

Labour Market Profile Nepal – 2022/2023



This profile provides a comprehensive overview of the labour market's structure, development, and challenges.

*Danish Trade Union
Development Agency*



ULANDSSEKRETARIATET – DTDA
DANISH TRADE UNION DEVELOPMENT AGENCY

PREFACE

Danish Trade Union Development Agency (DTDA) is the development organisation of the Danish trade union movement. This agency was established in 1987 by the two largest Danish confederations – the Danish Federation of Trade Unions (Danish acronym: LO) and the Danish Confederation of Professionals (Danish acronym: FTF). These confederations merged to become the Danish Trade Union Confederation (Danish acronym: FH) in January 2019. Formerly known as LO/FTF Council was replaced by DTDA.

The work of DTDA is in line with the global Decent Work Agenda (DWA) based on its pillars: creating decent jobs, guaranteeing rights at work, extending social protection, and promoting social dialogue. The overall development objective is to eradicate poverty and support the development of just and democratic societies by promoting the DWA.

DTDA collaborates with trade union organisations in Africa, Asia, Latin America, and the Middle East. The programmes' immediate objective is to assist the partner organisations in becoming change agents in their own national and regional labour market context, capable of achieving tangible improvements in the national DWA conditions and achieving the labour-related Sustainable Development Goals (SDGs).

The Labour Market Profile (LMP) format provides a comprehensive overview of the labour market's structure, development, and challenges. In the framework of DWA and SDGs, LMPs follow several central indicators addressing labour market development aspects, especially the unionism evolution, social dialogue and bi-/tri-partite mechanisms, policy development, and legal reforms status vis-à-vis ILO conventions and labour standards, among others.

Primary sources of data and information for LMPs are:

- As part of programme implementation and monitoring, national partner organisations

provide annual narrative progress reports, including information on labour market developments. Furthermore, specific data and information relating to central indicators are collected using a unique data collection tool.

- National statistical institutions and international databanks are used as a source for collection of general (statistical) data and information such as ILOSTAT and NATLEX, World Bank Open Data, ITUC Survey of Violations of Trade Union Rights, the U.S. Department of State, as well as other internationally recognised labour-related global indexes.
- Academia and media sources (e.g., Labour Start, national news, among others) are furthermore used in the available research on labour market issues.

The profile is regularly updated. The current version covers the period from 2022 to 2023. Labour Market Profiles for more than 30 countries are available on DTDA's website:

<https://www.ulandssekretariatet.dk/>.

DTDA prepared the Labour Market Profile with support from the ITUC-Nepal Affiliated Council (ITUC-NAC) organisations: the Nepal Trade Union Congress (NTUC), the General Federation of Nepalese Trade Unions (GEFONT), and the All-Nepal Federation of Trade Union (ANTUF). If any comments arise to the profile, please contact Mr Kasper Andersen (kan@dttda.dk) from DTDA.

The frontpage photo illustrates Nepalese construction workers and it is photographed by Carsten Snebjerg.

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EXECUTIVE SUMMARY

Export of workers has driven Nepal's notable pro-poor economic growth: personal remittances reached 25% of GDP in 2020, contrasted with meagre foreign direct investments at 0.4% of GDP. The labour income share fell, and labour productivity with weak progress during the 2010s. In 2020/21, the Covid-19 pandemic triggered job losses, laid off, or unpaid leave, pushing many workers to balance on the poverty line, echoed in a sharp upsurge in child labour.

The country is moving ahead in the post-war transition, entering a three-tier federal government structure, and reforming the labour market's legal framework. The widespread informal economy challenges the application of labour and business regulations in practice, often due to a lack of awareness or incentives. Regional trade agreements' labour clauses have no evidence for possible pro-labour-condition effects. Nepal's ranking on the Global Rights Index stood at 3 (5+ is the worst) in 2021, listed as "regular violations of rights".

Tripartite bodies are active in Nepal, but the social dialogue in labour-employer relations continues to be fragile. The number of Collective Bargaining Agreements (CBAs) lost its tempo during the last decade at the enterprise level but demonstrated two new major sectoral deals in 2020. The growth of trade union membership is aided by an influx of organised workers from the informal economy. Based on the ITUC-NAC's members, the trade union density increased from 8.0% in 2014 to 8.8% of total employment in 2020/21, statistically helped from stalled employment growth.

There are slight shifts in the structural employment status backed by a tailwind from the service sector. The urbanisation rate stands far below the neighbouring countries. The relatively low unemployment rate at around 5.1% in 2021 is shadowed by a broader underutilisation rate of 39%. Nepal's youth unemployment rate is remarkable lower than the Southern Asia average

but dazzled by one of the highest NEET rates (those not in employment, education, or training) and the massive out-migration of young men. A stark gender gap in the migration of workers abroad is mainly due to government bans that forbid Nepalese women to migrate as domestic workers. The extensive labour migration of men explains why Nepali women dominate the agricultural sector and hover significantly above Southern Asia's average concerning their participation in doing business at all levels.

Nepal's net migration turned more balanced during the 2010s due to refugee returnees in the aftermath of the peace agreement in 2006 and the Gulf Cooperation Council region's economic slumps at the end of the 2010s. Personal remittances reached 25% of GDP in 2020, contrasting with meagre foreign direct investments at 0.4% of GDP.

Nepal took remarkably strides to improve the education system, but it was dramatically abrupt in 2020/21 due to the Covid-19 pandemic. Vocational training has been undervalued: All students in secondary education enrolled in vocational programmes were at 1.2% in 2019. Nepal's firms offering formal training programmes were lower than the neighbouring countries. The country is taking strides to promote information and communication technology services; for example, the business process outsourcing (BPO) market increases.

Nepal has progressed to improve social protection by reforming the legal framework. It has led to some developments in coverage of persons above retirement age receiving a pension and health insurance. Still, it kept behind for other aspects such as maternity benefits, work injury, and the absence of unemployment benefits. Low penetration rates and leakage issues haunted some social insurance programmes and continue to lack social contribution. The ageing population deal with a looming financial pressure on social protection.

The table below provides an overview of key labour market indicators' status in the Decent Work Agenda framework.

On Page iv the second table presents an overview of the current value and targets of the Sustainable Development Goals' indicators concerning labour market issues.

Status of key labour market indicators in the framework of the Decent Work Agenda (DWA) in Nepal

Creating decent jobs	
Policy reforms addressing creation of decent employment.	Policies are adopted for employment, skills development, minimum wage, poverty eradication strategy, industrial policy, and national occupational safety and health. Measured were launched dealing with additional insurance coverage to all medical personnel fighting the Covid-19 pandemic, additional medical supplies, social assistance by providing those most vulnerable with daily food rations; workers from the informal economy could participate in public-works projects for a subsistence wage or receive 25% of local daily wage should they choose not to participate.
ILO standard setting on improvement of status of workers from the informal economy.	Tripartite forums to address the issue of the informal economy were functioning in 2021, including the wage fixation board, a national level advisory committee, social security schemes operation procedure at the sub-committee level. Social partners influence at the forums and policy addressing status of informal workers are in progress.
Guaranteeing rights at work	
Growth in trade union members.	ITUC-NAC membership growth of 5.2% from 2018 to 2020.
Violations of trade union rights.	Nepal's ranking stood at 3 (5+ is the worst) in 2021. *
The latest main labour laws/decrees.	The Labour Law of 2017, the Contributory Social Security Law of 2017, the Right to Employment Act of 2018. Following national elections in 2017, Nepal has transitioned into a federal government structure.
Partner organisations with minimum 30% women representation in decision-making bodies.	In 2020/21, NTUC: 23%; GEFONT: 41%; ANTUF: 35%.
Extending social protection	
Percentage of total population covered by health social protection.	Enrolment coverage of health social protection was 25% in 2021.
Workers from the informal economy have access to social security schemes.	They have access through private social security schemes, mutual aid associations and cooperatives. But the registers and mechanism in these schemes are still in uncertainties and informal workers often lack awareness or incentives.
Promoting social dialogue	
Trade union density	In 2020/21, ITUC-NAC trade union density of total employment at 8.8%; trade union density of employees at 18%. **
Cooperation in labour-employer relations.	This indicator ranks Nepal 116th out of 141 countries (1st is the best). ***
Number of Collective Bargaining Agreements (CBAs).	Two central sectoral CBAs in 2020 and 217 enterprise CBAs in 2021.
Workers' coverage of CBAs to employees.	From 304,000 workers (9.3% of employees) in 2020 to 60,400 (1.7% of employees) in 2021.
Bi-/tri- partite agreements concluded in recent years.	Some of the main agreements deal with minimum wages, social security, Labour Law and draft Trade Union bill reform, and subsidies for Covid-19 pandemic.
* Listed as "regular violations of rights": governments and companies are regularly interfering in collective labour rights or are failing to guarantee essential aspects of these rights fully. Source: ITUC's Global Rights Index, 2021. ** Estimations based on ITUC-NAC members with deducted the affiliated organised workers from the informal economy. *** Based on survey data for employers' view. Source: The Global Competitiveness Report, 2019, 8 th pillar: Labour market efficiency. Sources: DTDA, Nepal: Data-collection tool 2020/2021; own calculations on trade union membership growth and trade union density.	

Status of key Sustainable Development Goals in labour market related issues in Nepal

Indicators	Value	Year	SDG Targets
1.1.1: Working poverty rate (percentage of employed living below US\$1.9 PPP).	3.4%	2021	By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than US\$1.9 a day.
1.3.1: The population effectively covered by a social protection system, including social protection floors.	17% *	2020	Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.
5.5.2: Proportion of women in senior and middle management positions	14%	2017	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.
5.5.2: Proportion of women in managerial positions	13%	2017	
8.2.1: Annual growth rate of output per worker (GDP constant 2011 international \$ in PPP).	-3.6%	2021	Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.
8.3.1: Proportion of informal employment in non-agriculture employment.	78%	2017	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, through access to financial services.
8.3.1: Women	82%	2017	
8.3.1: Men	75%	2017	
8.5.1: Average hourly earnings of women and men employees.	US\$1.1	2017	By 2030, achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value.
8.5.2: Unemployment rate (Total, 15+)	11%	2017	
8.5.2: Women, 15+	13%	2017	
8.5.2: Women, 15-24 years	24%	2017	
8.5.2: Men, 15+	10%	2017	
8.5.2: Men, 15-24 years	20%	2017	
8.6.1: Proportion of youth (15-24 years) not in education, employment, or training).	35%	2017	By 2030, substantially reduce the proportion of youth not in employment, education, or training.
8.7.1: Proportion and number of children aged 5-17 years engaged in economic activity (Total).	19%	2014	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025, end child labour in all its forms.
8.7.1: Girls	19%	2014	
8.7.1: Boys	19%	2014	
8.1.1: Non-fatal occupational injuries per 100,000 workers	-	-	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
8.8.1: Fatal occupational injuries per 100,000 workers.	-	-	
8.8.2: Level of national compliance with labour rights (freedom of association and collective bargaining)	-	-	The exact measurement method and scoring for this indicator needs to be developed.
9.2.2: Manufacturing employment as a proportion of total employment.	15%	2017	Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.
10.4.1: Labour income share as a percent of GDP.	37%	2017	Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

* Population covered by at least one social protection benefit (see more in Table 15). ** Level of national compliance with labour rights (freedom of association and collective bargaining) based on ILO textual sources and national legislation (see more in the Ratified ILO Conventions section).

Source: ILO, Key Indicators of the Labour Market (KILM); ILO, World Social Protection Report 2017-2019.

COUNTRY MAP



Source: The Nations Online Project.

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ECONOMIC PERFORMANCE

Nepal is a landlocked country embraced by China and India. It became a low-middle-income country in 2019; remains one of the poorest economies in Asia.

Economic growth has been strong since the end of the 2010s, fuelled by export of workers. It signals a symptom of deep, chronic problems of depleting the country's stock of human capital (see more in the Workforce section). The development has been challenged by unstable electricity supply, underdeveloped transportation infrastructure, and reliance on remittances-induced growth. High vulnerability to natural disasters, including climate change and environmental degradation, further triggered shocks; for example, earthquakes in early 2015 damaged infrastructure and homes, which led to an economic downturn.

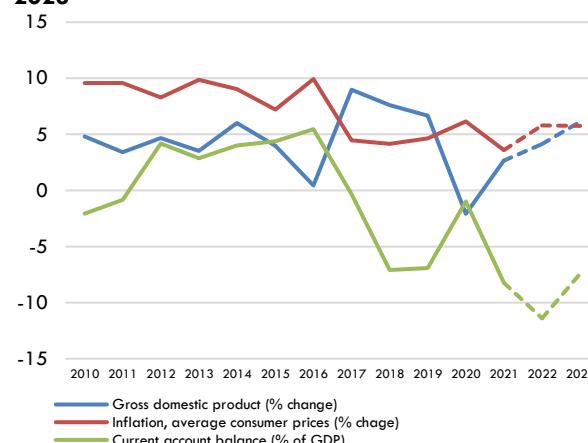
Nepal's economic growth plummeted in 2020 because of the global Covid-19 pandemic. Service exports got hit as tourist arrivals contracted by more than 90%. Gross Domestic Product (GDP) per capita fell by 2.4% from 2019 to 2020. Investments tumbled; national savings and mounting government debt financed the crisis's costs. The economic growth started to rebound in 2021. The inflation in consumer prices has been high but curbed slightly below 5% since 2017, except for passing that threshold in 2020. This relatively high inflation and the high-interest rate pressured a high-cost environment, weakening workers' income purchasing power (see more details in Table 1 and Figure 1).

Table 1: Nepal' key economic data, projections, 2019-2023

Values	2019	2020	2021	2022	2023
GDP (current, billion, US\$)	34.2bn	34.0bn	34.6bn	36.3bn	39.0bn
GDP per capita (current, US\$)	1,195	1,166	1,164	1,203	1,270
Total investment (% of GDP)	41%	28%	42%	47%	44%
Gross national savings (% of GDP)	35%	27%	33%	36%	37%
General government total expenditure (% of GDP)	27%	27%	29%	31%	31%
General government gross debt (% of GDP)	33%	42%	47%	52%	54%

Sources: International Monetary Fund, World Economic Outlook Database, April 2022.

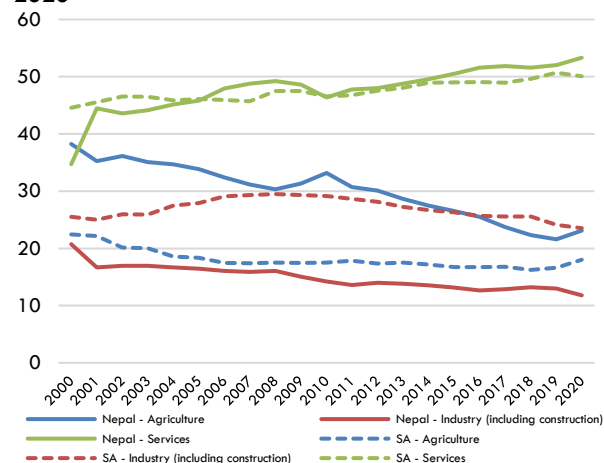
Figure 1: Gross domestic product, inflation, and current account balance trends in Nepal, %, 2010-2023



Sources: International Monetary Fund, World Economic Outlook Database, April 2022.

Nepal's economy remains highly dependent on agriculture, but the services sector has the highest value-added to the GDP: Trends show a significant upsurge in the service sector while the agricultural sector and the industry sector go through dips. This development is like Southern Asia countries' average (Figure 2). The scope of these shifts has not yet been reflected in the sectoral employment structure (see the Workforce section). Industrial activity mainly involves the processing of agricultural products. Strategically, Nepal aims to expand farm production and shift a large part of the population to off-farm and other emerging sectors and build a trade surplus for agricultural goods.¹

Figure 2: Aggregate sectoral economic changes, value added in Nepal and South Asia (SA), % of GDP, 2000-2020



Source: World Bank, World Development Indicators.

Nepal's gross fixed capital formation (GFCF) was on the rise, from 20% during the 2000s to 27% of GDP on average during the 2010s, with its, so far, peak at 34% in 2019. It was two percentage points lower than Southern Asia average. The impact of the Covid-19 pandemic cut the country's GFCF by six percentage points in 2020, reaching 28% of GDP.

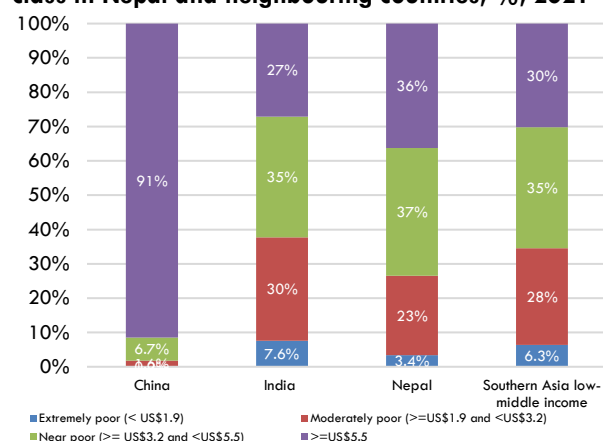
The contribution of Foreign Direct Investments (FDIs) in capital formation and employment has been relatively low during the last two decades; for example, FDI at 0.4% of GDP on average in the 2010s, significantly lower than the regional average, at 1.5%. FDIs even fell in the margin in 2020. The main FDI projects involve energy, manufacturing, service, and tourism. Some challenges concern the lack of direct access to the seaports; transportation is difficult, not to mention there are unclear rules regarding labour relations.² While there has been growing interest from foreign investors in Nepal, especially Chinese, the Covid-19 pandemic most likely slowed FDI into Nepal in the near term.

