic activities and labour whereas labour force (trade unions) 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>9</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>10</sup>.

### 3. The structural problem in capital formation:

When it comes to the point of capital formation it is important to know how capital is formed, who forms, for whom and for what purposes. Equally important is what the major sources of capital are. The capital formation process is directly linked with policy therefore it is equally important to know who shapes policies and for whom. It is particularly important in the case of Nepal as it is going through multiple transitions. For

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<sup>8</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>9</sup> Kees van der Pijl, “The history of class struggle: from original accumulation to neoliberalism”, *Monthly Review*, May 1997, p. 1.

<sup>10</sup> Jurgen Habermas, “The Theory of Communicative Action: Reason and the Rationalization of Society”, Cambridge: Polity Press, 1995, pp. 335-7 .

example, Nepali society is transitioning from a semi-feudal pre-capitalist phase to capitalist phase, the entrepreneur-business class is evolving into the capitalist class from the land-based feudal classes to feudal backed up by financial capitalism. The feudal nature of landed property is thus changing into modern capital investment. But formation of capital in the country is separating 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>11</sup>. This “tragedy” has forced many Nepalese to leave the country in search of jobs<sup>12</sup>.

In this section I argue that there has been structural problem in capital formation process in Nepal. For example, if we look at, the key policy and decision makers of Nepal over the years came from urban classes who are not well acquainted with needs and concern of the rural people as a result majority of the development policy served either the political interests or the interest of the urban classes. The elite decision makers have failed to provide a coherent governing plan for the nation owing to their experiences of the common people. In addition to this, neoliberal policies, the development paradigm of 1990s, have completely changed the capital formation process and made it more urban centric thereby bringing more landed feudal into urban centres, consolidation and centralisation of both power and wealth in the urban centre and fragmented rural power and wealth. The adoption of neo-liberal economic policy despite constitutional commitment to adhere social market economy has 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 and promoted financial capitalism<sup>13</sup>. The de-industrialisation policy of the state has contracted internal real economy and promoted “symbolic” economy largely based on financial capitalism supported by private banks, financial companies, consultancy firms, private schools, hospitals, media, insurance companies which are not embedded in the broader society. The financial capitalism has ruled over workers and failed to provide social justice. The setting up of educational institutions and hospitals in the economic model of competition

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<sup>11</sup> Garret Hardin, “The Tragedy of the Commons, Social Contract”, *Fall 2001*.

<sup>12</sup> Everyday five-hundred Nepali youth leave the country in search of job

<sup>13</sup> 30 State-Owned Enterprises (SOES) were sold to the private individuals

is the classic example how injustice is being promoted in society. They are creating hegemonic ideology to weaken freedom and dignity of workers thereby undermining their contribution in society. In contrast, it has increased gap between the rich and the poor. For example, workers in Nepal have to be satisfied with Nepalese Rs. 4600 (nearly US\$ 75) per month which is way lower to meet the daily expenses whereas those who work in the crony capitalism go home with huge amount of money. The classic example is the whooping salary CEOs of the private bank and financial sector receive is unjustifiable<sup>14</sup>. Those who work in bureaucracy, legal service, policy service and other state-owned enterprises (SOE) make money out of corruption and immune from being charged. Disparity in pay and culture of impunity will neither provide political stability nor political and economic equality, let alone social justice.

The neoliberal policies have also favoured the rich against the poor. The capital formation was largely individualised and profit oriented (accumulation) as a result it has failed to develop entrepreneurship which would have made capital available to the working people as well. The individuals who largely benefited from this process yet again were urban non-stake holding comprador classes<sup>15</sup> who have transformed this state into a consumer state that consumes everything but produces nothing. The latest data indicate that Nepal import six times more than what it exports. The capital produced thus was largely utilised to buy consumer goods but not towards industrialisation. This has led to the growth of rentier economy based on profiteering. This rentier economy has been primarily used to control state and its citizens.

Nepal is an agrarian economy and nearly 80 percent of its workforce is in agriculture. But to our dismay, output from the agriculture is insufficient to sustain decent livelihoods. This is primarily because the successive policy makers/governments have never designed policy that could have supported agriculture. The agriculture workers are paid bare subsistence wages – just enough to keep them alive and able to produce next generation

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<sup>14</sup> Private bank pay minimum of 5 lakhs Nepalese rupees per month to their CEOs. The maximum is upto 15 lakhs per month

<sup>15</sup> Dipak Gyawali, *Déjà vu Politics of Tragedies, Farce and Impunity*, Spotlight, Vol.03, No. 21, March 19, 2010

of workers.<sup>16</sup> Agriculture does not produce capital anymore as majority of the agri-based industries have been either sold or became dysfunctional and it's the remittance economy that has become lifeline of the national economy<sup>17</sup>. By and large economic activities were centralised to such an extent that people were submitted to the ways of modernising by pushing her local population to the urban centres without being able to offer them work, housing, education, health and food. These policies have thrown many poor folks out of gear were finally forced to look beyond their own state for the “opportunities” which has weakened their bond to the polity.

