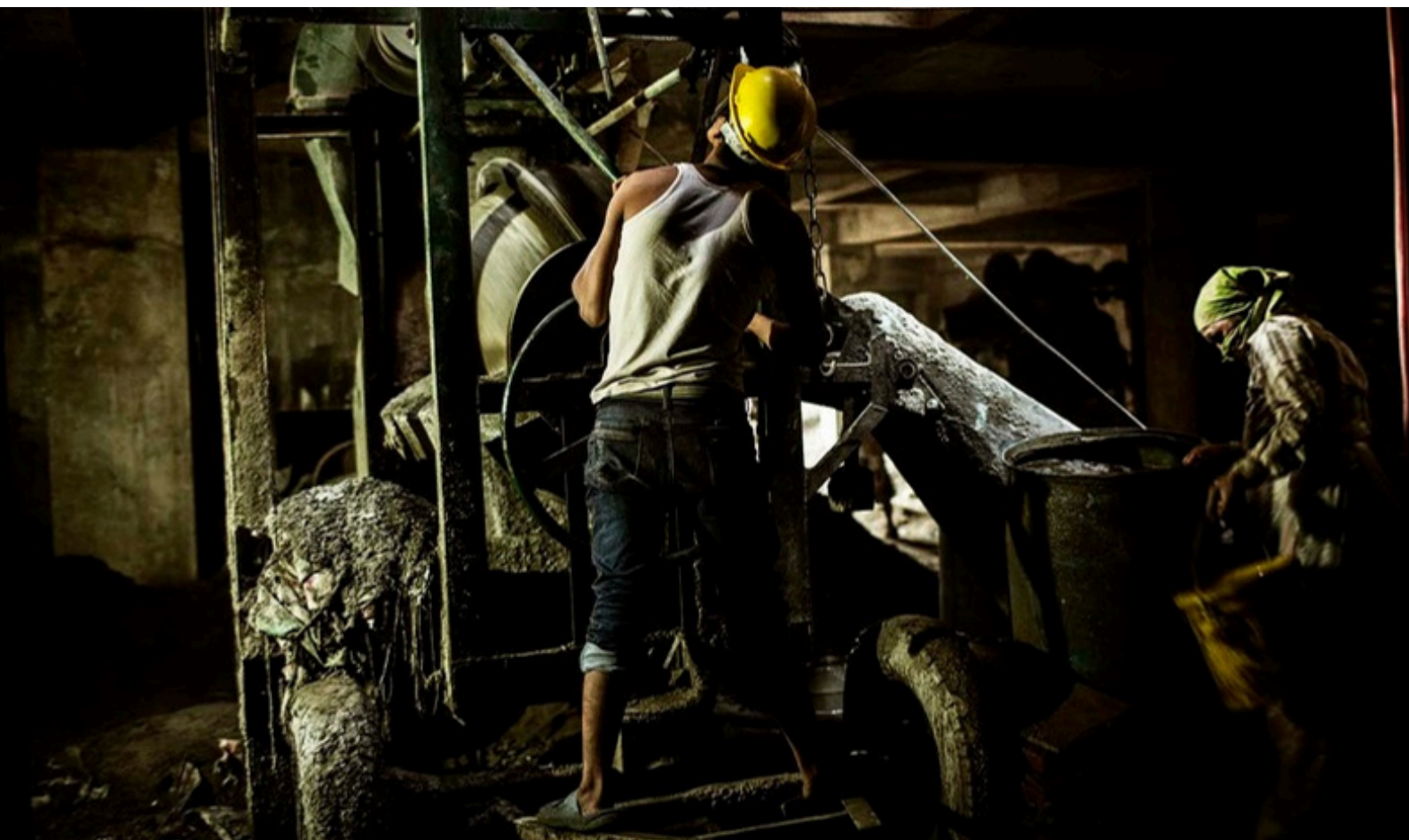


LABOUR MARKET PROFILE

Nepal



2026



Key Labour Market Indicators



Population
30 mio



Workforce
8,4 mio



Informal Employment
82%



Trade Union Rights Violations
3 out of 5

LABOUR MARKET PROFILE

Nepal 2026

FACT SHEET



Labour Force Participation Rate

40%

21%

of population covered by at least one social protection benefit

Trade Union Density

25%



10%

of employees covered by CBAs



Child Labour Rate

19%

27%

Working-age population (15-24 years)

0.4%

Poverty Rate



35%

of youth not in education, employment or training

PREFACE

The Danish Trade Union Development Agency (DTDA) is the development organisation of the Danish trade union movement. DTDA's work aligns with the International Labour Organization's global Decent Work Agenda (DWA), based on its four 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.