The informal economy is widespread, haunted by corruption with a significant obstacle to good governance. Business regulations continue to be somewhat cumbersome: The Doing Business Index ranked Nepal 94 out of 190 countries (1st is best) in 2020. Out of ten qualities, the country's best ranking was getting credit (37) and trading across borders (60). Several scales were inferior, e.g., paying taxes (175) and enforcing contracts (151). See more details in Appendix Table 17.

Until the onset of the Covid-19 crisis in 2020, the country's economy made progress in delivering pro-poor economic growth. Inequality in the distribution of family income dropped from 44 in 2003 to 33 in 2010, significantly lower than in the two neighbouring countries (0 represents perfect equality, while a Gini-index of 100 represents high inequality).³ The Human Development Index (HDI) ranks Nepal as a medium human development, at 142 out of 189 (1 is best) in 2020.⁴

Among the country's employed population, estimations of the aggregated working poor (<US\$3.1 per day) fell from 47% in 2010 to 27% in 2021. The near-poor workers increased slightly by three percentage points since 2010, while the middle-class group increased from 19% in 2010 to the peak at 36% in 2021. The share of working poor was slightly lower than India and South Asia's average but far above China (see Figure 3).

Figure 3: Projections of employment by economic class in Nepal and neighbouring countries, %, 2021



Note: Data excludes the economically inactive population, covering 26% of the population (aged 15+). The value is measured at Purchasing Power Parity (PPP).

Sources: ILO, Key Indicators of the Labour Market (KILM).

The remarkable poverty reduction in Nepal has benefitted from real minimum wage hikes in the 2010s, export of workers has contributed to high flow of personal remittances, and improvements of social protection. However, the economic rupture in 2020, including some drops in real minimum wage growth, negatively affected poverty reduction in Nepal, stuck with food insecurities and a lack of health supplies and services (see more in the Working Conditions and Social Protection sections).

Special Economic Zones

The government launched a Special Economic Zone (SEZ) plan in 2000, inviting foreign investors to create growth and employment in Nepal. The draft Special Economic Zone Act was presented in 2009, but not until 2016 it was approved by the parliament and the SEZ Regulation in 2017. The parliament also approved the first amendment bill of the SEZ Act in March 2019, introducing a new

provision under which industries located in SEZs will have to export only 60% of their produce mandatorily. The law prohibits workers from striking in any SEZ.

The extended political process to approve the SEZ Act by the parliament slowed down the project's development. Many trade unions have criticised the SEZ legislation for not having provisions to protect the rights of labourers; for example, International Trade Union Confederation (ITUC) has argued that the SEZs in Nepal deny trade unions and collective bargaining, not to mention social security benefits, wages and other terms and conditions will be fixed by the SEZ authority without the participation of any workers' representatives.⁵ The SEZ Development Committee (SEZDC) is in progress to prepare amendments to the SEZ operating guidelines to improve the investment initiatives.

Currently, one SEZ is functioning in Panchkhal of Kavrepalanchok District and another in Bhairahawa in Bhairahawa of Province 5. A total of 23 industries are registered in the SEZ. Fourteen other locations across the country have started acquiring land for SEZ, and seven are under construction.⁶

These SEZs have so far not developed as hoped. Among others, the SEZ in Bhairahawa has struggled to operate due to the lukewarm response from the investors to set up industries since central facilities like income tax holidays. Media informed that Bhairahawa SEZ lies forlorn and remains semi-completed in March 2021.⁷ Special treatment for export and import-oriented industries were excluded; weak infrastructures and water supply availability; hostile provisions in the SEZ Act also negatively affected the development. Media informed that Bhairahawa SEZ lies forlorn and remains semi-completed in March 2021.⁸

SEZs have the provision of 100% tax exemption for the first ten years, 100% exemption on tax bonus for the first five years, and 50% tax exemption for the next three years. An industry inside an SEZ will be able to produce goods at globally competitive prices.⁹

LABOUR LEGISLATION

Nepal suffered a bitter Civil War from 1996 to 2006. The conflict formally ended by signing the Comprehensive Peace Agreement in November 2006. An Interim Constitution of 2007 followed a decade-long peace process, culminating in the promulgation of a new constitution in 2015. A part of the associated constitutional change consisted of a three-tiered elected system of government:

- Federal: ministries, national commissions, line agencies.
- Provincial: seven provincial governments, sector ministries, sector-based institutions, and educational institutes.
- Local: 753 local governments (urban and rural municipalities).

Following the 2017 local, provincial, and federal elections, Nepal initiated a transition from a unitary federal system to a decentralised system. Some political turmoil in 2021 challenged the election schedules but the general elections are expected to be held in November 2022.

The constitutional governance reforms push significant changes, including amending a broad series of acts, restructuring the civil service at all levels, devolving fiscal management, and determining the division of funds, functions, and functionaries.¹⁰ These adjustments have sparked the need for massive additional staff. But, so far, there has been a severe civil servant shortage at the local government level. Of the almost 65,000 posts approved for the local level, around 53% of seats were still vacant in January 2022. The new governance system still lacks laws mandating coordination and cooperation between the federal and provincial governments, haunted by the federal government is still reluctant to delegate power to the provinces, preventing them from recruiting the required staff on their own.

In 2017, significant law reforms approved in the parliament that changed the industrial relations landscape, included the Labour Law and the Contributory Social Security Law. In addition, the

Right to Employment Act of 2018 was approved (see more in Appendix Table 18).

Some of the statuses of central labour-related legislation are outlined below.

Constitution

The 2015 constitution provides the right to form a trade union, participate in it, and collective bargaining. The renewed constitution further expanded the social security provisions and changes the education system. Several issues such as social security, employment, unionism, the settlement of industrial disputes, and labour rights and dispute-related matters are in the concurrent list of the central and provincial governments.

Labour Law

After almost seven years of tripartite consultations, lobbying and advocacy, the parliament finally approved the Labour Law of 2017 to revitalise the labour market. It replaced the Labour Act of 1992, stocked with an unhealthy industrial relations environment. The reform has been applauded by both trade unions and employers' organisations.

The new labour law regulates employment relations, working hours, labour disputes, and occupational safety and health standards. It also recognises the right to form a trade union, participate in its activities, and acquire its membership or become affiliated with or involved in other union activities.

The new law and by-laws from 2018 have hosted significant improvements, including i) recognising enterprises even down to one worker, ii) social security benefits from working day-one, iii) the informal economy being introduced, iv) clarifying job categories, v) where 20 or more employees are engaged, an employer shall constitute a Safety and Health Committee, vi) provisions of both enterprises and industrial collective bargaining agreements, vii) outsourced employees can be engaged in the work as prescribed by the Ministry, viii) workers are eligible for gratuity from the first day of employment, and ix) provisions for medical insurance and accident insurance.¹¹ See more

details of the changes in Appendix Table 19. The final version of the amended Labour Act By-laws in May 2018, known as the Right to Employment Act, is not entirely what the trade unions expected, mainly in terms of labour migration and coverage of migrant workers in social protection.

Contributory Social Security Law

The government worked on the new Social Security Act for several years. The first draft did not cover workers from the informal economy. The trade union movement recommended to include this segment in the new social security system. In August 2014, the parliament passed a resolution directing the government to craft a revised law for workers' social security. This act seeks to ensure a universal social security scheme for all workers, including workers from the informal economy.

The approved Contributory Social Security Law of 2017 and the By-laws of the Social Security Programme from 2018 initiated a new era for the Nepalese labour market. The law aims to widen the guarantee of social justice for the workforce and entitled with access to five schemes: i) medical care, ii) health and safe motherhood, iii) accident and disabilities safety, iv) security of the dependent family, and v) old age security.¹² Overall, the new social security system is challenged by the complete registration of all workers and the immediate application of the five schemes after adopting the by-laws (see more in the Social Protection section).

Observations on labour legislation

Freedom of association and the right to collective bargaining have been generally respected. Although the government restricted strikes in essential services, workers in hospitals, education services, and the transportation sector occasionally called strikes and did not face any legal penalties. Many unions had links to political parties and did not operate independently but worked effectively to advance workers' rights. Reports found that the government did not interfere in the functioning of workers' organisations or threaten union leaders.¹³

The International Trade Union Confederation (ITUC) has several observations of the legislation in

comparison with the international standards on the rights to organise, the rights to collective bargaining, and the right to strike, including:¹⁴

- The right to freedom of association is recognised by law but strictly regulated.
- Excessive representativity or a minimum number of members required to establish a union.
- Restrictions on trade unions' right to establish branches, federations, and confederations or affiliate with national and international organisations.
- Single trade union system imposed by law and/or a system banning or limiting organising at a certain level (enterprise, industry and/or sector, regional and/or territorial, and national).
- Restrictions on workers' right to join the trade union of their choosing are imposed by law (i.e., obligation to join a trade union of a certain level, e.g., enterprise, industry and/or sector, regional and /or territorial national).
- Restrictions on the right to freely organise activities and formulate programmes.
- Non-Nepalese can be members of a union. However, only Nepalese nationals can be elected as trade union officials.
- Obligation to observe an excessive quorum or to obtain an excessive majority in a ballot to call a strike.
- Excessively long prior notice/cooling-off period.
- Authorities' or employers' power to unilaterally prohibit, limit, suspend or cease a strike action.
- Discretionary determination or an excessively long list of "essential services" in which the right to strike is prohibited or severely restricted.

The government cannot enforce applicable laws fully since resources, inspections, and remediation are inadequate. Penalties for violations are insufficient to deter violations.¹⁵ Discrimination in employment and occupation are often present in several aspects such as gender, caste, ethnicity, national origin, citizenship, disability, religion, sexual orientation and gender identity, and HIV-positive status. In the formal sector, labour

discrimination generally takes the form of upper-caste men without disabilities being favoured in hiring, promotions, and transfers. In the public sector, such discrimination is based on personal affiliation and reportedly occurred in many instances with the tacit understanding of political leaders.¹⁶

Although Nepal's labour laws in Nepal protect workers in principle to a considerable degree, the legal framework has an insufficient effective reach in practice, haunted by a widespread informal economy with non-compliance to labour regulations often due to lack of awareness or incentives.

Ratified ILO Conventions

International principles and rights at work are enumerated in the International Labour Organisation's (ILO) conventions. Nepal ratified just eleven conventions. The latest ratified conventions were the Indigenous and Tribal Peoples Convention (C169) and the Abolition of Forced Labour Convention (C105), both from 2007. Appendix Table 20 shows that Nepal ratified seven out of eight fundamental conventions, missing the Freedom of Association and Protection of the Right to Organise (C087). They signed one out of four Governance Conventions, i.e., the Tripartite Consultation Convention (C144). The country also ratified three Technical Conventions; all are Up-To-Date and actively promoted.

Recently, Nepal's trade union movement promoted through advocacy that the Violence and Harassment Convention (C190) should be endorsed. This convention has provisions about the elimination of gender-based violence and harassment; discrimination in the division of labour, sexual harassment against women workers at work; advocating for equal pay for equal work; a decent working environment; the equitable labour sector.

The independent ILO body, known as the Committee of Experts on the Application of Conventions and Recommendations (CEACR), listed observations and direct requests for ten conventions latest in 2018/2019. For example, CEACR raised comments

on the Right to Organise and Collective Bargaining Convention (C098) concerning the lack of official information on investigations of anti-union dismissals, threats against trade union members, and the weakness of collective bargaining, given that CBAs only covered a tiny percentage of workers in the formal economy (see more in the Social Dialogue section). CEACR noted that although the 2015 constitution and the 2017 Labour Law prohibit discrimination, they do not contain an explicit prohibition of discrimination against workers because of their trade union membership or participation in trade union activities. The Committee requested the government to specify the conditions under which trade unions were authorised to bargain collectively and some clarification on compulsory arbitration conditions.¹⁷

Trade Agreements

Nepal is a member of the World Trade Organization (WTO). It takes part in two overlapping regional agreements: the South Asia Free Trade Area (SAFTA) and the Framework Agreement on the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). SAFTA seeks to eliminate all trade barriers and tariffs among the member countries and promote free movement of goods across borders, complying with WTO standards.¹⁸ The member countries are Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. The other BIMSTEC sets the Free Trade Area Framework Agreement to stimulate trade and investment in the parties and attract outsiders to trade with and invest at a higher level. The BIMSTEC covers seven countries: Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand.

In a broader view of regional trade agreements, studies argue that the measures of labour conditions (i.e., mean real monthly earnings, mean weekly work hours per employee, fatal occupational injury rate, and the number of the ILO's fundamental conventions ratified) find no evidence for possible pro-labour-condition effects of labour clauses.¹⁹

Nepal has signed bilateral trade agreements and treaties with several countries, including Bangladesh, Bulgaria, China, Czech Republic, Egypt, India, Republic of Korea, Mongolia, North Korea, Pakistan, Poland, Romania, Russia, Sri Lanka, United Kingdom, and the United States. The treaty Nepal signed with India in 1996 and amended in 2009 is the most important trade volume, accounting for more than 60% of Nepal's total trade in FY 2019/20. This latter trade agreement has no specific provisions on labour in the agreement.

The country benefits from the United States Generalised System of Preferences (GSP). GSP is a unilateral trade benefit from the U.S. government, allowing duty and quota-free access for some products. The U.S. was the second largest export market for Nepal in 2020, accounting for 10% of its total exports. The latest 2020 United States Trade Representative (USTR) Annual Report to Congress on the Implementation of the Nepal Trade Preference Programme noted that regarding worker rights, Nepal's new 2017 Labour Law made progress in eliminating the worst forms of child labour. Although the labour law extends labour protections to workers in both the formal sector and the informal economy, enforcement of the law remains weak. The implementation of the law is further hindered by a lack of awareness about the protections the law affords and poor performance at the provincial level.²⁰

Nepal benefits from the European Union's (EU) unilateral Generalized System of Preferences, Everything but Arms (EBA), allowing duty and quota-free access for all products except arms. EU imports from Nepal have been decreasing in recent years. Several Low Developed Countries are scheduled to be removed from the list of countries benefiting from EBA following a transition period of three years. Following this, Nepal could apply for GSP+ if conditions are met or they benefit from the general GSP arrangement. Nepal was recommended for graduation in 2021.

In October 2018, Nepal and Malaysia signed a Memorandum of Understanding (MoU) after a

decade of negotiations. It was the first formal accord signed even though Malaysia has been one of the primary recipients of Nepali workers. The deal with Malaysia may not be much different from similar pacts signed with Qatar, Bahrain, and Oman in the past. But it stands out from the previous accords primarily due to several provisions that could benefit the workers. It is also the first labour agreement to abide by the low-cost recruitment scheme, commonly known as the free-visa-free-ticket system, introduced by the Nepal government in 2015. Once the deal comes into effect, the employers would have to cover the expenses for recruitment services, visa processing, security, and medical screening of workers, besides providing air tickets. The customary tenure of workers has been reduced to two years from the previous three years. Like in the Gulf countries, the workers will be given a two-year contract and free to return home after the expiry of the agreement. Nepali workers will benefit from the same perks and privileges enjoyed by Malaysian citizens, e.g., they would be entitled to additional pay for overtime without tax cuts. Workers could go to labour court if they face any exploitation, abuse, or mistreatment from the employers and could seek refuge in Malaysia until the case settlement. Nepali workers are entitled to the same workplace insurance and health insurance enjoyed by their Malaysian counterparts.²¹ The MoU still lags on some aspects, especially on the issues relating to the rights of domestic workers and the right to a union.

Nepal has not yet signed a similar labour pact with Saudi Arabia, the United Arab Emirates, and Kuwait, which, together with Malaysia and Qatar, absorbs nearly 80% of around 3 million Nepali migrants (see more in the Migration section). Negotiations with these countries are in progress, and the MoU between Nepal and Malaysia is considered a necessary step and a model for labour pacts that Nepal signs with other countries.

SOCIAL PARTNERS

Social partners are central to promote the realisation of core labour rights and social justice for workers by protecting freedom of association

and collective bargaining in bi- and tripartite functions. These partners usually represent government institutions, trade unions, and employers' organisations.

Government

Ministry of Labour, Employment and Social Security (MoLESS) is the focal ministry overseeing the development and implementation of labour and employment related policies and programmes. The ministry has four divisions: i) Administration and Planning, ii) Prime Ministers Employment Programme, iii) Labour Relations and Social Security, and iv) Foreign Employment (migration). Responsibility for overseeing different labour administration bodies such as Department of Labour & Occupational Safety and Department of Foreign Employment are integrated under these divisions.²²

The establishment of the Labour Management Information System (LMIS) and Employment Service Centre (ESC) through the DLOS has been delayed. However, three ESCs – at Labour Office Dhangadhi, Kathmandu, and Biratnagar – have been established to carry out the labour management information functions under DLOS.