Moreover, the grand bazaar of urban economy is largely black as it is thriving on tax evasion, capital flight from rural to the urban centres and from their outside of the state and surplus is recycled in the urban centres to buy consumable and luxury goods and real estate business. The contribution of urban economy to the national GDP is as low as three percent. In a nutshell, we can conclude that structural shift from the “real” to the “symbolic” economy has generated growing incongruity between the political and economic space and transformed Nepal into a consumer state. The foregoing discussion leads us to argue that the trend of capital formation is anti-poor, anti-labour wherein the poor are becoming poorer and rich are becoming richer<sup>18</sup> and labours are having difficulty to meet their basic needs.

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>19</sup>. The repercussions of this phenomenon are such that large numbers

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<sup>16</sup> Dev Raj Dahal, *The Paradox of a Weak state: Distributional struggles and Social transformation in Nepal, Readings on Governance*, Vol. IX, 2007

<sup>17</sup> Remittance contributes 20 percent to GDP

<sup>18</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.

<sup>19</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.



of youths were forced to flock to the urban centers in search of job<sup>20</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 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>21</sup>. The regime in Kathmandu has developed unique type of slavery in the modern era within the state in the name of “foreign employment”.

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 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 cannot trickle-down to the grassroots level<sup>22</sup> due to its connection with global capitalism. In contrast, people involved in this economy are notoriously known for the misappropriation of bank loans as defaulters<sup>23</sup>. This happened all in the early good years

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<sup>20</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>21</sup> Khatri, Shridhar, “Problem Faced by Migrant Workers”, *Telegraph Weekly*, 5<sup>th</sup> August, 2009.

<sup>22</sup> Chandra Dev Bhatta, “Challenges of State Building in Nepal”, *Friedrich Ebert Stiftung*, Kathmandu 2008, p.100.

<sup>23</sup> For detail see Clare Lockhart and Ashraf Ghani, “Fixing Failed States”, *Oxford University Press*, 2008.

after the reinstatement of democracy in Nepal. 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>24</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”.

In fact aid has become the priority of Nepali state over the years not the development. But the foreign aid and investment are also serving the interest of urban elites through their NGOs. Donors who have very little social learning have been co-opted by the urban elites, manufactured experts and inorganic urban civil society members. Donors are either ignorant or least bothered to such an extent that they have been consulting the same people whom they used to consult some 20 years ago and whose advice may have already failed. On the part of the state, aid became priority not the development. This recycling of people and policy both on the part of donor as well as government has badly affected development process and rendered economic lifeline largely dependent on the import of tourists and exports of unskilled workforce.

The Interim Constitution of Nepal 2006 emphasizes on new rights—right to work, education, health, food, social security, social justice, etc but the major bone of contention 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. The ambitious agenda of social security floated by trade unions cannot be accomplished unless country’s tax base is not expanded. In the context of Nepal the important indicator of state inefficiency is the presence and extent of political patronage in administration. The phenomenon of patronage politics has resulted in the numerical expansion of employment in bureaucracy (administration) but this type of bureaucracy (including

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<sup>24</sup> Labour rights are fundamental right and the workers have right to join unions and bargain collectively as enshrined in the Interim Constitution 2007.

police administration) has paid little role in state-building. In contrast, this process creates new classes in society as the gap between poor and rich will continue to galore which, in turn, will directly hit into the heart of democracy.