The DTDA collaborates with trade union organisations in Africa, Asia, Eastern Europe, 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 the labour-related Sustainable Development Goals (SDGs).

The labour market profile brings insights to the labour market model and its trends, status, and

challenges. It is prepared in collaboration with national partner organisations, providing annual narrative progress reports as part of programme implementation and monitoring. National statistical institutions and international databanks (e.g., ILOSTAT and NATLEX, World Bank Open Data, and other internationally recognised labour-related global indexes) are also used as sources of data and information.

The profile is regularly updated to reflect the latest developments. Labour Market Profiles for more than 20 countries are available on DTDA's website, ensuring stakeholders have access to the most recent information: <https://www.dtda.dk/>.

The DTDA supports development programmes in Nepal in collaboration with 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).



Fagbevægelsens Udviklingssamarbejde
Islands Brygge 32D
DK-2300 Copenhagen S
Denmark
Telefon: +45 33 73 74 40
<https://www.dtda.dk/>

Cover Photo: Carsten Snebjerg.

If you have any comments about the profile, please contact Mr. Kasper Andersen (kan@dtda.dk) from DTDA.

EXECUTIVE SUMMARY

Nepal has experienced a remarkable decline in poverty over the past two decades, driven by shifts in employment, expanded social protection, and a heavy reliance on remittances. However, economic performance remains constrained by low-paid and insecure jobs, persistently high unemployment, and limited social insurance coverage. The wage system is only weakly integrated with the income tax system due to pervasive informality, which constrains government revenue and limits spending on public goods and social protection.

Although Nepal has a legal framework to protect workers' rights, implementation and enforcement remain ineffective due to institutional challenges, limited resources, and the prevalence of informal employment. For instance, the 2015 constitutional reform, which devolved labour-related responsibilities to provincial and local governments, has faced challenges, including unclear role delineation. Key regional trade agreements lack labour provisions, offering little sustained pressure to improve standards or enforcement and thereby increasing the risk of poor job quality.

National tripartite institutions remain centralised at the federal level, while bipartite labour relations committees at the enterprise level are gradually emerging. The implementation of collective bargaining agreements remains underdeveloped, and gaps in labour representation persist. At the same time, the trade union movement has experienced significant membership growth. Trade union density has reached around 25% of total employment—one of the highest levels in Southern Asia—supported by structural employment shifts and high emigration flows.

Nepal's labour market is shifting from agriculture to industry and services, influenced by education, migration, changes in the informal sector, and climate-related displacement. At the same time, the rise of business process outsourcing and gig work is reshaping employment opportunities, but regulatory frameworks and Just Transition policies are not keeping pace.

The country's education reforms over the last decade have had a mixed impact on the labour market. They have improved access, system governance, and some job-relevant training pathways. However, these improvements have not yet translated into broad-based gains in decent domestic employment. Moreover, Nepal has witnessed repeated mass protests and nationwide strikes by teachers demanding improved working conditions, job security, and fair wages. The technical and vocational education and training system faces a fragmented legal framework and complicated coordination among many actors.

Nepal's social protection system contributes to poverty reduction but remains only weakly connected to employment, skills, and productivity. The system is complex, with a wide range of programmes implemented by multiple ministries and agencies. On the positive side, by law, all formal and informal business establishments are required to be registered under the Social Security Fund (SSF). On the negative side, the fragmented nature of the formal social insurance system reflects that formalisation processes are progressing much more slowly than policy targets assume. Currently, only about one in five Nepalis is covered by at least one social protection benefit.

COUNTRY MAP



Source: National Online Project.