MLESS has been challenged by insufficient staff and financial resources.²³ Under Nepal's newly created decentralised federal system, enforcement mechanisms, including regulations and capacity building of the labour inspectorate, are required to implement the Labour Law at the provincial and local levels. It has further strained the ministry's resources.

The Ministry of Women, Children and Senior Citizen attempts to empower women, children, and senior citizens. The ministry has three departments, and subdivisions to facilitate and implement its work: The Department of Women and Children, the Central Child Welfare Board, and the Social Welfare Council. Ministry of Youth and Sports, Ministry of Education, Science and Technology, and Ministry of Health and Population are also involved in the labour markets development.

Trade unions

Trade unions in Nepal first emerged in the 1940s. They were never considered a legitimate force by the state until the 1990s. Like other Southern Asian nations, Nepal has a tradition of a diversity of unionism: industrial unions, craft unions, white-collar unions, and company or enterprise-based trade unions. The trade union movement was affected by the civil war (1996-2006) and later challenged by legal barriers and the widespread informal economy. There have also been confrontations between trade unions, entangled with political parties and not operate independently. It resulted in a fragmented unionism but changed tremendously during the last decade, through the opening of dialogue.

The 2017 Labour Law reform introduced changes in the trade union structures, setting up at the regional and local governance levels. The trade union organisations initiated to align their respective systems with this new political form to ensure workers' representation along with the various social dialogue and policy-making platforms at the local and provincial levels. However, there is still no particular law/provision that recognises the provincial structure of trade unions. In practice, some provincial governments unofficially recognise trade union structure and invite trade unions for discussion on labour-related issues.

Among the ten affiliated trade union organisations within the Joint Trade Union Coordination Centre (JTUCC), at least 1.8 million members were recorded in March 2022.²⁴ Based on a broad trade union density of total employment reached at around 11%, relatively high compared to many other Asian countries (see also details in Appendix Table 21).²⁵

The trend of hiring workers based on periodic contracts, outsourcing, contractors, daily wage, and piece rate is rapidly increasing in Nepal. This situation complicates trade unions from carrying out their activities, including organising and retaining workers in unions. Although the law reforms in 2017 included workers from the informal economy, trade unions face difficulties to realise the regulations in

practice, often due to workers' lack awareness or incentives of unionism.

Lockdown during the Covid-19 pandemic in 2020/21 affected many daily-wage workers and workers from the informal economy. Most were neither organised nor were they properly documented at the local government level. It complicated for the trade unions to identify them, and many ended up without support offered by government relief programmes. The restricted movement further difficult trade unions to detect the workers' situation.²⁶

Civil servants' bodies clashed over trade union election in 2016. The government cancelled the election programme of official trade unions in 2020. Supreme Court issued an interim order in June 2021, call for the government to hold the elections of the civil servants' official trade union.

Two platforms of collaboration and coordination between trade union centres are operating. First, the Nepal Trade Union Congress (NTUC), the General Federation of Nepalese Trade Unions (GEFONT), and the All-Nepal Federation of Trade Union (ANTUF) formed the ITUC-Nepal Affiliated Council (ITUC-NAC) in 2003. This latter institution functions with a joint secretariat. The three affiliated organisations are representing at tripartite social dialogue mechanisms and members of the International Trade Union Confederation.

The ITUC-NAC membership rate grew by 18% from 2014 to 2020, superseded by twelve percentage points than the employment growth, at 6.5%. In addition, ITUC-NAC represented about 72% of the total Joint Trade Union Coordination Centre (JTUCC) membership. In ITUC-NAC, almost one out of three (31%) members were women, and 56% were organised workers from the informal economy. Data from ITUC-NAC's register suggested that the aggregated membership growth of 5.2% between 2018 to 2020/21 was driven by an influx of organised workers from the informal economy (35%). In contrast, it declined among formal workers (-18%). Using ITUC-NAC trade union density to total employment increased from 8.0% in

2014 to 8.8% in 2020/21. To some extent this slow upturn was backed by the stalled workforce growth (see more in the Workforce section). The ITUC-NAC members in the formal sector have the check-off system arranged with employers and enterprises they have good relations. They mobilise local union leaders to collect membership fees in enterprises that they do not have agreements with employers. Table 2 depicts the status of ITUC-NAC.

Table 2: Status of ITUC-NAC membership in Nepal, 2020/21

Indicator	Value
ITUC-NAC members	1,347,500
Membership growth 2018-2020	5.2%
Trade union density of total employment	8.8%
Trade union density of employees	18% *
Women member share of trade unions	31%
Affiliated organised workers from the informal economy member share of trade unions	56%

* Estimations based on ITUC-NAC members with deducted the affiliated organised workers from the informal economy.

Source: ITUC-NAC; own calculations on trade union density with data from ILO's KILM.

Second, the Joint Trade Union Coordination Centre (JTUCC) was established in 2007 as a broader umbrella body to unify all registered trade union federations and centres. This institution functions in a looser forum than ITUC-NAC. It has improved their capacity of promoting social dialogue. For example, JTUCC has been active in reforming the minimum wage system in recent years and filed a Freedom of Association case in the International Labour Organization's (ILO) Complaints Procedure, among others. The joint centre's high-level Unity Coordination Committee was declared and working on the unity process through a Plan of Action.

The status of the three major trade union centres is summarised below:²⁷

General Federation of Nepalese Trade Unions (GEFONT)

In 1989, GEFONT was established as an underground association of four federations of

workers. Today, the federation has 19 affiliated unions, represented 467,000 members in 2020/21. Women's share of members increased from 20% in 2014 to 33% in 2020/21. About 62% of members were organised workers from the informal economy. Women share in leadership positions and decision-making bodies reached 41%.

All Nepal Federation of Trade Union (ANTUF)

ANTUF is the Maoist union registered as a legitimate trade union after the end of the civil war. It is an umbrella organisation, affiliating 30 industry-wise national trade unions and represented around 432,000 members in 2020/21. Women's share of members increased from 20% in 2014 to 29% in 2020/21. Approximately, 65% of members were organised workers from the informal economy.²⁸ ANTUF is engaged in unifying other blocks of unions. The centre has promoted campaigns/activities from both the formal sector and informal economy over the years. Women share at the central committee level reached 35%.

Nepal Trade Union Congress (NTUC)

In 1990, the Nepal Trade Union Congress (NTUC) came into existence. Later in 1998, the Democratic Confederation of Nepalese Trade Unions (DECONT) was formed as a breakaway federation from NTUC. They both later re-merged and operate now with almost 449,000 members in 2020/21 from 25 affiliated national organisations. Women's share of members increased from 21% in 2014 to 30% in 2020/21. Around 41% of members were organised workers from the informal economy. Women share in leadership positions and decision-making bodies reached 23%.

Employers' Organisations

Estimations suggested that 1.1% of the total employment in Nepal represented employers in 2021, which was lower than Southern Asia average at 2.5% (see more in Figure 6 ahead).

The Global Competitiveness Index provides Nepal employers' view on a wide range of aspects, including a pillar of labour market efficiency. This last pillar is elaborated upon surveys among

employers and other statistical data, ranking Nepal 128th out of 141 countries (1st is the best). Out of twelve indicators, the best rankings are internal labour mobility (45) and workers' rights (49). The worst rankings are the ratio of wage and salaried female workers to male workers (122), the flexibility of wage determination (117), ease of hiring foreign labour (117), reliance on professional management (117), and cooperation in labour-employer relations (116) (see more in Table 3).

Table 3: Labour market efficiency in Nepal, 2019

Indicator	Rank
Total	128
Redundancy costs (weeks of salary) **	114
Hiring and firing practices *	108
Cooperation in labour-employer relations *	116
Flexibility of wage determination *	117
Active labour market policies *	86
Workers' rights *	49
Ease of hiring foreign labour *	117
Internal labour mobility *	45
Reliance on professional management *	117
Pay and productivity *	91
Ratio of wage and salaried female workers to male workers **	122
Labour tax rate **	89

* Survey data. ** Ranked by per cent. Note: Rank from 1 to 141 (1 is highest).

Source: The Global Competitiveness Report, 2019, 8th pillar: Labour market efficiency.

The status of the leading employers' organisations is summarised below.

Federation of Nepalese Chambers of Commerce & Industry (FNCCI)

The FNCCI was established in 1965, and it is the nationally and internationally recognised umbrella organisation of business in Nepal at tripartite social dialogue mechanisms. Its mission is to facilitate Nepalese trade in becoming globally competitive. The federation represents the interests of the private sector, and it is involved in the promotion of socio-economic development through sector-led economic growth. The membership structure has expanded from 96 District/Municipality levels in 2016 to 118 in March 2022, located in 77 Districts. During the same period, Commodity/Sectoral

Associations increased from 91 to 106; leading public and private sector undertakings from 635 to 1,186; continue with 20 Bi-national Chambers.²⁹

Legal reform for labour market governance was a milestone for promoting industrial relations and workplace cooperation. The FNCCI is in progress to restructure in line with the new governance system, and it points out a need to address industrial ties, enterprise promotion, and job creation. FNCCI offers market-based training for young people entering the labour market to address skill mismatching in the labour market. Data were scarce for the training's coverage. In December 2021, the federation initiated to prepare a comprehensive business code of conduct to stop unfair and irresponsible practices hurting the corporate and business environment. It includes to curb the application of donation and extortion driven by political parties to raise money to fund their campaigns during the 2022 National Assembly election and local elections process.

SOCIAL DIALOGUE

Social dialogue encompasses all types of negotiation, consultation, or exchange of information between representatives of social partners on common interest issues relating to economic and social policy. It can be informal or institutionalised, and often it is a combination of the two. It can take place at the national, regional or enterprise level.³⁰

Social dialogue is functioning in both tri- and bipartite mechanisms across all industrial sectors in Nepal. Nepal ratified the Tripartite Consultation Convention (C144) and the Right to Organise and Collective Bargaining Convention (C098). It has yet to approve the Freedom of Association and Protection of the Right to Organise Convention (C087) (revisit Appendix Table 20).

As a result of the Labour Law of 2017, the collective bargaining framework registered for bipartite Collective Bargaining Agreements (CBAs) at the enterprise level, where more than ten employees work. CBAs have already been in practice in some

sectors since 1992.³¹ The law also widened at the sector-wise (Industrial) level. It is worthwhile to mention that the existing CBA system covers only formal workers. Other workers – not even workers operating in the same enterprise with informal employment contracts like sessional work and outsourced workers – are not covered.

The expanded provision is not yet fully spread-out in every industry in practice. The number of CBAs among ITUC-NAC's three trade union federations experienced a declining trend. The number of CBAs peaked at 1,047 in 2014. It plummeted to two CBAs in 2020 due to the impact of Covid-19. On the other hand, these were two central sectoral transport and tea CBAs with relatively high coverage at 9.5% of employees. In 2021, 217 CBAs were registered with 1.7% of employees (see more in Table 4).

Table 4: Status of Collective Bargaining Agreements in ITUC-NAC, 2014-2021

Year	Number of CBAs	Coverage	Ratio of CBAs coverage to employees
2014	1,087	737,974	26%
2015/17	680	180,000	5.9%
2018	149	40,000	1.2%
2019	340	60,915	1.7%
2020	2	304,000	9.5%
2021	217	60,400	1.7%

Source: ITUC-NAC; DTDA, data-collection tool; own calculation of CBAs coverage based on ILO's KILM employment status projections.

Contradictory legal clauses have complicated the application of CBAs. For example, according to the Labour Law, 58 years is the retirement age, while Social Security Law sets 60 years. In addition, CBAs are often not fully implemented in practice.

The Labour Law reform in 2017 outlined an entity with ten or more employees should operate with a Collective Bargaining Committee (CBC) at the bipartite level. The committee should be formed by an authorised trade union or by all trade unions in the absence of a certified trade union or by the signature of 60% of workers. Such CBC can submit collective demands, negotiate, and settle claims in a collective dispute. The committee is a central part of the procedure for settlement of a collective dispute.³² Where 20 or more employees are engaged, the employer shall constitute a Safety

and Health Committee (SHC), which lacked such provisions in the previous act. Still, the labour market is dominated by the widespread informal economy linked with micro-and small enterprises, which significantly reduces CBAs' and CICs' scopes (see more in the Central Tripartite Institutions sub-section and the Workforce section).

Several steps are taken to improve the social dialogue ambience. A training curriculum has been developed on social dialogue by the ITUC-NAC and integrated into the curriculum on CBA. This tool promotes the practice at the enterprise level in the Labour Law framework and makes a more vigorous campaign for industry-based CBA.

Central tripartite institutions

Numerous consultation bodies are set to promote social dialogue among social partners in Nepal, and the leading institutions are presented below:

Central Labour Advisory Council

The Central Labour Advisory Council (CLAC) is given statutory recognition through the Labour Law of 2017. The institution functions with a series of powers, procedures, and duties; for example, providing advice and suggestions about labour policies to the government; providing necessary advice and recommendations to the government for appropriate improvement in the laws relating to labour; framing and issue directives on collective bargaining as may be required. CLAC is mandated to form other committees or task forces to carry out its functions. Meetings must be held quarterly, and the MLESS provides secretarial support. The tenure of members is usually three years, and they may be renominated after the expiry of their term. The most recent achievement of the council was its involvement in drafting the Social Security Law and the Labour Law.³³

Minimum Wage Fixation Committee

The permanent tripartite Minimum Wage Fixation Committee (MWFC) constitution was included in the Labour Act of 2017. The Government may fix the minimum remuneration rate on the recommendation of MWFC. The Committee recommends minimum

wage levels for non-agricultural workers in enterprises (including tea estates). It consists of an equal number of workers and employers and government representation. The MWFC can consult experts regarding the determination of minimum wage rates. If it is not possible to form the committee or unable to make a recommendation, the government may prescribe the minimum wage rates applicable to workers and employees of enterprises.

Labour Coordination Committee

The Labour Law of 2017 makes provision for establishing a Labour Coordination Committee (LCC) primarily as a tripartite dispute resolution mechanism. The number of representatives is not prescribed and is addressed on a case-by-case basis (see more in the Dispute Settlement sub-section).

Social Security Fund Management Committee

The Contribution Based Social Security Rules of 2017 make provision for establishing a tripartite steering Social Security Fund Management Committee. This committee aims to develop policies and plans regarding social security schemes, advise the government on social security matters, and advise the Fund's management on its operations. A tripartite Board of Trustees of the Social Security Fund consists of eleven members.

Provincial Labour Advisory Councils

The 2019 amendment to the Labour Act of 2017 introduced a provincial labour advisory council. This institution is a tripartite social dialogue mechanism convened by the Department of Social Development in each province. Its purpose is to support the implementation of the Labour Law and the Social Security Law from 2017 and promote social and economic development at a provincial level. So far, provincial labour advisory councils have been established for Province 4 and 5. These councils have, among others, formulated long-term labour policy; provided suggestions and feedback on provincial labour policy; provided timely suggestions and input for the possible revision of labour-related laws.

Bipartite social dialogue mechanisms

Nepal has established a framework for workplace cooperation and collective bargaining at the enterprise level. First, enterprises employing ten or more workers are required to establish a collective bargaining committee (CBC). The CBC has the power to submit collective claims or demands and to enter into agreements. Second, enterprises employing ten or more workers should establish a labour relations committee (LRC). The LRC must hold consultations for productivity increments and operational improvements and attempt to settle any grievance of workers in consultation with the concerned party, among others. In an enterprise employing more than 300 workers, two additional representatives of management and workers would also respectively be appointed.

Dispute Settlement

The Employment Dispute Resolution System (EDRS) in Nepal operates between labour and management of factories, industries, or companies. There are two types of labour dispute: collective dispute and personal dispute. And there are two types of dispute resolution bodies: Quasi-judicial Body and Judicial Body.

The Quasi-Judicial Body operates with ten Labour Offices under the government placed in different regions. The institution has administrative and judicial powers with hearings to follow disputes such as remuneration and facilities, recruitment, avoiding attendance in office by the proprietor, and Trade Union Registered.

The Judicial Body (Labour Court) has most often appellate jurisdiction: the case should be decided within ninety days; the case should be determined not to repeal/dismissed after submitted of proof by parties; the case should be reconciliation between parties.³⁴ Both administrative and judicial procedures are subject to lengthy delays and appeals.³⁵

The disputes system was improved from the Labour Law of 2017, enclosing mandatory arbitration for collective disputes. This system encompasses various

ways to settle labour disputes, such as arbitration, mediation, negotiation, conciliation, and trial. The disputed parties must attempt to resolve the dispute by arbitration, including the so-called 'essential service' and Special Economic Zone. The application of tripartite bodies at the local level to deal with the labour issues is in progress. However, the judicial system has been somewhat insufficient in defining non-arbitral disputes and is rather cumbersome.³⁶

The previously mentioned Labour Coordination Committee (LCC) institution is set to hold talks and provides suggestions to encourage and coordinate processes in dispute resolution among parties at the enterprise level. Arbitration is a central part of alternative dispute resolution in practice. Most cases are settled that way: It is estimated to solve 90% of labour-related problems at the local level/plant level.³⁷ If a dispute case ends at the Arbitration Tribunal level, it requires representation from workers, employers, and the government.