The Nepalese political class irrespective of their political ideologies and orientations are entirely capitalist in nature and oscillates between crony capitalism and kleptocracy. The political classes that came into scene after 1990s have used citizens to agitate, educate and mobilize for their selfish ends rather than involve them in genuine democratic discourse and engagement let alone developing mechanism to ensure constitutional rights. The political classes are more engaged with “financial matters” and less with people’s matter. Almost all politicians who came into active politics after 1990 have been able to build palatial buildings in Kathmandu by plundering state’s wealth whereas very few of those who served during 29 years of Panchayati Raj have their houses in Kathmandu<sup>25</sup>. Politicians communicate more with business community and less with ordinary people (the workers). This can be manifested from the fact that whenever Prime Minister/Minister goes abroad on business delegation they never include representative from trade unions. They include members’ of business community who defend corporate interest. Politicians connection with business community can also be manifested from the composition of current Constituent Assembly wherein political leaders included top influential representatives of the business houses (such as Chaudhary Group, Kedia Organisation, Golchha Organisation, Khetan Group and Jyoti Group). What is more striking is that out of 601 CA members there are 27 CA members representing business community which again represents only 10 percent of the total population whereas there are eight CA members representing working class who make up 90 percent of the working population. At this backdrop, there is no way that we can have a policy in favour of labour. Those with the power to change the rules lack the interest, and those with an interest in changing the rules lack the power to carry through their political projects (Bowles and Gintis 1986:186). The people’s desire to fight against poverty will remain unfulfilled.

To conclude, the de- industrialization policy of the state has contracted internal formal economy and job market. The urban comprador political economy that has mushroomed

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<sup>25</sup> Bharat Dahal, *Dristi weekly*, March, 2010

over the years cannot meet demands of Nepal's large work force primarily for two obvious reasons. First, Nepal's large work-force is either semi-skilled or unskilled who cannot compete and survive in this "symbolic" economy. They can only be absorbed when industrialisation takes place. Second its not embedded in society. If development is about improving the quality of life, modernisation of productive forces and an alteration in property and power relations is must<sup>26</sup>. Genuine political space has to be created which builds reliable mediating mechanisms to enable people to participate in policy discourse. This can only be don when equality becomes the prime condition for social solidarity especially gender equality, social equality, and access of all into education, health and income generation opportunities and only a social welfare state - a state that can transform class power of labour and capital into citizenship building and foster mutuality in society without hierarchy<sup>27</sup>.

#### 4. The nexus between labour, media and capital

The above discussion indicates that workers needs to be continuously protected both from the capital and employers who are solely inclined to accumulate capital at the cost of labor. Marx argued, under these circumstances, there could be no genuine democracy, that democracy under capitalism is bourgeois democracy, which is to say not democracy at all. Capitalist democracy could only result in the increasing exploitation of the working classes<sup>28</sup>. The only agency that can highlight woes of the workers is media that works not only for rights at work but also for the right to work, along with right to organise and agitate. The problem of workers and trade unions can only get legitimacy when they are objectively reported by media. The end goal of media is to protect those who are weak in a society i.e. workers for that matter.

However, the growing number of recognition that widening public access to newspapers, radio and television was insufficient by itself to promote democracy and development, as these media could be used to maintain autocracies, to reinforce crony capitalism, and to consolidate the power of media oligopolies, as much as to provide a democratic channel for the disadvantaged. This was truly manifested in Nepal. The electoral masses that

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<sup>26</sup> Dahal, *Ideology and Development*, ibid.

<sup>27</sup> Tony Bleie, *Newsfront weekly*, March, 2010

<sup>28</sup> Almond 136

voted for the political parties into the power for the better polices have been easily manipulated by the rhetoric and media. For example, going beyond the constitutional vision of welfare state, the post 1991 governments, however, deviated from the welfare state and sought to create a subsidiary state where poorer people and region subside the rich and powerful. As a result, the state since 1992 began to lose its legitimate monopoly on force, taxation, and loyalty of the people<sup>29</sup>. This leads us to argue that mainstream media's coverage is not value free. It is, by contrast, working to defend the interests of urban elites through opinion formation, civil society mobilization etc .

Rather than bridging the gap between capital and labour, Nepali media has created huge wall of segregation between elites and "people". This can be demonstrated from the fact that if anything goes wrong either with the member of business community or employers association, represented by FNCCI, it gets immediately reported but workers have to call strike even for their genuine issues to be addressed. This has destabilised industrial harmony in Nepal. This elitism exists in the nature of media (English vs. vernacular) and (urban vs. rural) where the news of periphery is mostly ignored. The bias in reporting also exists within this profession itself. For example when Uma Singh – a journalist working for vernacular language paper was killed, the mainstream media did not report that seriously whereas when the editor of the English Weekly – which serves expat community was attacked the whole newspaper came out with blank editorial.