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ECONOMIC PERFORMANCE

Key Findings

- Nepal demonstrated remarkable poverty reduction but faces economic structural challenges and high unemployment.
- High informality weakens the tax system and undermines the welfare system.
- Among the world's most disaster-prone countries, a 'Just Transition' agenda is not yet mainstreamed.

Poverty Remarkable Fell

Nepal's poverty rate (US\$2.2) fell from over 55% in 1995 to 0.4% in 2022.¹ This success has been driven by structural shifts in employment, massive remittances from labour emigration, complemented by lower fertility rates, educational progress, and expanded access to social protection.

Economic Structural Hurdles

Economic growth has been volatile, stemming from a mix of structural weaknesses, disaster vulnerability, political instability, and external shocks. The economy experienced some gains detected in energy access, particularly hydropower, and economic diversification via the services, tourism, and IT sectors; or stated differently, the service sector is developing. As indicated, the economy is driven by personal remittances, peaking on its so far record-high 33% of GDP in 2024, in a high wave of employment export costing a 'brain drain' (see more in the Migration sub-section).

Inflation Effect on Household Welfare

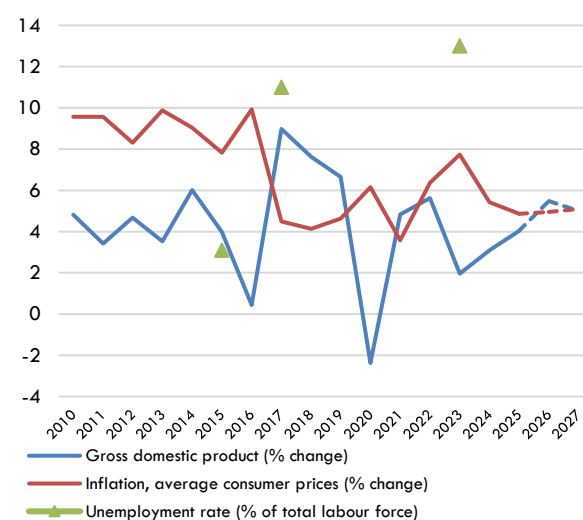
In Nepal, inflation in consumer prices hit food and essential goods especially hard, disproportionately affecting low-income households, as a large share of their income goes to food consumption. Moreover, real wages have not kept pace with price hikes, reducing

purchasing power. This has worsened inequality and living standards. Generally, higher consumer prices, combined with weak wage growth, have increased reliance on labour migration and remittances as coping strategies for many Nepali households (see Figure 1 and the Status of Working Conditions section).

Unemployment is Rising

Nepal faces a persistent and rising unemployment driven by structural issues in the labour market (Figure 1). This situation particularly affects young people, as many graduates struggle to find jobs due to a mismatch between education and labour market demand. Women are disproportionately impacted, facing higher unemployment and underutilisation rates, owing to social norms and limited access to formal work. The problem was compounded by the dominance of informal employment that leaves many workers in low-paid and insecure jobs. Those unemployed do not receive unemployment benefits (see Table 2 ahead). As mentioned, large numbers of Nepalis instead continue to seek employment abroad, while domestic job creation remains weak.

Figure 1: Gross domestic product, inflation, and unemployment growth trends in Nepal, %, 2010-2027



Source: International Monetary Fund; International Labour Organization; Nepal Labour Force Surveys.

Low Income Tax Revenue Mobilisation

Nepal's income tax system is progressive in design but limited in scope, as weak enforcement and widespread informality constrain revenue mobilisation. Therefore, many informal workers and small enterprises fall outside the tax net. Consequently, the burden of revenue collection falls disproportionately on formal sector employees and larger firms. This narrow tax base forces the state to rely heavily on indirect taxes, such as VAT and customs duties, which are regressive and hit low-income households hardest. Over time, this undermines fiscal equity, limits the government's capacity to fund public services and social protection, and perpetuates inequality by burdening those least able to pay.