Any agreement between the Collective Bargaining Committee (CBC) and the employer concerning a collective dispute or award of the arbitration tribunal is binding upon both parties. It is important to realise that most workers are still concentrated in the informal micro-and small enterprises that loopholes in labour and business regulations, including the tripartite dispute system.

With most industries shut down due to the Covid-19 lockdown in 2020, employers had reduced their staff and cut their salaries. It outraged workers from both the formal sector and informal economy. Representatives of different trade unions had criticised industries and businesses, considering a unilaterally taken decision that threatened to regress the employer-employee relationship. It triggered a months-long remuneration dispute. On the positive side, the parties reached an agreement in July 2020 whereby industries should provide workers' salaries.³⁸

TRADE UNION RIGHTS VIOLATIONS

Nepal's ranking on the Global Rights Index stood at 3 (5+ is the worst) in 2021, listed as "regular

violations of rights": Governments and companies are regularly interfering in collective labour rights or are failing to guarantee essential aspects of these rights fully.³⁹

The latest two cases from 2019 with violations of the workers' rights in Nepal registered by ITUC were dealing with union officials arrested for protesting job losses and workers charged at Global Hydropower Associate and a demonstration brutally repressed by the police in 2018. The ILO's complaints procedures registered four Freedom of Association cases, and all were closed.⁴⁰

Nepal has ratified ILO's Abolition of Forced Labour Convention (C105), and national legislation prohibits all forms of forced or compulsory labour. However, the rules do not criminalise the recruitment, transportation, harbouring, or receipt of persons by force, fraud, or coercion for forced labour. Reports found that the government did not effectively enforce the law, and the country continued to be haunted by forced labour. For example, the *Kamlari* form of slavery was outlawed in 2013, known as girls as young as four years and women across all age groups were forced to work as bonded labourers in the houses of wealthy landlords. Forced labour, including through debt-based bondage, persists in agriculture, brick kilns, the stone-breaking industry, and domestic work. A government study documented more than 61,000 individuals in forced labour at the end of the 2010s, especially in agriculture, forestry, and construction.⁴¹ The broader Global Slavery Index ranks Nepal as 55 out of 167 countries (1 is the worst), with an estimated prevalence of 5.95 victims per 1,000 population in 2018, representing around 171,000 people living in modern slavery.⁴²

WORKING CONDITIONS

Nepal's government controls and regulates the single national minimum wage system with some coordination from the Minimum Wage Fixation Committee. No workers should be paid less than the minimum wage for all workers. Its application in practice is more present in the formal sector but side-lined in the widespread informal economy. The

minimum wage system excludes domestic workers but includes agricultural workers. Although the minimum wage surpassed the official poverty line, it was insufficient to meet subsistence needs.

The latest minimum wage hike of 12% was from NPR 13,450 (US\$119) in 2018/2020 to NPR (15,000 (US\$127) per month in May 2021 (Table 5 and Figure 4). Workers often struggle to receive the minimum wage increments. The minimum wage level relative to the median wage was around 50%. The average annual growth of real minimum wages was slightly higher at 4.7% during the 2010s than the labour productivity growth of 4.3%. Besides, Nepal's minimum wage for purchasing power parity was at the medium level among Asia and Pacific countries.⁴³

The most typical formal earning in Nepal was NPR 80,700 (US\$675) per month in 2022. Nepalese men employees' wage is approximately 16% higher than their women counterparts on average, except for service and sales workers as well as agricultural workers, are women slightly earning more than men. Regarding salary comparison by education: workers with a certificate or diploma earn 17% on average more than their peers who only reached the high school level; employees who earned a bachelor's degree earn 24% more than those who only managed to attain a certificate or diploma; professionals who attained a master's degree are awarded salaries that are 29% more than those with a bachelor's degree.⁴⁴ By law, all employees are secured of being fully paid for up to 12 days a year in case of sickness and for 60 days, including at least two weeks before childbirth, in maternity.

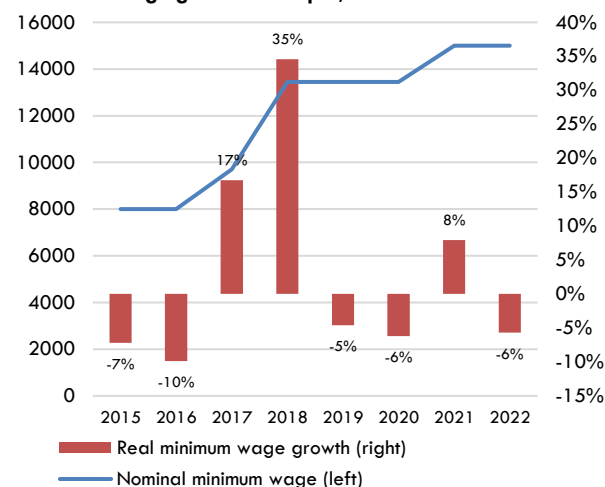
Table 5: Status of Earnings and Minimum Wages in Nepal

	NPR Current	US\$ Current
Most typical earning (2022)	80,700	675
Minimum wage (2021-current)	15,000	127
Domestic workers (2019-current)	13,450	119
Annualised real minimum wage growth, 2015-2022	3.1% *	

* Deductions of aggregate inflation in consumer prices to nominal minimum wage growth.

Source: salaryexplorer.org; wageindicator.org; own estimations of real minimum wage.

Figure 4: Nominal minimum wage trend and yearly real minimum wage growth in Nepal, 2015-2022



Note: Real minimal wage growth is nominal minimum wage deducted by yearly inflation in consumer prices.

Sources: Own estimations.

Many Nepalese workers lack awareness of Occupational Safety and Health (OSH), just as the government has not created the necessary regulatory or administrative structures to enforce these provisions. Reports found that implementation of the OSH standards is minimal, and the Ministry of Labour, Employment and Social Security (MLESS) considered it the most neglected area of labour law enforcement. Violations across sectors are detected in construction, mining, transportation, agriculture, and factory work, among others.⁴⁵

The 2017 Labour Law introduced a labour audit that includes both rights violations and health and safety issues inspection at the workplace. The inspection is carried out by the labour offices that comprise eleven different areas of Nepal. For the lack of required resources, labour offices have not regularly carried out the labour audit. Several trade unions ask their local trade union to work as a watchdog in the workplace and register complaints at their respective labour office. After the complaint, the labour office visits the site and does an audit. Information is scarce on the number of inspections carried out by the labour offices.

Although there is a provision for permanent recruitment after 240 days of work in an enterprise, they are often not implemented in practice. Most of the workers continue to be recruited either through

temporary contracts or on a daily wage basis for an extended period.⁴⁶ A brief overview of Nepal's formal working conditions is outlined below in Table 6.

Table 6: Status of Working Conditions in Nepal

Indicators	Values
Fixed-term contracts prohibited for permanent tasks	No
Maximum length of a single fixed-term contract (months)	No limit
Standard workday	8 hours
Premium for night work (% of hourly pay)	0%
Premium for overtime work (% of hourly pay)	50%
Paid annual leave (average for working days with 1, 5 and 10 years of tenure, in working days)	18 days
Minimum length of maternity leave	60 days
Receive 100% of wages on maternity leave	Yes
Five fully paid days of sick leave a year	Yes
Unemployment protection after one year of employment	Yes

Source: World Bank, *Doing Business*, *Labor Market Regulation in Nepal*

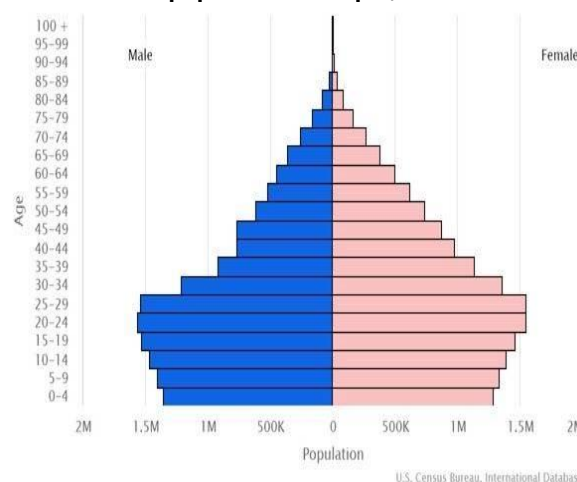
In response to the spike in unemployment due to the Covid-19 pandemic and the absence of a statutory unemployment benefit, the government launched 100-days of waged employment for the unemployed, including returnee migrant workers. Informal economy workers who have lost their jobs due to the pandemic were offered to participate in public-works projects, which preview either a subsistence wage in case of participation or 25% of the local daily salary if they turned down the offer. Despite the large shocks to labour incomes caused by the economic impact in 2020, only a few (around 2%) reported receiving new or additional public assistance after the pandemic.⁴⁷

WORKFORCE

Nepal's population growth demonstrated a declining trend from 2.3% in the 1980s to 0.6% on average in the 2010s. The population reached 30 million people in 2021 based on a highly diverse, caste-based, multi-ethnic, and multi-linguistic society. The fertility rate (births per woman) fell from 5.5 in the 1980s to 2.2 in the 2010s. The life

expectancy rate increased from 47 years in 1980 to 71 in 2019. Around 50% of the population are below 25 years old; 66% are of working age (15-64) (see more in Figure 5).

Figure 5: Population pyramid based on the age-sex structure of the population in Nepal, 2020



Source: CIA, *The World Factbook*, Nepal.

Nepal had visibly entered the youth bulge since 2001 when the highest volume of the population in the age group shifted for the first time in the demographic track record, from the age group 0-4 to 5-9. This shift was an effect of the lowering fertility rate trend. On this background, Nepal faces the looming challenge of an ageing population like other Asian economies, mounting financial pressure on social protection such as health and eldercare pensions.

Projections suggest that Nepal's employment-to-population ratio stood stable at around 81% during the 2010s, plummeting to 74% in 2020 due to the Covid-19 pandemic. Although there are approximately 1.6 million more women workers than men in Nepal, dealing with the high outmigration flow of men, the women employment-to-population ratio had four percentage points lower than men. Instead, it had a remarkably higher proportion than Southern Asia's average. Nepal's relatively high youth employment-to-population ratio is linked to cultural factors as well as the relatively weak school enrolment rates at the highest tertiary education level (Table 7; see more in the Education section).

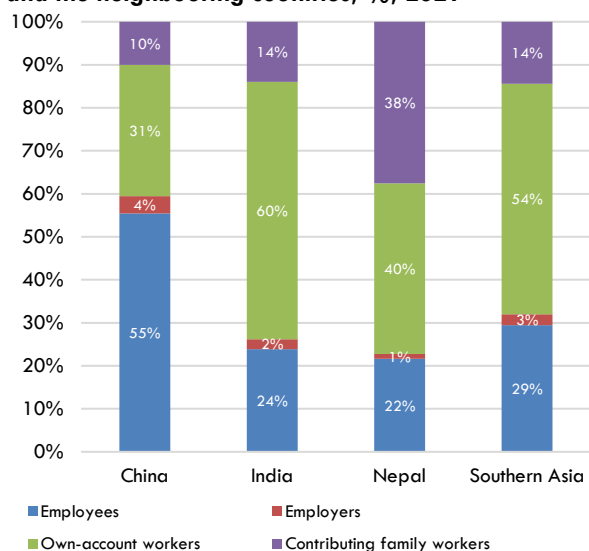
Table 7: Estimations of employment-to-population ratio in Nepal and Southern Asia, age and sex distribution, 2020

Sex	Age	Nepal	Southern Asia
Total	Total 15+	74%	43%
	Youth 15-24	62%	22%
Men	Total 15+	76%	66%
	Youth 15-24	59%	33%
Women	Total 15+	72%	20%
	Youth 15-24	64%	10%

Source: ILO, Key Indicators of the Labour Market (KILM).

Imputed observations of Nepal's employment status suggested some changes: The employees' group increased from 18% in 2010 to 22% in 2021, at a slower tempo than the neighbouring countries. Nepal's employers stood at about 1.1%. Own-account workers increased from 37% to 40%, and contributing family workers dropped by four percentage points, reaching 38% in 2021. These two latter segments are in "vulnerable employment"; they are less likely to have formal work arrangements and are more likely to lack decent working conditions adequate (see more in Figure 6).

Figure 6: Projections of status in employment in Nepal and the neighbouring countries, %, 2021



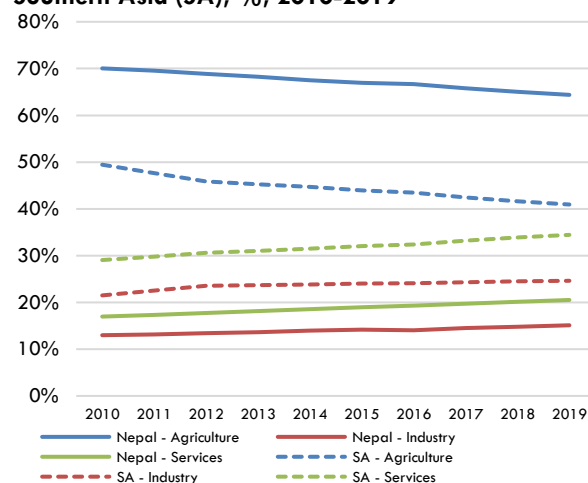
Note: The presented data are based on imputed observations and subject to uncertainty; it should only be used as proxy indicator.

Source: ILO, Key Indicators of the Labour Market (KILM).

The employment share in the agricultural sector was projected to decline during the last decade but still dominates employment. Instead, both the service sector and the industry sector have been on the rise

in the margin; for example, data points toward that the manufacturing industry grew just by 1.2% during the last decade. These trends are similar but more substantial in the Southern Asia region, not to mention with stark gaps in Nepal's aggregated sectors. The predicted sectoral shifts in Nepal's employment structure appear much lower than the sectoral aggregated GDP value-added (revisit Figure 2).⁴⁸ It further suggests that the country is not entirely in pace to reach the SDGs' goal dealing with significantly raise industry's share of employment and double its share in the least developed countries (SDG table, Indicator 9.2.2, Page iv).

Figure 7: Employment aggregate sector in Nepal and Southern Asia (SA), %, 2010-2019



Note: The presented data are based on imputed observations and subject to uncertainty; it should only be used as proxy indicator.

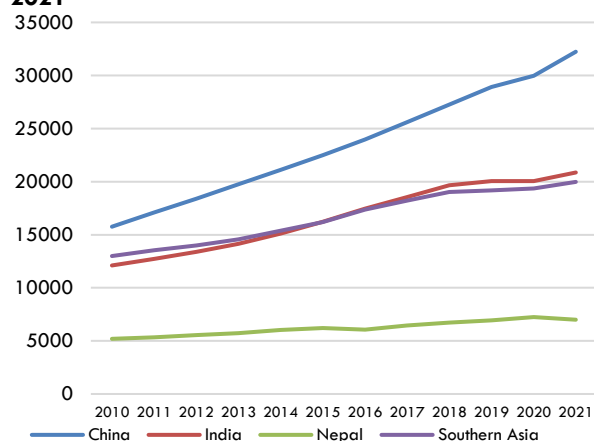
Source: ILO, Key Indicators of the Labour Market (KILM).

The circumstances of lockdown in Nepal in 2020 triggered by the Covid-19 pandemic pushed blockages in global and regional supply chains, the collapse of the tourism sector, and severe drops in consumer confidence and manufacturing. Nearly 3.7 million Nepalese workers were earning their livelihoods in the sectors deemed most at risk of experiencing a significant (medium to high) reduction in economic output because of the Covid-19 pandemic. In addition, between 1.6 and 2.0 million jobs were likely to be disrupted in Nepal, either with complete job loss or reduced working hours and wages.⁴⁹ Large numbers of people are projected to slide into poverty. The annual growth rate of output per worker even fell from 4.3% in

2020 to -3.6% in 2021 (see more in SDGs Table, Indicator 8.2.1, Page iv).

Shifts in Nepal's employment and GDP value-added structures were in progress. However, the country's labour productivity stood significantly lower than the neighbouring countries and did not follow the same pace, widening the gaps (Figure 8). Estimations suggest that Nepal's labour productivity further dropped by -5.6% in 2020, compared with a growth of 3.0% in 2019, causing a negative economic impact due to the Covid-19 pandemic.⁵⁰

Figure 8: Projections of Nepal and neighbouring countries' labour productivity trend, Output per worker (GDP constant 2017 international \$ at PPP), 2010-2021



Note: This measure of labour productivity is calculated using data on GDP (in constant 2017 international dollars in PPP). The presented data are based on imputed observations and subject to uncertainty; it should only be used as proxy indicator.

Source: ILO, Key Indicators of the Labour Market (KILM).

In Nepal, labour's share of national income has been declining during the 2010s: Data show that the labour income share fell from 40% in 2010 to 37% of GDP in 2017, a similar trend in India but hovers 12 percentage points above, at 49% of GDP. This situation further supported the country's weak progress in the SDG to achieve better equality (see more in the SDG table, Indicators 10.4.1, page iv). This issue raised concerns about slowing income growth, inequality, and loss of consumer purchasing power. The change involves the rising power of new technology, globalisation, the widespread informal economy, the hollowing out of collective bargaining agreements, or market consolidation.