Today, in any case, none of the newspapers and broadcast outlets has labour specialists, even though the need for having the one is immense. Labor has become a subject no less complex than politics, education or any other subject that gets specialised media treatment because it is labour who make our society go - the people who do the actual work of society rather than those who finance or direct the work. What workers do and under what condition should be the prime concern of the media. Perhaps, it is important to shed light on the nature of media/press in Nepal as well. The current development trend that has been witnessed in the media sector is not people/worker friendly. Nepalese press can be categorised into three different columns who defend interests of the different groups. The traditionally oriented media, politically oriented media and commercially oriented media. And this sort of media orientation has posed serious threat for the

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<sup>29</sup> Dev Raj Dahal, *Ideology and Development*, at [www.nepaldemocracy.org](http://www.nepaldemocracy.org)

development of “autonomous” press in the country. In fact free media in the country is free only for few who enjoy freedom as their prerogative right. Media has not promoted pluralistic culture it has, by contrast, promoted elitist culture like in the civil society and creating a fake world.

The true picture of Nepali media is such that it is divided on the basis of “mindset”. The radically established media sector after 1990 divided onto two lines – right vs left as a result there is no “neutral” media in the country. That means they are either close to the political parties or to the capital. This type of media is unlikely to serve the society for its betterment. There is no way that issues of the weak, marginalised, downtrodden and workers will ever get priority. Their issues can only get priority when journalist maintain some civic standards in reporting and trade unions and press unions can change the situation for the betterment through dialogue with the press. Fragmentation and over politicisation of trade union also stand as a major stumbling block to this end.

It is safe to say that in Nepal, the press is linked with business, profit, power and trade union should treat them as the representative of capital who is bent on castigating freedom of labour. Therefore, the challenge is how we can motivate media to write in favour of workers so that their rights are guaranteed. How can consent be manufactured in favour of labour? Paradoxically, those who are engaged in TU activities have also failed to mobilise media in favour of workers and there is a great deal of conflict between media employer and trade union. The classic example is the government is coming forcefully with no work no pay provision but trade unions have failed to mobilise media in their favour. Media has become more interested in the issues floated by of NGOs, business houses and donor community but not the Trade Union and workers<sup>30</sup>. It does very little reporting on the issues of workers. Even media personnel themselves have not been able to raise their own issues related with their professional development. For example most of the private media houses hire journalists on the basis of contract which needs to be renewed in every six months. The press is increasingly influenced by economic considerations i.e., the interests of the owners, who run newspapers and television channels not as journalist but as businesses purely for profit and by the hidden

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<sup>30</sup> See Dhruva Hari Adhikari for details as to how some of the Nepali newspapers are producing their editorials in *Patrakaritama Gambhir Bichalan*, Gorkhapatra Daily, Friday, March 23, 2010.

and sometimes blatant influence of the advertisers<sup>31</sup>. Press in Nepal enjoy relatively highest amount of privileges and impunity but the privileges it enjoys have not been used for the benefit of society in a real sense of the term. In many occasions press freedom has been curtailed by the economic control of the media which is dangerous for the development of the press and equals to the suppression of the news by the government<sup>32</sup>.

The media operators including senior journalist are against highlighting the genuine issues of workers and unions. Because both of them have become hostage of “capital” and journalist who actually produce news but fail to have them published/reported because its out of their reach. Likewise media is not interested about economic activities of the labour; in contrast, they are more interested about their political activities which do not produce any tangible result in the long run. Media houses are heavily relying on business houses and political parties/leaders for their survival and journalist do not report soft news and most of the news related to workers have been treated as the soft news whereas this is not the fact. The workers issues are related with survival, safety and dignity. The end goal of any society is to have better society not only the better economy.

In terms of content analysis of reporting what has been noticed is that media are more interested in conflict or “negative” news and political issues rather than peace and reconciliation process primarily because the former sales more than the latter. Media do not report on what unites us together rather take more interest on what divides us together. They focus more on the speech of political leaders whose voices most of the time creates conflict in the society. They speak very aggressively before media just to show up. And public opinions are formed on the basis of media report which gives wrong result. In fact media should report not provoke the issue at stake. What we have to understand is that the very future of media will come under the scanner if “conflict” becomes priority for everyone. In fact there is a vicious circle which blocks genuine issues of society within the media houses.

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<sup>31</sup> Werner Peters (1996), *Society on the Run: A European View of Life in America*, M.E. Sharpe, New York, London, p.193

<sup>32</sup> Ibid.,p.196

## 5. Role of the Trade Union

The most important question that needs to be asked in this paper is how trade unions can contribute to bridge the gap between capital and labour and ultimately can TUs play constructive role in state-building. Principally trade unions are formed to overcome exploitation of weak labour by strong capital and this exploitation of labour has to be stopped through Amaratya 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 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>33</sup>. Their contribution can bridge the gap through their intervention in policy formulation which largely depends on as how they strengthen their unions; organize inter-institutional movement building and effect collective action in policy mediation, public communication and distributional benefits.