Underdeveloped SEZ system

Nepal introduced Special Economic Zones (SEZs) in the last decade to boost industrialisation, attract investment, and create jobs, but their impact has so far been limited. SEZs dictate hiring and firing policies and enforce a flexible, production-oriented labour code that forbids strikes and unions. Workers in SEZs receive higher wages than those outside the zones, along with a set working schedule and additional benefits and allowances. Official data on the number of SEZ workers are scarce, but media reports suggest that around 750 workers are employed in the two main SEZs—a negligible share of Nepal's workforce.² While SEZs were intended to drive industrial growth and employment, their potential has been constrained by underutilisation, poor site selection, and slow implementation.

Just Transition Agenda

Nepal ranks among the world's most disaster-prone countries, facing recurring earthquakes, floods, landslides, and droughts. Climate change intensifies these hazards through environmental

degradation and more frequent extreme weather events.

A significant share of the workforce remains in agriculture. This dependence on a climate-sensitive sector makes employment, food security, and rural livelihoods highly vulnerable to climate risks. Environmental pressures, including land degradation and disasters, are major drivers of internal displacement and labour migration abroad (see more in the Migration section).

Nepal recognises the need for climate adaptation, but a 'Just Transition' agenda is not yet mainstreamed in labour or development policy. Although trade unions are advocating for stronger worker involvement in this area, institutional and financial gaps continue to slow progress.

LEGAL FRAMEWORK

Key Findings

- Transition to a decentralised federal labour governance system is in progress.
- Legal reforms have improved the labour market landscape, but implementation and enforcement remain weak.
- Nepal has signed key regional trade agreements, excluding labour provisions.

Labour legislation is shaping the labour market by defining the rights and responsibilities of employers and workers. It influences wages, working conditions, job security, and employment levels.

Federal Labour Governance System

Nepal's 2015 Constitution introduced a federal governance system, devolving labour-related responsibilities to provincial and local governments:

- **Federal government** retains overall responsibility for policymaking, labour legislation, and compliance with international labour standards.
- **Provincial governments** are empowered to implement employment programmes, provide skills training, and regulate certain local labour issues.
- **Local governments** are responsible for labour inspections, employment services, and workplace dispute resolution within their jurisdictions.

As part of the transition to a decentralised federal labour governance system, several challenges have emerged. In particular, the duplication of responsibilities between federal and provincial authorities has led to institutional confusion, including the enforcement of labour laws.

Well-Established Labour Legal Framework

Nepal's labour-related legal framework encompasses several key laws and policies designed to regulate employment, protect workers' rights, and promote decent working conditions (see Appendix Table 3). The Labour Act of 2017 serves as the cornerstone of the labour law system and introduced significant reforms aimed at balancing worker protection with economic flexibility. While the Act is an important step toward modernising labour laws, its effectiveness depends on successful implementation, awareness-raising initiatives, and stronger enforcement to ensure that all workers benefit from its provisions (see Box 1). Overall, Nepalese workers' fundamental rights are enshrined in the Constitution.

Weak Enforcement of Labour Laws

Although Nepal's labour market is governed by a broad legal framework, implementation and

enforcement remain weak due to institutional challenges, limited resources, and the widespread informal economy. Amendments to child labour, forced labour, and freedom of association legislation in recent years have even led to some legal deterioration; for example, the law requires trade unions to represent at least 25% of workers to be recognised for collective bargaining purposes.³ Other observations indicate that the legal framework continues to impose barriers and restrictions on workers' ability to exercise their rights (see Appendix Table 4).⁴

Overall, although legislation outlines certain workers' rights, most workers operate in the informal economy without guaranteed protections and are vulnerable to unfair labour practices.

Box 1: Labour Market Changes under the Labour Act 2017

Nepal's Labour Act (2017) is considered progressive, introducing wide-ranging worker protections and modern labour governance, such as:

- Universal coverage of workers, applying to all enterprises regardless of size.
- Mandatory written employment contracts.
- Workers and employers must contribute and register to a contribution-based Social Security Fund (SSF).
- Tripartite minimum wage system.
- Mandatory Safety and Health Committees in workplaces (20+ workers).
- Stronger labour rights and protections.
- Establishes Labour Court and arbitration mechanisms.
- Flexibility with "flexicurity" approach, including multiple employment types (part-time, time-bound, casual, etc.).