The newly emerging Fourth Industrial Revolution (4IR) rapidly changes the nature of work and the demand for skills. Compared to its neighbouring countries, the scale of output of business process outsourcing (BPO) companies in Nepal has been relatively small, but it has turned into a fast-emerging sector. Back in 2013, there were more than 6,000 BPO companies in the country, of which only 256 were legally registered. Low wages and availability of English-speaking graduates have, to a large extent, benefited the Nepalese BPO industry.⁵¹

Official statistics are scarce on Nepal's small and medium enterprises (SMEs) scope. Still, the Ministry of Finance argued that this group contribute 22% to the GDP and employs around 1.7 million people. As a proxy indicator, nearly 98% of manufacturing establishments are small units, 1.6% are medium-sized, and 0.7% are large units. Small, medium-sized, and large manufacturing establishments employ 53%, 13%, and 34%, respectively. Studies found that SMEs' access to credit is severely constrained by onerous collateral requirements and a high-interest rate. Most SMEs have yet to access the few existing concessional loan schemes, and many are unaware of the same.⁵² Besides, the widespread informal economy and somewhat cumbersome business regulations were haunted by lack of awareness or incentives, echoed in the low labour productivity (revisit Figure 8).

Unemployment

Nepal's latest Labour Force Survey from 2017 registered the unemployment rate at 11%, surprisingly high. In lower-middle-income countries, many people have little choice but to engage in economic activities without social protection. ILO's modelled estimations based on diverging methodology measurements suggested the unemployment rate stood stable during the 2010s but with an upsurge to 4.7% in 2020, resulting from the Covid-19 pandemic. Women's unemployment rate was slightly lower than men's. Nepal's unemployment rates were significantly lower than the regional averages, supported by the export of workers (see Table 8 and Figure 9).

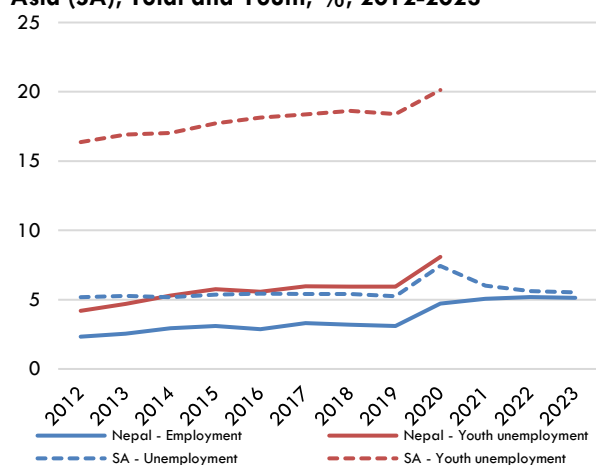
Table 8: The unemployment rate in Nepal and Southern Asia (SA), by sex and age, %, 2020

Type	Gender	Nepal	SA
Unemployment	Total	4.7%	7.4%
	Men	5.0%	7.7%
	Women	4.5%	6.4%
Youth Unemployment	Total	8.1%	20%
	Men	9.2%	20%
	Women	7.1%	19%

Note: unemployment rates and time-related underemployment are based on ILO modelled estimates.

Source: ILO, Key Indicators of the Labour Market (KILM).

Figure 9: Unemployment trends in Nepal and Southern Asia (SA), Total and Youth, %, 2012-2023



Note: The presented data are based on imputed observations and subject to uncertainty; it should only be used as proxy indicator.

Source: ILO, Key Indicators of the Labour Market (KILM).

In Nepal, unemployment is mainly a phenomenon for youth and is concentrated among workers with intermediate and advanced levels of education. Subsistence farming is occupied during planting and harvesting but not engaged full-time during the entire year, creating some "disguised unemployment." The broader underutilisation rate (i.e., aggregating time-related underemployment, unemployment, and potential workforce) was 39% in 2017, with a deep gender gap (see more in the Gender sub-section).⁵³

Since the formal sector is not providing sufficient new jobs, most workers are pushed to generate some income through causal informal activities, often by lower hours, to survive. As indicated above, unemployment is statistically a part of the employed group, excluding persons outside the workforce. In Nepal, around 26% of the working-

age population was projected as economically inactive in 2020. It creates a massive amount of hidden unemployment in the entire economy and an acute undersupply of employment opportunities.

Migration

Nepal's migration track record is not only visualised by the high out-migration flow but also by high-pitched internal displaced persons and refugees. The country has ratified several international conventions containing provisions relevant to migration governance and operates with a comprehensive legal and policy framework (Appendix Table 22). Labour migration governance is at a multi-level with ongoing initiatives at the subnational, national, bilateral, regional, and global levels; for example, migration issues are mainstreamed into education and rural development.

The country's institutional migration system has been challenged by the revision of the Foreign Employment Policy; the Foreign Employment Information Management System (FEIMS) needs to be upgraded; promote a nationally representative migration regularly surveys to shed light on the various facets of labour migration; integrated service delivery of migration-related services under one roof needs to be prioritised at each province, among others.

The national LFS 2017/18 registered females were more likely to migrate than their male counterparts: 47% of females migrated to their current location compared to 23% of males. Most of the migration flow was from rural areas (87%), while 4.3% from urban and 8.1% had moved from another country. The main reason for moving was marriage (54%) and family reasons (18%). In contrast, study/training (7.8%), looking for work (5.5%), and starting a new business (2.5%) are less prominent driving factors for migration. Nonetheless, young people are moving from rural areas to urban zones, attracted by the manufacturing and construction sectors. The urbanisation rate grew slowly from 17% in 2010 to 21% in 2020, standing significantly lower than China (65%) and India (35%).

Nepal's environmental vulnerability also impacts the scale of internal and international migration. Climate change, environmental degradation, and natural and man-made disasters cause displacement and dislocation from the land, meaning that many Nepalis migrate to ensure a sustainable livelihood.

Nepal is a major country of origin for labour migration, with more than half of all Nepali households having at least one family member engaged in international or internal migration or living in Nepal as a returned migrant.⁵⁴

A defining characteristic of Nepal's labour migration since the early 2000s has been an unprecedented increase in the volume of out-migration (emigration) workers. The net migration turned more unbalanced since the 1990s, peaking at the end of the 2000s.

The high negative net migration links Nepali job seekers to higher wages in other countries, or stated differently, the poor employment prospects in the local labour market. A large majority of out-migration workers were headed to the GCC countries and Malaysia for temporary employment. Labour migration from Nepal is predominantly male, with more than 80% of the total labour migrant population between the ages of 18 and 35. The share of workers taking up low-skilled work is high at 59% in 2019.⁵⁵

The net migration turned more balanced during the 2010s due to refugee returnees in the aftermath of the comprehensive peace agreement in 2006 and the negative impact of the Gulf Cooperation Council (GCC) region that entered some economic downturns affected by low oil prices at the end of the 2010s, leading to budget cuts in the infrastructure sector, reduced job opportunities in the construction sector (see more in Table 9 and Figure 10).

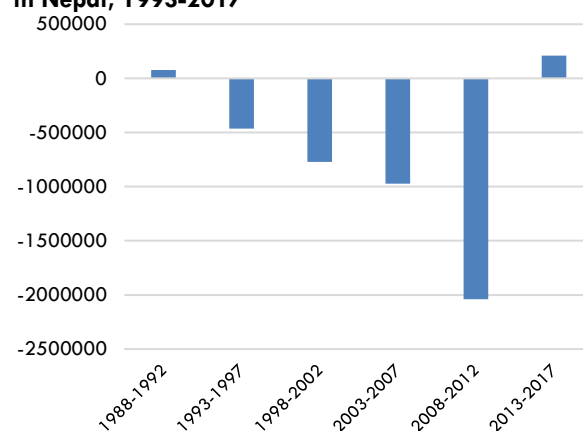
Table 9: Status of net migration flow and personal remittances in Nepal

Theme	Value
Net migration rate per 1,000 population *	1.49 (2020) -15.11 (2015)
Personal remittance (received), % of GDP (2020)	25% (Nepal) 3.9% (South Asia)

* Net migration is the net total of migrants during a period of five years, i.e. the total number of immigrants less the annual number of emigrants, including both citizens and non-citizens.

Source: World Bank, World Development Indicators; KNOEMA, Nepal - Net migration rate.

Figure 10: Net migration trend to average population in Nepal, 1993-2017



Source: World Bank, World Development Indicators.

The extensive labour migration of men explains why women are dominating the agricultural sector (Appendix Table 23). The gender gap in the migration of workers abroad is mainly due to government bans and regulations that forbade Nepalese women from migrating as domestic workers. The government intended to protect the emigrating women from long working hours, sexual harassment, psychical abuse, and economic exploitation. Nepalese women who want to migrate as domestic workers have gone through informal channels, making them vulnerable. These women were unable to access support services and visit their families at home in fear of being barred from work, which has been the case for several Nepalese women who have worked in the Gulf Cooperation Council (GCC) countries.⁵⁶ Nepali migrant workers abroad, often faced exploitive conditions.

Personal remittances to Nepal from around the world have been a central part of the economy.

Personal remittances were below 2% of GDP before 2000 but reached 24% of GDP on average during the 2010s, one of the highest levels in the world. Remittance received by the households is mainly used for daily consumption (79%). Despite the global Covid-19 pandemic's economic impact, remittances from Nepalis stood at 25% in 2020. However, Nepal's Covid-19 Crisis Management Centre estimated that there were 1.3 million Nepali migrant workers who wanted to return home.⁵⁷

Studies found that low household income is linked with labour migration to India, suggesting that poorer households may use such labour migration as a strategy to cope with chronic economic distress or temporary income shortfalls, such as during the agricultural slack season. The predominance of India as a labour migration destination among poorer households may also be due to financial constraints; migration to India is relatively low cost compared to other external destinations.⁵⁸

The formal process for Nepalis to migrate for employment is complex and can be time-consuming. It has spurred the increase of recruitment agencies. It also means that many migrant workers may use irregular channels to access foreign employment, not obtaining a labour permit. The exploitation of migrant workers is rife, and aspiring labour migrants may find themselves in a situation of irregular migration or trafficking.⁵⁹

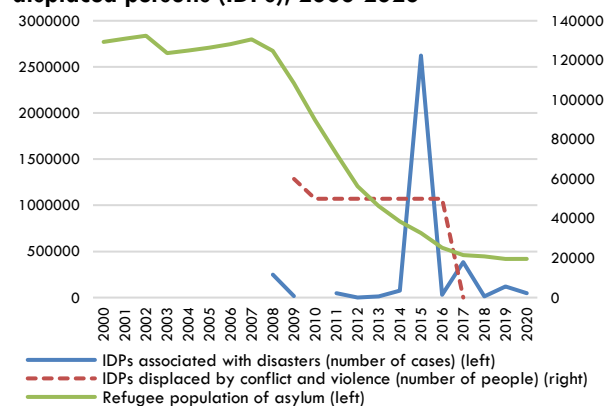
The net migration changes are supported by growing returnees' migrants: Approximately 756,000 recent working-age returnee migrant workers in Nepal. The GCC countries were reported as the most recent migration destination by 43% of the returnees. Over 25% of recent returnees reported India and Malaysia as their last destination, whereas only 4.4% reported others as their previous destination country. Returnees from India are characterised by seasonal labour migration, especially during the off-farming season in Nepal. The main reasons for returnees were to complete the employment contract (24%) as the most popular reason, followed by searching for better job opportunities (12%). Unfavourable working conditions and illness, injury, or disability

are likewise common causes for return reported at around 8% of returnees, which raises concerns about the employment conditions in the destination countries.⁶⁰

Nepal's international migration has been severely affected by the Covid-19 pandemic. Studies found that many migrants experienced job losses, were laid off, and unpaid leave. Those still at work faced a reduction in work hours or pay or both. The Covid-19 also put a halt to the migration process of aspirant migrants. Many aspirant migrants who have taken labour permits from the government to work abroad have not been able to fly out due to travel restrictions. On the other hand, many returnee migrants have stressed the domestic labour market, increased unemployment, and faced the stigma of a Covid-19 spreader in the country.⁶¹

Nepal has internally displaced persons (IDPs) from disasters, conflict, and violence. Concerning those displaced by disasters has been volatile from 600 persons in 2012 to its peak of 2.6 million persons in 2015 dealing with the massive earthquake; down to 48,000 in 2020. About 50,000 people were IDPs associated with conflict and violence at the beginning of the 2010s due to the humanitarian crisis linked to the Nepalese Civil War (1996-2006). An estimated 200,000 people were displaced because of the conflict, with the far-western districts of Nepal being the worst affected.⁶² Other data show that the number of refugees has been high but on a fast-declining trend during the last decade (see Figure 11).

Figure 11: Nepal's refugee population and internally displaced persons (IDPs), 2000-2020



World Bank, World Development Indicators.

Informal Economy

According to the Labour Law of 2017, the existing government provisions and labour policies apply to all working citizens, leading informal workers with the same access to the working conditions as workers in the formal sector. However, the legal coverage for informal workers is based on very generic and open interpreted provisions. This uncertainty keeps informal workers in limbo, with less access to legal requirements in practice than formal sector workers. Recent studies even found a prominent gap in policies and government interventions, leading to the exclusion of informal workers from existing mechanisms.⁶³

A new contribution-based social security programme came into force in November 2018. It covers both the formal and informal workers. It allows workers to be entitled to five programmes, including medical care, health and safe motherhood, accident and disabilities safety, the security of the dependent family, and old age security (see more in the Social Protection section).⁶⁴ So far, the registration of workers in the informal economy to social security continue being challenged by several facets, such as limited access to Wi-Fi and computers; online registration costs and cumbersome processes; weak access to far-flung areas in Nepal; the process of getting a PAN number, a worker's taxpayer/identification number and a bank account are too complicated.⁶⁵

The somewhat rigid labour market and cumbersome business regulations lead to informality, echoed by loopholes in paying minimum wage, contractual employment conditions, paying tax, and social security schemes (revisit Table 3 and Appendix Table 17). This adverse environment further challenges industrial relations, organising workers, performing collective bargaining through social dialogue, and weakened labour rights coverage.

The latest Labour Force Survey from 2017/18 registered that 65% (4.4 million workers) of total employment were in informal employment. It means that nearly two out of three workers are less likely to have formal work arrangements and access to social protection, being more at risk during a crisis

or shock. The main contributor to total employment was the informal non-agriculture sector, accounting for 41% (2.9 million workers) of all jobs in 2017/18, signalling a considerable drop of 45 percentage points since 2008, at 86%. It suggests that Nepal has been on track with the SDGs goal to reduce informal employment in non-agriculture employment. It further benefitted from the labour law 2017 and the Contributory Social Security Law 2017 (see also SDG Table, Indicator 8.3.1, on Page iv). Notwithstanding, the economic downturn triggered by the Covid-19 pandemic in 2020/21 has likely stalled the pace. Additionally, projections from ILO suggest that the segment of vulnerable employment fell from 81% in 2010 to 77% in 2019, with a minor rebound in 2020 by one percentage point due to the economic downturn.

Informal agriculture accounted for 20% of total employment while formal agriculture accounted for 1.3%; private households accounted for just 1% of total employment. Men mainly were employed in the informal non-agriculture sector (46%), followed by the formal non-agriculture sector (39%). Women were evenly distributed across the formal non-agriculture sector, informal agriculture sector and informal non-agriculture with 32%, 32% and 33%, respectively.⁶⁶

Workers in the informal economy are often independent, self-employed, and small-scale producers. Studies discovered that informal businesses make up around 50% of enterprises in Nepal and are the primary source of income for most of the workforce. Within this group, urban casual economy workers and self-employed households in urban areas are more vulnerable than rural households, who can fall back on subsistence farming. Most informal firms operate with limited savings, and owners may face the difficult choice of staying home and facing starvation during the lockdown or running their business and risking infection. These scenarios accentuate financial difficulties as well as the spread of Covid-19.⁶⁷

A study observed Nepal's size and development of the informal economy declined from 43% in 1991 to 30% in 2015, benefiting the sectoral shifts in employment and the economy. This value stood at

38% on average from 2004 to 2015, significantly larger than China (15%) and India (24%).⁶⁸ Besides, the country's informal payments to public officials of 14% was slightly higher than China (11%) but lower than India (17%) (Table 10).

Table 10: Status of Nepal's informal economy

Indicators	Per cent
The informal economy's share of GDP (2015)	30%
Informal employment of total employment (2017)	56%
Informal employment of non-agricultural sector (2017)	41%
Vulnerable employment (2021)	77%
Informal payments to public officials (% of firms) * (2013)	14%

* Informal payments to public officials are the percentage of firms expected to make informal payments to public officials to "get things done" regarding customs, taxes, licenses, regulations, services, and the like.

Sources: IMF, *Shadow Economies Around the World: What Did We Learn Over the Last 20 Years?*, IMF Working Paper, January 2018; National Planning Commission and Central Bureau of Statistics, *Report on the Nepal Labour Force Survey 2017/18*; ILO, *Key Indicators of the Labour Market (KILM)*; World Bank, *World Development Indicators*.