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 is important because labour rights are not just aspirations; they are not just goals that can be deferred to the future. These rights are based on laws, enforceable by government bodies, tribunals and courts which demand immediate respect and implementation. To address these challenges trade union should design strategy to improve working environment of the workers by ensuring their rights in the upcoming constitution.

All these can only happen when trade-union politics focus more for 'class' benefits and maintain some degree of autonomy from the political parties. They should not be dependent on political parties for their survival; in contrast, they should work for the broader welfare of the worker. They should strike a balance between government, political party and the employer with greater degree 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

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<sup>33</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.



occasions, women workers have been denied of these opportunities including equal wages for similar job.

Majority of the workers and trade unions in Nepal wanted to have ‘welfare state’ as 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.

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>34</sup>. The fourteen CA committees have provided Nepalese trade unions vital opportunity for discourse on their rights. It is a strong platform of political 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>35</sup>

### 5.1. Trade Unions and the agenda of state-building

State-building as an holistic approach however, for the purpose of this study state-building will be understood as the state’s ability to accumulate power. State-building is thus the process by which the state not only grows in economic productivity and governmental coercion , but also in political and institutional power. What is important in

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<sup>34</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>35</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.

the process of state-building is how state tried to consolidate power, how they strike a balance between different societal actors. Overall how state works towards distributional justice . Within this framework, when we talk about Nepali, state in past, it never attempted to strike a balance between labour and capital through democratization of economic power of the market and policies are made in favour of poor and capital and production are distributed/utilised on the basis of justice. In the context of Nepal both government and trade unions have remained mere spectator in front of the ‘capitalist’ class. The post 1990s government has always adopted market oriented policies which have left the promises of socio-economic transformation articulated by trade unions, workers and other stakeholder of society in limbo. They adopted more centralized polity, represented the interests of the dominant classes of society such as bureaucracy, political classes, big business houses and urban professionals whereas large number of workers were left out. 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.

Political parties have formed trade unions merely as a client to serve their utilitarian political agendas. This has led to the mushroom growth of trade unions in the country but there was no space for them to be productively engaged in labour work and action<sup>36</sup>. 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. 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

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<sup>36</sup> See Hahhah Arendt, *The Human Conditions*, Chicago: The University of Chicago Press, 1988

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>37</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.

Nepal is at the historical juncture. Debates, discussions and mobilization around new constitution making process are becoming interesting, contentious and promising. There are, however, 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 (which has now extended by one year), 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.

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<sup>37</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.

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 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>38</sup>. 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>39</sup>.

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.

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 play the role of decision maker not the decision takers of sectoral group. They need to work for unified trade union movement in the country this will assist to

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<sup>38</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>39</sup> Dev Raj Dahal, “Labour and Democracy in Nepal: A Look into the Future”, *Socio-Economic Development Panorama*, Vol. 2, No. 2, 2008.

implement policies<sup>40</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 involved 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>41</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.

## 6. Conclusion

The duty of the modern state is to look after political, social, economic, cultural and other issues of its citizenry. 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

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<sup>40</sup> The idea of "one union-one voice" has been 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>41</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.

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>42</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 encourage 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>43</sup>. Unless we do not have these mechanisms in place there is no point of guaranteeing rights merely through constitution.

Therefore, 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 market. In the same vein, the future state must not passively submit to market forces; it must channel these forces so that they can have lasting, positive impact and thus assist as many people as possible<sup>44</sup>. Equally important is that militarization of trade union has to be discouraged to upkeep industrial

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<sup>42</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>43</sup> A. Sohn-Rethel, “The Dual Economics of Transition” In R. Panzieri et al., *The labour Process and Class Strategies*, London – CSE, 1976, p. 27

<sup>44</sup> Peter Bofinger, “What Role for the State”, *International Policy Analysis*, Friedrich Ebert Stiftung, February 2009.

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, Democracy transforms society towards equality whereas the capital towards inequality. This has to be balanced, perhaps, Kant’s argument about right to property to promote freedom and Karl Marx’s argument about abolition of private property to provide justice become important here as this will provide democracy leeway for compromise wherein trade union can play important role by initiating dialogue on behalf of workers in the tri-partite agreements (between labour, capital and the state) trade union should defend workers interest. 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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