National forums dealing with informal economy workers and specific policies addressing the status of informal economy workers were activated in 2021.⁶⁹ As previously mentioned, the trade union membership rate is aided by an influx of organised workers from the informal economy. Trade unions worked to streamline trade union efforts to facilitate and contribute to the formalisation of working conditions in the transport sector. The initiative led to the end of the syndicated system in managing the operations and transactions in the transport sector nationwide. It headed to a more structured tripartite dialogue between the transport sector, operators/owners, and government agencies. They conducted the business registration of transport operators/owners in the governance system. In return, the government commits to including the transport sector in the social security schemes.

Child Labour

Around 28% of Nepal's population is 0-14 years old. As outlined in the Population Pyramid above, this segment's growth lost its pace (revisit Figure 5).

Nepal has endorsed several international treaties and conventions on children and child labour, including ILO's two conventions on the effective abolition of child labour (see Appendix Table 20). The Act Relating to Children of 2018 sets 15 as the minimum age for work and 17 as the minimum age for hazardous work, and it defines and mandates acceptable working conditions for children. The minimum age for hazardous work is not consistent with international standards because it does not prohibit children aged 17 from engaging in this kind of work. The types of hazardous work prohibited for children also do not include brickmaking. Evidence shows that work involves carrying heavy loads and being exposed to hazardous substances. Employers must maintain separate records of labourers between 14 and 17. The law prohibits employment of children in factories, mines, and sixty other categories of hazardous work and limits children between the ages of 16 and 17 to a 36-hour workweek (six hours a day between 6 a.m. and 6 p.m., six days a week).⁷⁰ Besides, the Education Act of 2009 provides free basic education up to Grade 8. Such policies help combat child labour by enabling children to attend school (see more in the Education section).

Nepal has included child rights and protection concerns in national development plans during the last three decades. Some of the current initiatives are the National Master Plan (NMP)-II on Child Labour (2018– 2028) and the Fifteenth Plan (2019-2024). For example, the latter envisions a child-friendly society to develop children as qualified and capable citizens for the national development process by ending all forms of violence, exploitation, and abuse.

The root of child labour is linked with poverty, and it remains widespread. Around 2.1 million children (5-17 years old), or 29%, were working children; 15% of children were engaged in child labour, and 3.2% were in hazardous work. The child labour rate fell by seven percentage points since 2014, backed by improvements in school enrolment at the secondary education level and the social protection system. The Government has vowed to meet the targets set by the SDGs by 2030, and it is in

progress. However, the economic downturn in 2020/21 pushed child labour to unprecedented levels to curb family income losses, closure of schools, and the lack of healthcare resources. Reports discovered the number of children living in poverty rose from an estimated 1.3 million before the Covid-19 pandemic to approximately seven million in August 2020.⁷¹ Nepal's child labour rate stood significantly higher than Asia and the Pacific averages (see Table 11).

Table 11: Status of child labour in Nepal and Asia & the Pacific, latest data

Country/ Region	Type	Rate
Nepal (2017/18)	Working children	29%
	Child labour	15%
	Hazardous work	3.2%
Asia & the Pacific (2010s)	Working children	-
	Child labour	5.6%
	Hazardous work	2.6%

Note: Children in employment: unpaid family workers are people who work without pay in a market-oriented establishment operated by a related person living in the same household. Child labour: work that is mentally, physically, socially, or morally dangerous and harmful to children; and interferes with their schooling. Hazardous work: children in dangerous and unhealthy conditions that can lead to a child being killed, injured, or made ill because of poor safety and health standards or employment conditions.

Sources: ILO, Nepal Child Labour Report 2021; ILO and UNICEF, Child Labour: Global estimates 2020, trends and the road forward, 2021.

Child labour, including forced child labour, mainly occurs in agriculture and domestic service, potting, recycling, and transportation; the worst abuses were reported in brick kilns, the stone-breaking industry, the carpet sector, embroidery factories, and the entertainment sector. In the informal economy, children worked long hours in unhealthy environments, carried heavy loads, were at risk of sexual exploitation, and at times suffered from numerous health problems.⁷² Additionally, the informal economy engages a higher share (about 78%) of child labour. Its prevalence is further higher for those parents with lower levels of education and parents working in the informal sector. Children enrolled in primary education have the highest per cent of child labour (30%), while children enrolled in secondary education (8.2%) have the lowest prevalence of child labour.⁷³

Gender

Nepal ratified the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) in 1991 and the Optional Protocol to the CEDAW in 2007. The country further pledged for gender equality and women's empowerment in the Fourth World Conference on Women in Beijing and committed to the Beijing Platform for Action (BPfA) in 1995.

There were some noticeable strides for gender equality in Nepal's 2015 constitution, such as the reservation of 33% seats for women in federal and provincial parliaments, criminalisation of violence against women based on any cultural, religious, or traditional practices; equal property rights for men and women; and rights for citizens to choose non-binary gender in their citizenship; establishing protection mechanisms like National Human Rights Commission and the National Women's Commission. Nevertheless, the constitution failed to provide equal citizenship rights to women, contradicting the CEDAW. The country remains one of the 27 countries in the world that differentiates between women's and men's citizenship rights: Single women are not able to provide citizenship to their children, who remain devoid of the benefits provided by the state – only because their mothers are considered less of a citizen than their non-present father.⁷⁴ Moreover, the status of Nepali women remains vulnerable due to weak enforcement of laws, policies, and action plans, not to mention the poor performance of state mechanisms. It is further challenged by a lack of infrastructure and because of unwillingness to invest enough resources to protect women and their rights.

Traditional patriarch culture is more present in rural areas and specific ethnic groups. These stereotypes are shadowing the legal gender provisions, caught in gender inequality and discrimination that challenge women's role in labour. Many women often lack awareness of their rights; others ignore the laws. For example, women have the right to equal shares of their parent's inheritance and keep the eventual property after an ended marriage. In practice, many women are afraid to speak up for

their heritage, just as many are not aware of their rights.⁷⁵

Women's 'double-burden' further keeps many in informal part-time activities linked to time constraints from domestic chores. It is worthwhile to mention that the economic downturn in 2020 negatively affected the manufacturing sector linked to exports, where women's employment is more affected than men's.

The Labour Law of 2017 prohibits discrimination by gender, including gender discrimination in terms of payment and remuneration. However, women seeking job opportunities in non-traditional sectors cope with gender discrimination and gender harassment in hiring and punitive action against women employees when they become pregnant, which are well-known issues. The recent NLFS 2017/18 also found the average mean monthly earnings of employees in the main job reached a gender gap of 30%, reflecting women frequently were not respected in equal pay. These aspects have been linked with female-headed households being more likely to suffer from poverty than other households.⁷⁶

Table 12 displays the scope of Nepal's gender gaps in key employment indicators. Although there is a low gender gap within the employment-to-population ratio, disparities are stark entering employment status; for example, relatively few women are estimated as employees or employers and more prominent in vulnerable employment.

Table 12: Estimation of workforce key indicators gender gaps in Nepal, 2020/2021

	Men	Women
Employment-to-population	76%	72%
Unemployment	5.0%	4.5%
Employees	36%	10%
Employers	2.0%	0.3%
Vulnerable employment *	69%	90%

* Aggregated of own-account workers and contributing family workers.

Note: The presented data are based on imputed observations and subject to uncertainty; it should only be used as proxy indicator.

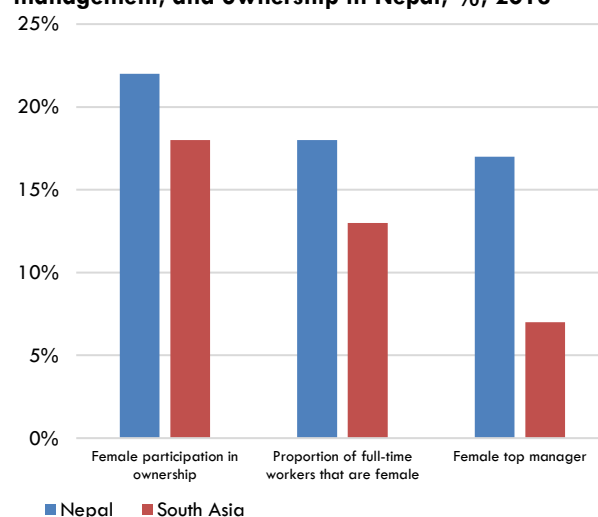
Source: ILO, Key Indicators of the Labour Market (KILM).

The global Gender Inequality Index (GII) reflects the scope of gender disparities, ranking Nepal 110

out of 162 countries (1 is best) in 2019. It places the country at the medium human development level, supported by the relatively high maternal mortality ratio and adolescent birth rate, as well as a profound gender gap in the population with at least some secondary education. It scores better in the share of seats in parliament and labour force participation rate.⁷⁷ The other Global Gender Gap Index (GGGI) 2021 ranks Nepal 106 out of 156 countries (1 is best). The country scores relatively high in political empowerment (61) but weak concerning educational attainment (134), health and survival (113), and economic participation and opportunity (107).⁷⁸

According to the latest Nepal Enterprise Survey from 2013, Nepali firms have a higher women participation rate, management, and ownership compared to their Southern Asia peers. More than 15% of firms in Nepal have a woman top manager, which is more than two times higher than firms in the South Asia region (Figure 12). Nevertheless, women entrepreneurs often face more constraints than men, including limited access to capital and credit due to lack of collateral, lack of awareness, and time constraints imposed by domestic obligations.

Figure 12: Women participation in employment, top management, and ownership in Nepal, %, 2013



Source: World Bank, 2013 Nepal Enterprise Survey.

Nepal's traditional caste system was formally abolished in 1963, but conventional beliefs still haunt Nepalese society. The group in the lowest cast is called Dalit, and they cover around 15% of

Nepal's population.⁷⁹ The word Dalit is associated with being inhuman or untouchable (many people think less of Dalit people), and they often face discrimination in terms of their gender and caste. Dalit women have encountered severe discrimination; they are at a high risk of sexual abuse, violence, early marriage, and human trafficking. Approximately 60% of Dalit girls are married before they are 16. In the formal sector, men from upper-caste systems are favoured for hiring and promotions.⁸⁰ The Nepalese government took strides to end the discrimination towards Dalit women, including special legal provisions for Dalit women in employment in the public service.⁸¹ In connection with the Local Level Election Act in 2017, each ward committee in the country require minimum one out of four members should be a Dalit woman. This election resulted that approximately 6,000 Dalit women are represented in local government.⁸²

Youth

Nepal's youth (15-24 years old) represent 21% of the population and projected around 62% of the youth employment-to-population ratio, which is remarkably higher than Southern Asia's average at 22%.⁸³ Over 400,000 young people are estimated to enter the workforce every year but dwindling (revisit Figure 5). These figures indicate the quantitative dimension of the employment challenge in Nepal.⁸⁴

The Ministry of Youth and Sports was established in 2008 to develop and mobilise the youth in Nepal. Generally, the government has promoted domestic employment, foreign employment, and training policies, focusing on youth. The Youth Council Act of 2015 was promulgated to coordinate youth-related development programmes. In 2015, the government further launched the Youth Vision 2025 and the Ten-Year Strategic Plan and National Youth Policy, geared to effectively implement the National Youth Policy through the National Youth Council. The Youth Vision 2025 is based on five pillars: i) quality and vocational education; ii) employment, entrepreneurship, and skill development; iii) youth health and social security;

iv) mobilisation, participation, and leadership development; v) sports and entertainment.⁸⁵

Recent studies found that Nepal's labour laws and policies have largely failed to influence the decisions and outcomes of youth and other workers because of poor implementation, stemming from weak government commitment and capacity. Labour laws tend not to have youth-related provisions, except for civil and armed services recruitment rules. The policies' ambitious targets frequently fail to matter because the targets are not based on evidence and because specific organisational arrangements, operational plans, and resources do not follow.⁸⁶ Nepal also lacks a national platform for social dialogue on youth employment.

Nepal's youth prospects have been haunted by poor labour market conditions and social unrest in recent history. On the positive side, Nepal's ranking on the Global Youth Development Index improved from 142 in 2013 to 94 out of 181 countries (1 is best) in 2020, ranking lower than China (62) but higher than India (122) and Bangladesh (126).

The projections of Nepal's youth unemployment rate tend to be relatively low compared with the Southern Asia average (revisit Figure 9 above). The country's high underutilisation and emigration rates shadow this relatively low youth unemployment; a young person is six times more likely to be unemployed than an adult in Nepal. The main determining factor appears to be the unavailability of individuals for (more) work. Around 38% of Nepali job seekers where young people aged 15–24 years, reaching the largest group of unemployed. It suggests that young people who left school early found it challenging to enter the labour market.⁸⁷ By the same token, the marginalised, minority, indigenous and physically challenged youth suffer from a higher unemployment ratio. Almost half of the youth workforce is still dependent on agriculture for survival.

An impact evaluation on the Employment Fund (EF) – one of the most significant youth training initiatives in the country, serving almost 15,000 youth annually

(equalled 3.8% of the 400,000 yearly entering the labour market) – found that after three years of the programme, its intervention positively improved employment outcomes. Participation in the EF training programme increased non-farm employment by 16 percentage points for an overall gain of 50%. The programme made an average monthly earnings gain of about 72%. The report even found more significant employment impacts for women than for men, but younger women ages 16 to 24 experienced the same improvements as older women.⁸⁸

An increasing share of Nepal youth attending school indicates more years of formal schooling and later entry into the labour market. A growing percentage of workers in self-and wage-employment in non-agriculture signifies a transition that is stronger for youth than for non-youth.

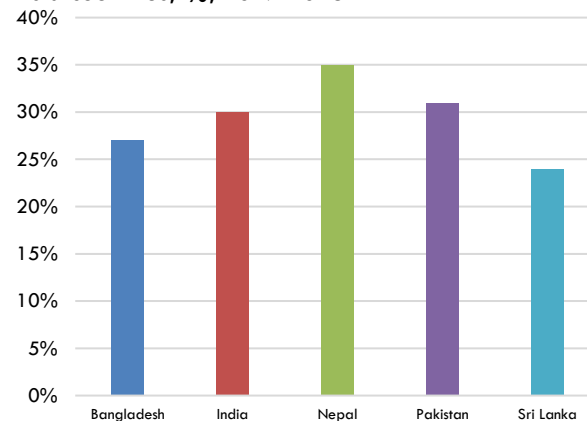
Many young workers leave agricultural communities for better education and remunerative employment opportunities elsewhere, such as wage-employed services. They often face bleak employment prospects in Nepal, leaving the country in large numbers as temporary emigrants. This latter youth group became the backbone of Nepal's export of workers, supporting the high personal remittances level and economic growth. Several others are discouraged and withdraw from employment, becoming economically inactive in the labour market.

Young workers are typical in the informal economy or short-term labour contracting, side-lined for social protection. These groups are frequently challenged by inadequate training and career opportunities, and every so usually earn less than the minimum wage compared to the non-youth groups.

The NEET rate (i.e., those not in employment, education, or training) was high at 35% in 2017, significantly superseding other Southern Asia countries (Figure 13). Nepal's NEET rate is more than double as high for women as men, 47% vs 22%. Young people from lower-income families are usually more present in the NEET rate. The economic

downturn in 2020 caused by the Covid-19 pandemic is most likely to create an upsurge at the NEET rate.

Figure 13: The NEET rate in Nepal and other Southern Asia countries, %, 2017-2018



Note: The NEET rate is the proportion of youth not in employment, education, or training.

Source: ILO, Key Indicators of the Labour Market (KILM).

In March 2021, about 50% of Nepal's total positive Covid-19 cases were among youth. The pandemic has affected the youth in various aspects such as health and well-being, education, employment, and civic activities due to social distancing policies. For example, youth are the most vulnerable to job lay-offs. The Ministry of Youth and Sports launched different programmes through the National Youth Council during the pandemic. The Council assisted and coordinated with other government agencies to provide support and assistance to youth. Other ministries also implemented programmes after designing sector-wise policies related to youth in education, health, agriculture, tourism, labour, employment, and sports during Covid-19.⁸⁹

EDUCATION

Nepal's 2015 constitution guarantees education as a fundamental right to all citizens, with free and compulsory basic education and free education up to the secondary education level. The 2018 Act Relating to Compulsory and Free Education translates the constitutional provision into regulations, including decentralisation of management: Local governments now have a mandate to manage school-level education at the secondary education (up to Grade XII) level.

Provinces have full authority to design curricula, oversee teachers, staff, and physical facilities, as well as adopt operational policies. In practice, local governments still face significant challenges in meeting their responsibilities effectively. Studies uncovered local institutions often have limited human and financial resources.⁹⁰ New education policy and National Curriculum Framework were launched in 2021, including the Technical and Vocational Education and Training (TVET) (see more in the Vocational Training sub-section).

Public spending on education increased slightly during the last two decades, from 3.5% during the 2000s to 4.2% of GDP on average during the 2010s. It is significantly higher than India at 0.5% and even Southern Asia's average at 2.9% of GDP.

Nepal's literacy rate for the population aged 15+ increased from 49% in 2001 to 68% in 2018, four percentage points lower than Southern Asia's average at 72%. The Nepal Labour Force Survey 2017/18 revealed that at least one out of four (28%) employment had less than basic education. Around 30% have basic education, 32% at the intermediate level, and 10% at the advanced level. It is worthwhile to mention that women get somewhat less educated than men at all levels (Table 13).

Table 13: Employment by education, age 15+, % of employment distribution in Nepal, 2017

	Less than basic	Basic	Inter-mediate	Advanced
Total	28%	30%	32%	10%
Men	21%	35%	33%	11%
Women	39%	22%	31%	8%

Source: National Planning Commission and Central Bureau of Statistics, Report on the Nepal Labour Force Survey 2017/18.

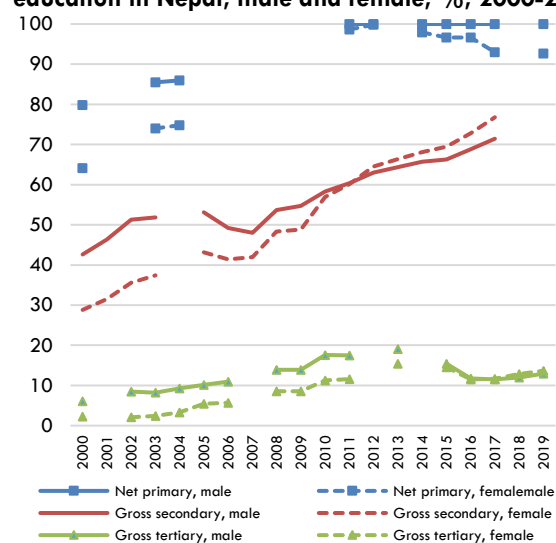
Figure 14 shows Nepal took remarkably strides to improve the enrolment at all education levels during the last two decades. All children were enrolled at the primary education level since the beginning of the 2010s, benefitting from the closure of the decade-long civil war and boosting investments in education. The country's rate was hovering above Southern Asia's average, at around 90%. However, in recent years, a gender gap merged and increasingly widened in Nepal, leaving more girls

left out of enrolment due to underlying cultural and socioeconomic barriers and an impact of the three-tiered decentralisation reforms since 2015.

The gross secondary enrolment rate likewise made significant achievements in raising access to and inclusion in education, particularly a notable shift in the gender gap, starting to benefit girls since the beginning of the 2010s (Figure 14). At this education level, Nepal's gross enrolment rate superseded the regional average by ten percentage points, 80% vs 70% in 2019, respectively.

The gross tertiary enrolment rate also had a tailwind during the 2000s. It lost its pace and started to dwindle during the last part of the 2010s. The regional average gross tertiary enrolment rate was significantly higher than Nepal in 2019, 25% vs 13%, respectively. On the positive side, there is minor gender gap in Nepal (Figure 14).

Figure 14: Enrolment in primary, secondary, and tertiary education in Nepal, male and female, %, 2000-2019



Note: Net enrolment is the ratio of children of official school age, who are enrolled in school to the population of the corresponding official school age. Gross enrolment is the ratio of total enrolment, regardless of age, to the population of the corresponding official school age. Gross enrolment could therefore be higher than 100%.

Source: World Bank, Education Statistics.

Reports showed the overall retention rate up to grade 10 was 58%, while only 22% were retained up to grade 12. This shows that many youths in Nepal are pushed out of the education system

without adequately preparing them for the labour market.⁹¹

The Covid-19 pandemic brought abrupt and unforeseen encounters to following the education plan. The Government closed all schools across the country in March 2020. Having been closed for 8-9 months, local governments started to reopen schools at the end of 2020. It turned re-closed again because the second Covid-19 wave emerged in April 2021. During the lockdown, eight million children were out of school. Though an increasing proportion of children have started learning at home, the access to modern, digital learning platforms was accessible mostly to children attending private schools in urban (metro and sub-metropolitan) municipalities. Many students experienced distress and poor learning outcomes with the closure of schools and the adoption of remote learning. Around 2.2 million children could not complete their education unless they received additional support. Generally, many schools have been challenged by weak education infrastructure for the online system, including skilled human resources, and minimal internet facilities in remote and rural areas. This situation further brought one-third of Nepal's population at risk of remaining or being pushed back into poverty due to school closures during Covid-19.⁹²

Vocational Training

Nepal has offered formal training programmes for workers for more than four decades. Although the 2015 constitution makes a commitment to education in general, the Technical and Vocational Education and Training (TVET) system is not explicitly clarified.⁹³ The government has passed several major policies on training over the years; the latest is the Nepal Technical and Vocational Education and Training policy of 2012 and the integrated National Education Policy 2019. However, the training and skill development programmes designed by TVET institutions did not match sufficiently the skills required in the labour market of destination countries.⁹⁴ Besides, there are not many initiatives for mobility in TVET programmes dealing with workers' inclusion issues.

Nepal's government expenditure on secondary and post-secondary non-tertiary vocational education was 0.1% of GDP in 2015, significantly lower than India at 0.4%.⁹⁵

TVET programmes are run by government agencies, non-government organisations, private firms, and projects supported by different donor agencies. The leading TVET provider is the Council for Technical Education and Vocational Training (CTEVT). This council was established in 1989, operating as a national autonomous apex body of the TVET sector. A new TVET Act has been developed and is currently in draft form. The province-level offices of CTEVT are operating but are still in the process of restructuring. All training programmes under the Ministry of Agriculture have been handed over to the provincial governments. CTEVT operates with a strategic plan for 2020-2024. There is also a ten-year joint strategic plan for six TVET offering ministries.

Training has expanded substantially over time; for example, public technical school/Polytechnic increased from 18 in 2004 to 61 in 2020; affiliated private institutes from 178 to 429; community schools offering TVET from 20 to 572.⁹⁶ Courses range from Vocational Training (3–6 months) to Diploma or Technician Certificate Vocational Training (3 years full time). Informal learning also prepares people with the knowledge and skills required in the labour market.⁹⁷ There is no exact figure available of how many short-term vocational training courses are provided annually. Nevertheless, CTEVT registered 34 vocational training providers in 2004, increasing to 1,140 in 2020. The list of affiliated short-term institutions and training programmes was 1,355 in 2021.

In 2010, around 25,000 individuals participated in TVET diploma programmes.⁹⁸ In 2020, CTETV registered 72,743 students enrolled in formal TVET programmes and provided non-formal vocational training to 42,000 students in all provinces funded by the government. There were aggregated 950 diploma level programmes in the seven provinces. In class twelve, the total number of graduates was

5,138 in 2020, dropped by 15% since 2019 from the TVET stream of community schools.

The share of all students in secondary education enrolled in vocational programmes was low at 1.2% in 2019, in line with India (1.3%) but significantly lower than China (18%), Bangladesh (4.0%), and Pakistan (3.2%) (see Table 14). Other data suggest that 6% of individuals aged 16–29 years obtained training through Technical School Leaving Certificate (TSLC)/technical diploma programmes at some point in 2013, a substantial increase from 1.3% in 2008. In addition, 10% of individuals aged 16–29 years obtained on-the-job training over the preceding year.⁹⁹

Table 14: Status of Vocational Training in Nepal

Indicator	Value
Pupils in vocational training (2020)	115,000 *
Share of all students in secondary education enrolled in vocational programmes (2019)	1.2%
Firms offering formal training (% of firms) (2013)	32 %

* Total long-term and short-term TVET courses.

Source: Annual Review of the Technical Vocational Education and Training in Nepal, 2020; World Bank, Education Statistics.

Studies found that around 40% of Nepali youth express interest in obtaining technical training. Although the information is scarce concerning the effects of training, some interventions offered one-to three-month-long training in a few selected fields found that the intervention had a significant positive impact on employment, hours worked, and earnings for qualifying applicants within a year after the training. On the other hand, Nepal's training system is perceived to perform poorly, and the current labour market's demands are radically different in terms of formal training supply. For example, training is often marked by insufficient and inequitable access, poor capacity to deliver training and its quality, and low market relevance.¹⁰⁰

Nepal's firms offering formal training programmes were at 32% of their permanent, full-time employees in 2013, significantly lower than China (79%) and India (36%); four percentage points higher than Southern Asia's average at 28%.¹⁰¹

Formal firms continue being a small group compared to the widespread informal micro-and small enterprises.

The Fourth Industrial Revolution (4IR) introduces disruptions in the labour market: job losses due to digitisation are becoming more urgent, just as upskilling and retooling are putting pressure on the TVET system. For example, the business process outsourcing (BPO) market in Nepal is growing at a rapid pace due to cheap labour. It has allowed firms to offer such services to international IT companies at low prices. There is no exact data regarding the annual turnover of the outsourcing companies in the country, but some estimations suggest the total turnover is between US\$54-91 million annually. The U.S., Canada, Australia, and European nations are some of the major countries where Nepali BPO firms provide their services.¹⁰² Companies have become central employers for new graduates of many TVET courses.

Among Nepali students, employment in information and communication technology (ICT) services has become a top choice for both males and females at the education level. However, the overall ICT status of Nepal shows that the country is lagging behind other developed and developing countries in terms of ICT infrastructure and services.¹⁰³ Generally, Nepalis have experienced a growing application for ICTs aspects during the last two decades. For example, individuals using the internet increased from 2.0% in 2009 to 21% of the population in 2017, scoring quite low compared to China (54%) but higher than India (18%). Nepalis' demands for mobile cellular subscriptions also soared from 4.6 in 2006 to 139 per 100 people in 2018, relatively high compared to the neighbouring countries.

The Covid-19 pandemic turned industries' apprenticeship abruptly closed. Generally, the TVET sector suffered since the education models have relied heavily on face-to-face learning using equipment and other experiential learning strategies. These learning standards do not lend themselves easily to online interventions and, as such, are affected by the school closures.

SOCIAL PROTECTION

The 2015 constitution progressively guarantees the rights to social protection encompassed in eleven articles. Several supplemented laws have been introduced afterwards that support guaranteed universal social protection. The main provisions relating to the Social Security Fund were introduced in the Labour Law of 2017. The Social Security Act of 2017 and Social Security Regulations of 2018 also were enacted for the establishment and operational factors of the Social Security Fund. The Social Security Scheme Operational Directives of 2018 implements and manages various social security schemes. The major provisions of the new structure are as follows:

- Mandatory enrollment requirement of employers and employees in the Social Security Fund.
- The total rate of contribution in the Social Security Fund is set as 31%, with 11% contribution deducted from the employee's basic salary and 20% additional contribution by the employer (increasing by two percentage points since the previously Labour Act of 1992, at 18%).
- Introduction of social security schemes including medical treatment, health and maternity protection scheme, accident and disability protection scheme, dependent family protection scheme and old age protection scheme for the employees.

The Compulsory and Free Education Act of 2018, the Public Health Service Act of 2018, the Children Act of 2018, the Right to Employment Act of 2018, the Food Rights and Food Sovereignty Act of 2018, and the Housing Rights Act of 2018 also paved the way to the operationalisation of health insurance, social insurance, and social assistance schemes in the country.

The National Planning Commission has drafted an Integrated National Framework on Social Protection to make the national social protection system inclusive, flexible, and effective to ensure access to all citizens. It further supported the current draft trade union bill that intends mainly to amend

all provisions and clauses that contradict the social security system. Nepal's trade union movement rejected the ideas as the contributory social protection scheme could be extended to non-contributors. There is currently no progress in discussion on these issues. In addition, the Bonus Act of 1974 (with the latest amendments in 2010) dealing with the distribution of bonus suggest a certain percentage of contribution to the welfare fund still needs reforms contributing to the social security fund.

Nepal has ratified one of fifteen up-to-date ILO Social Security conventions, the Minimum Wage Fixing Convention (C131) (see Appendix Table 20).

According to the National Integrated Social Protection Framework, different ministries and public institutions implement 16 programmes and 76 schemes linked with employment-related strategies, cash and in-kind social assistance, and labour market programmes. This system has been characterised as fragmented, with limited institutional capacity to coordinate various interventions. The transition to the federal state was accompanied by the continuation of legacy programmes and delivery systems developed during the unitary structure of governance. Studies detected that the somewhat slow progress in building capacity at the subnational levels and continuing lack of clarity on the roles of different levels of government in the new federal structure, dealing with the complexities of the transition.¹⁰⁴

The government's expenditure on social protection has increased from 1.9% in 2010 to 3.5% of GDP in 2019, equalling a significant hike. Social insurance constitutes the largest share of spending, accounting for about 56% of the total social protection expenditure in 2019; social assistance represented 41%, and labour market spending stood low, at 3%. Nepal has no social contributions via employees, employers, and self-employed individuals.

Nepal is taken steps to improve the social protection coverage but continues somewhat behind the neighbouring countries. The population covered by

at least one social protection was 17% in 2020, lower than China (71%) and India (24%). See more proportions of the population covered by social protection in Table 15 below. Nepal's 15th five-year development plan aims to cover 60% of the people by the end of the Financial Year 2025 (including social assistance and social insurance programmes).

Table 15: Proportion of population covered by social protection systems and health in Nepal, %, 2020

Indicator	Coverage
Population covered by at least one social protection benefit	17%
Proportion of older persons receiving a pension	84%
Persons with severe disabilities collecting disability social protection benefits	14%
Unemployed receiving unemployment benefits	0%
Mothers with newborns receiving maternity benefits	9.8%
Employed covered in the event of work injury	4.5%
Children/households receiving child/family cash benefits	23%
Poor persons covered by social protection systems	70% *
Vulnerable persons covered by social assistance	15%

* Year: 2018.

Source: ILO, Key Indicators of the Labour Market (KILM).

Enrolment of health insurance coverage was just 1% in 2016 but rose to 11% of the total population in 2019. More than one-third proportion was subsidy enrolment (free enrolment for vulnerable groups). The health insurance dropout rate was high at around 38% in 2018. Studies found that the population characteristics of unwilling and dropouts in social health insurance came from relatively well-off families, government employees, people in business, migrant people, some local political leaders, and poor class families. The major determinants of insufficient enrolment and dropout were mainly unavailability of enough medicine, unfriendly behaviour of health workers, and indifferent behaviour of the care personnel towards the insured patients in health care facilities and prefer to take health services in a private clinic for their benefits. The long maturation time to activate health services, limited health package and lack of

co-payment in different types of health care were the factors related to inefficient programme and policy implementation, not to mention side-lines workers from the informal economy.¹⁰⁵

Social insurance mainly comprises the public sector pensions accounted for about 56% of total social protection expenditure or 2% of GDP in 2019. Data show that social insurance programmes covered over 3.7 million beneficiaries (including 250,000 individuals under the public sector pensions and 2.7 million individuals under the health insurance scheme) in 2019. Social assistance programmes cover over 6.8 million individuals. Labour market programmes cover about 0.2 million individuals.¹⁰⁶ It is worthwhile to mention that coverage of social insurance programmes was haunted by low penetration rate and leakage issues (programmes benefit the non-poor group); for example, the richest and poorest quintiles covered 12% and 1.2% in 2010, respectively. On the other hand, Nepal's coverage of social safety net programmes supported a better penetration rate and fewer leakage issues: the richest and poorest quintiles coverage of 29% and 49% in 2010, respectively.

All workers, including those from the informal economy, have access to plenty of public and private social security schemes and mutual aid associations and cooperatives. Provisions in the Contributions Based Social Security Law of 2017 also outline that regardless of the nature of work, everyone has the right to register in national social security schemes. However, this register function has not yet been solved, and there is no mechanism in place. Instead, the main bulk of employers and workers operating in the informal economy are side-lined to be enlisted at labour offices in practice to benefit from the social security schemes due to a lack of awareness or incentives.¹⁰⁷

The abovementioned factors expose the challenges to reaching the SDG's social protection goal to achieve substantial coverage of the poor and the vulnerable in 2030 (see more in SDG Table, Indicator 1.3.1, Page iv). On the positive side, the government has started soliciting recommendations

to improve the social protection schemes and operational guidelines of the Social Security Act of 2018, to gear up coverage for informal economy workers.

Nepal's health expenditures stood at 4.8% of GDP on average during the 2010s. It was significantly higher by 1.5 percentage points than Southern Asia's average, at 3.3%. The government has allocated considerable investments to building primary health centres, local hospitals, and regional and provincial hospitals. Additionally, Nepal's health expenditure per capita was on the rise from US\$30 in 2010 to US\$53 in 2019. The country reached the US\$44 per capita threshold in 2015, as defined by the High-Level Task Force on Innovative International Financing for Health Systems (HLTF) but stays below the regional average (see more in Table 16).¹⁰⁸

Table 16: Status of expenditure on health and social contribution in Nepal and Southern Asia, 2010-2019 average

Service	Nepal	Southern Asia
Total health expenditure, % of GDP	4.8%	3.3%
Current health expenditure per capita	US\$ 43	US\$ 52
Social contributions (% of revenue)	0%	-

Note: Social contributions include social security contributions by employees, employers, and self-employed individuals, and other contributions whose source cannot be determined. They also include actual or imputed contributions to social insurance schemes operated by governments.

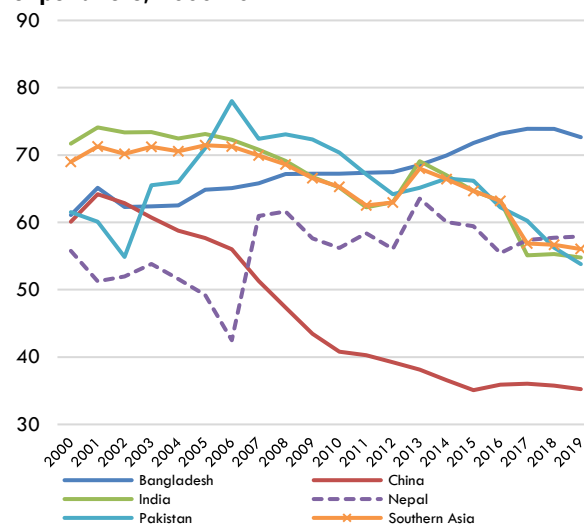
Source: World Bank, World Development Indicators.

The growing health expenditure in Nepal is linked to considerable health improvements: The maternal mortality rate fell from 553 in 2000 to 186 deaths per 100,000 live births in 2017 but continues to be significantly higher than in China (29) and India (145). Similarly, the mortality rate under five dropped from 79 to 28 per 1,000 live births from 2000 to 2020; again, it stood substantially higher than China (7) but lower than India (33).

Figure 15 depicts Nepal's healthcare expenditure financed by private households' out-of-pocket payments peaked at 64% in 2013 but dwindled

afterwards, becoming in line with the regional average at the end of the 2010s.

Figure 15: Out-of-pocket expenditure on health in Nepal and neighbouring countries, % of current health expenditure, 2000-2019



Note: Out of pocket expenditure is any direct outlay by households, including gratuities and in-kind payments, to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of individuals or population groups. It is a part of private health expenditure.

Source: World Bank, World Development Indicators.

The number of pension beneficiaries has been rising in Nepal: Persons above retirement age receiving a pension increased from 63% in 2010 to 84% in 2020, significantly higher coverage than India (43%) but lower than China (100%). The demonstrated demographic trends suggest that pension beneficiaries will account for a mounting portion of the total population in the coming decades, as annual pensioner growth outpaces yearly population growth. The non-contributory social pension scheme initially provided allowances to elderly citizens aged 75 years and above but now to 70 and above. Similarly, the allowance was also offered to widows aged 60 and above. It has intensified the government's pension spending on management rather than capital raising programmes.

According to the Labour Law of 2017, every private and public organisation must provide 14 weeks (98 days) of paid maternity leave. The employer pays for the 60 days, and the social security fund covers the remaining 38 days. The law

also provides 15 days of paternity leave to the fathers. Data show that only one out of ten (9.8%) mothers with new-borns will receive maternity benefits in 2020, which is notably lower than China (69%) and India (42%) (Table 15 above). In contrast, this low coverage deals with a lack of awareness of the maternity leave provision. Some of the reasons associated with the widespread informal economy are haunted by weak capacities to take legal action to abide by the regulations or agreements. The fear of losing economic security and going through lengthy legal procedures amidst the social pressure to put motherhood first further causes a lack of action.

There are no statutory unemployment benefits in Nepal, but the Labour Law of 2017 requires employers to provide severance pay to dismissed employees. The eligibility for the severance pay is limited to enterprises with ten or more employees. The benefit usually is one month of the employee's wages for each year of employment. Such limitations in coverage are coupled with a lack of protection for the small and family-owned businesses, self-employed, and informal economy workers. This situation leads to significant protection gaps likely to aggravate in the context of employment shock induced by the Covid-19 crisis.

Domestic workers in Nepal are not effectively covered under the labour inspection system or the social security system. Most claim they must leave their employment once they are pregnant and find it is challenging to return to work after childbirth, not to mention the lack of access to an old-age pension. Official data is scarce for the scope of domestic work in Nepal, but some studies assessed that there are about 250,000 domestic workers, not capturing the many Nepali migrant domestic workers in the Gulf States, Hong Kong, Korea, and other countries.¹⁰⁹

The outbreak of Covid-19 in 2020 triggered disruptions in livelihoods, a contraction in household consumption, and boosted the informal economy. It was further fuelled by a series of lockdowns and travel restrictions. Working-class groups who

earned incomes daily were significantly affected by this situation.

The budget for the fiscal year 2020/21 introduced measures in the areas of health care (other hospital facilities), business support (a lending programme for the cottage, small and medium-sized enterprises, and those in the tourism sector), and job-creation (labour-intensive in the construction sector, and training for work in manufacturing and services sectors). An additional eleven districts will expand the existing child grant (social support programme) to cover 25 districts. However, providing quality health care during the Covid-19 pandemic was challenged by poverty, illiteracy, lack of infrastructure, shortage of healthcare professionals, attitude towards medical professionals, security concerns of health care professionals, health insurance policies, geographic distribution, culture, governmental policies, and physical barriers also directly affect health care services being provided.¹¹⁰

Directive to strengthen social assistance by providing those most vulnerable with daily food rations allowed to subsidise utility bills for low-usage customers, extending tax-filing deadlines, and taking measures to partially compensate those in the formal sector for lost wages in the event of job loss.

In response to the spike in unemployment due to the Covid-19 crisis and the absence of a statutory unemployment benefit, the government has relied on the Prime Minister's Employment Programme (PMEP). This programme aims at providing 50% of the minimum wage to those workers who remain unemployed for 100 days, and none of their family members is employed for a year, including returnee migrant workers and informal workers. Based on the minimum wage from 2019/2020, the provided amount thus equivalented to NPR 22,417 (US\$199), covering these 100 days. Reports exposed that in response to Covid-19 and growing concerns around employment protection, the government has introduced several temporary job retention and income replacement measures without unemployment insurance. It included temporary

deposits by the Social Security Fund (SSF) contributions and expansion of public works projects. These efforts to implement interim measures could offer a possibility to introduce broader income support to workers affected the most by the crisis and provide an opportunity to fill in the coverage gap in the absence of statutory unemployment benefits.¹¹¹ However, some survey data suggested that only 2% of respondents reported receiving new or additional public assistance after the onset of Covid-19. The service was mainly distributed through existing categorical programmes.¹¹²

Workers from the informal economy who have lost their jobs due to the Covid-19 crisis could participate in public-works projects for a subsistence wage or receive 25% of the local daily salary should they choose not to participate. In March 2020, measures were announced to increase health spending, including providing further insurance coverage to all medical personnel fighting the coronavirus, importing other medical supplies (with duty on said items eliminated), and setting up quarantine centres and temporary hospitals.

APPENDIX: ADDITIONAL DATA

Table 17: Ease of Doing Business in Nepal, 2020

Topics	Value
Overall	94
Starting a Business	135
Dealing with Construction Permits	107
Getting Electricity	135
Registering Property	97
Getting Credit	37
Protecting Minority Investors	79
Paying Taxes	175
Trading Across Borders	60
Enforcing Contracts	151
Resolving Insolvency	87

Note: Doing Business 2020 indicators are ranking from 1 (top) to 190 (bottom) among countries.

Source: World Bank, Ease of Doing Business 2020 in Nepal.

Table 18: Labour market related national legislations passed in Nepal in 2014-2020

Type of legislation	Legislation
2014	
General provisions	Prevention of Organised Crime Act, 2070 (2014).
Specific categories of workers	Civil Service (Third Amendment) Act, 2070 (2014).
2015	
General provisions	Constitution of Nepal, 2071 (2015).
Employment policy, promotion of employment and employment services	National Employment Policy, 2071 (2015).
2016	
General provisions	Judicial Service Commission Act, 2073 (2016).
	Special Economic Zone Act, 2073 (2016).
	Industrial Enterprises Act, 2073 (2016).
2017	
General provisions	Criminal Procedure (Code) Act, 2074 (2017).
	Criminal (Code) Act, 2074 (2017)
	House of Representatives Election Act, 2074 (2017).
	State Assembly Elections Act, 2074 (2017).
	Labour Act, 2074 (2017).
	Supreme Court Rules, 2074 (2017).
	Disaster Risk and Management Act, 2074 (2017).
Equality of opportunity and treatment	National Women's Commission Act, 2074 (2017).
	National Dalit Commission Act, 2074 (2017).
	Muslim Commission Act, 2074 (2017).
	Tharu Commission Act, 2074 (2017).
	National Inclusive Commission Act, 2074 (2017).

	Madheshi Commission Act, 2074 (2017).
Employment policy, promotion of employment and employment services	Human Rights for Persons with Disabilities Act, 2074 (2017).
Social security (general standards)	Contributions Based Social Security Act, 2074 (2017).
Indigenous and tribal peoples	Language Commission Act, 2074 (2017).
	Tharu Commission Act, 2074 (2017).
	Tribal People's Commission Act, 2074 (2017).
Specific categories of workers	Employee Adjustment Act, 2074 (2017).
2018	
General provisions	The Right to Employment Act, 2075 (2018)
Education, vocational guidance and training / Elimination of child labour, protection of children and young persons	Free and Compulsory Education Act, 2075 [Act No. 16 of 2018].
Social security (general standards)	Social Security Scheme Operating Procedure, 2075 (2018).
	Contribution Based Social Security Rule, 2075 (2018).
2019	
-	-
2020	
Elimination of child labour, protection of children and young persons	Youth and Small Entrepreneur Self-Employment Fund (Operation) Rules, 2077 (2020).
Education, vocational guidance, and training	Free and Compulsory Education Regulations, 2077 (2021).
Social security (general standards)	Social Security Fund Investment Procedure, 2077 (2020).
General provisions	Industrial Enterprise Act (2020).

Source: ILO, NATLEX, Nepal; DTDA data-collection tool, 2020/2021.

Table 19: The major revision of the Labour Law in Nepal

Labour Act from 1992 (2048)	Labour Act 2017 (2074)
1. The Act implies in enterprises having at least 10 workers.	1. The Act implies in enterprises having even one worker.
2. There was provision of getting social security benefit by permanent worker only.	2. There is provision of getting social security benefit from working day one.
3. It did not cover in informal sectors.	3. It covers both formal and informal sectors.
4. It has no clear provision on job categories only permanent, temporary, daily basis. labour was exploited.	4. There is clear provision in job categories like: <ul style="list-style-type: none"> • Regular Employment • Work Based Employment • Time Bound Employment • Casual Employment • Part time Employment
5. There were no provisions of OSH issues.	5. Where twenty or more employees are engaged, employer shall constitute a Safety and Health Committee.
6. There was provision of enterprises level CBA only	6. There is provision of both enterprises as well as industrial CBA.
7. There were no provisions related to Outsourcing.	7. Outsourced employees can be engaged in the work as prescribed by the Ministry.
8. The workers were eligible for gratuity after the completion of 3 years of service only permanent workers.	8. The workers are eligible for gratuity from the first day of employment: 8.3% of basic remuneration every month should be deposited by employer.
9. There was no provision for related to the insurance.	9. There is provision for medical insurance at least 100,000 (US\$911) per year for every worker. Premium to be paid equally by the employer and worker. And provision for Accident Insurance at least 700,000 (US\$6,400) for every worker. Premium to be paid fully by the employer.

Source: International Trade Union Confederation (Nepal Affiliated Council), Update on Labour Market Profile of Nepal.

Table 20: Ratified ILO Conventions in Nepal, April 2022

Subject and/or right	Convention	Ratification date
Fundamental Conventions		
Freedom of association and collective bargaining	C087 - Freedom of Association and Protection of the Right to Organise, 1948	Not ratified
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1996
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930	2002
	C105 - Abolition of Forced Labour Convention, 1957	2007
Effective abolition of child labour	C138 - Minimum Age Convention, 1973	1997
	C182 - Worst Forms of Child Labour Convention, 1999	2002
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951	1976
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1974
Governance Conventions		
Labour inspection	C081 - Labour Inspection Convention, 1947	Not ratified
	C129 - Labour Inspection (Agriculture) Convention, 1969	Not ratified
Employment policy	C122 - Employment Policy Convention, 1964	Not ratified
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	1995
Up-to-date Conventions		
Working time	C014 - Weekly Rest (Industry) Convention, 1921	1977
Wages	C131 - Minimum Wage Fixing Convention, 1970	1974
Indigenous and Tribal People	C169 - Indigenous and Tribal Peoples Convention, 1989	2007
<p><i>Note: Fundamental Conventions are the eight most important ILO conventions that cover four fundamental principles and rights at work. Equivalent to basic human rights at work. Governance Conventions represent four instruments that are designated as important to building national institutions and capacities that serve to promote employment. In addition, there are 83 conventions, which ILO considers "up-to-date" and actively promotes.</i></p> <p><i>Source: ILO, NORMLEX, Country Profiles: Nepal.</i></p>		

Table 21: Affiliated Trade Unions Centres to JTUCC in Nepal, 2020/21

Trade Union Centers	Members
All Nepal Trade Union Federation (ANTUF)	432,063
General Federation of Nepalese Trade Unions (GEFONT)	467,048
Nepal Trade Union Congress (NTUC)	448,389
Confederation of Nepalese Professionals (CoNEP)	253,163
National Democratic Confederation of Nepalese Trade unions (N-DECONT)	32,500
National Democratic Trade Union Federation (NDFONT)	42,110
National Democratic Trade Union Federation - Independent (NDECONT-I)	40,000
Inclusive Nepal Trade Union Confederation (INTUC)	37,500
Madheshi Trade Union Confederation (MTUC)	40,100
Trade Union Confederation Nepal (TUCON)	43,276
Total	1,836,149

Source: Joint Trade Union Coordination Centre.

Table 22: Nepal's main migration treaties and national legal framework

International Treaties
Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment.
International Covenant on Civil and Political Rights and its Second Optional Protocol.
Convention on the Elimination of All Forms of Discrimination against Women.
International Convention on the Elimination of All Forms of Racial Discrimination.
International Covenant on Economic, Social and Cultural Rights.
Convention on the Rights of the Child.
Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict.
Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography.
Convention on the Rights of Persons with Disabilities.
Convention against Transnational Organized Crime, however, Nepal has not signed or ratified its two Protocols, namely the Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children and the Protocol Against Smuggling of Migrants by Land, Sea and Air.
SAARC Convention on Preventing and Combating Trafficking in Women and Children for Prostitution 2002.
Global Compact for Safe, Orderly and Regular Migration.
National Legal Frameworks
The Constitution of Nepal encompasses a focus on labour and seeks to enhance employment within Nepal, make foreign employment free from exploitation and to guarantee the rights of migrant workers, as well as to seek to mobilize the capital and skills of returning migrant workers.
The Fifteenth Development Plan Approach Paper seeks to accelerate economic growth and emphasizes the importance of migration management.
The Local Government Operation Act 2017 has provisions on collecting and managing data, statistics and records which are available locally.
The National Population Policy 2014 considers the drivers of population change.
Immigration Act 1992 and the Immigration Rules 1994.
The Immigration Procedures 2008 outline the various functions of the Department of Immigration, the Director General and of Immigration Offices.
The Foreign Employment Act 2007 seeks to regulate the process of foreign employment and protect the rights of migrant workers. The Foreign Employment Rules 2008 provide more detail for the implementation of the Act.
The Foreign Employment Policy of 2012 was the first policy of the government to address the socioeconomic dimensions of foreign employment.
National Employment Policy 2016 provides productive and result-oriented employment opportunities to all citizens through coordinating other sectoral policies in line with this policy, among others.
A National Strategic Action Plan 2015–2020 seeks to translate the seven policy pillars of the Foreign Employment Policy into action.
A National Youth Policy 2015 is aimed at addressing issues of youth between 16 to 40 years of age.

Source: International Organization for Migration, *Migration in Nepal: A Country Profile* 2019.

Table 23: Nepal employment by industry, 2017/18

Industry	Total	Sector share	Women share per sector
Agriculture, forestry and fishing	1,523,000	21%	57%
Mining and quarrying	59,000	0.8%	27%
Manufacturing	1,072,000	15%	33%
Electricity, gas, steam and air conditioning supply	34,000	0.5%	21%
Water supply	42,000	0.6%	21%
Construction	978,000	14%	11%
Wholesale & retail trade, repair of motor vehicles & motorcycles	1,240,000	17%	44%
Transportation and storage	322,000	4.5%	2%
Accommodation and food service activities	371,000	5.2%	45%
Information and communication	60,000	0.8%	22%
Financial and insurance activities	118,000	1.7%	47%
Real estate activities	17,000	0.2%	18%
Professional, scientific and technical activities	44,000	0.6%	20%
Administrative and support service activities	64,000	0.9%	11%
Public administration and defence; compulsory social security	133,000	1.9%	22%
Education	558,000	7.9%	46%
Human health and social work activities	171,000	2.4%	54%
Arts, entertainment and recreation	34,000	0.5%	12%
Other service activities	156,000	2.2%	24%
Private households	73,000	1.0%	66%
Activities of extraterritorial organisations and bodies	18,000	0.3%	28%
Total	7,087,000	100%	37%

Source: Nepal Central Bureau of Statistics, Report on the Nepal Labour Force Survey 2017/18, 2018.

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