Despite these legal improvements, major implementation gaps persist since effectiveness depends heavily on improving enforcement, reducing informality, and strengthening institutions.

RTAs sideline labour provisions

Nepal has signed several regional trade agreements (RTAs), none of which include labour provisions.⁵ This absence limits the protection and promotion of workers’ rights and poses challenges to developing a fair and equitable labour market.

Ratified ILO Conventions

Limited Ratification of ILO Conventions

International Labour Organization (ILO) conventions enumerate internationally recognised principles and rights at work. Appendix Table 5 shows that seven of ten Fundamental Conventions and one of four Governance Conventions have been ratified. Only three of 177 Technical Conventions are up-to-date and actively promoted. The most recent ratified convention is the Indigenous and Tribal Peoples Convention (C169), ratified in 2007. Nepal is in the process of completing internal procedures to ratify nine additional ILO Conventions, including the Freedom of Association and Protection of the Right to Organize Convention (C087).

Comments on Compliance with Conventions

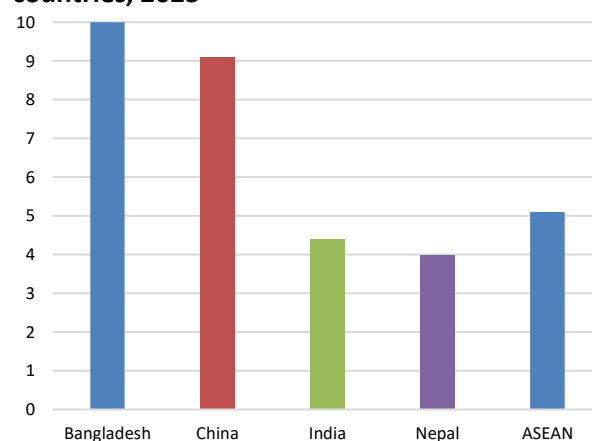
The ILO’s independent supervisory body – the Committee of Experts on the Application of Conventions and Recommendations (CEACR) – issues observations and direct requests regarding the application of conventions. Recently, the CEACR made a series of observations on the Right to Organise and Collective Bargaining Convention (C098), including protection against anti-union discrimination, protection against interference, the scope of negotiations with trade unions versus non-union actors, and the composition of arbitration bodies.⁶

Marginal Deterioration in Rights Compliance

The Sustainable Development Goals indicator 8.8.2 measures compliance with fundamental

labour rights. Based on ILO textual sources and national legislation, Nepal’s scoring has been deteriorated in the margin during the last decade, grasping still at the best level compared with the neighbouring countries (see details in Figure 2).

Figure 2: Level of national compliance with labour rights among Nepal and neighbouring countries, 2023



Note: The value ranges from 0 to 10, with 0 being the best possible score (indicating higher levels of compliance with freedom of association and collective bargaining (FACB) rights) and 10 the worst (indicating lower levels of compliance with FACB rights based on ILO textual sources and national legislation).

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

SOCIAL PARTNERS

Key Findings

- The Ministry of Labour, Employment and Social Security faces a series of hurdles to support its broad mandate.
- Trade union density has been on the rise, supported by a drop in employment volume and sectoral shifts.
- Employers’ organisations face challenges of fragmentation and compliance with labour reforms.

Nepal’s social partners constitute the tripartite labour governance system, and the central institutions are summarised below:

Government

Authority of MoLESS over the Labour Market

The Ministry of Labour, Employment and Social Security (MoLESS) of Nepal is the apex national authority on labour markets, foreign employment, workplace standards, and social protection for workers. It shapes policies, enforces laws, manages domestic and foreign employment systems, and coordinates services through regional offices and specialised departments. MoLESS works alongside several other labour-related institutions, summarised below:

- **Local administrative offices** under MoLESS implement labour policies, handle workplace disputes, and manage foreign employment services.
- **The Labour Advisory Council (LAC)** serves as the main tripartite body, advising the government on labour laws, minimum wages, and industrial relations.
- **The Minimum Wage Fixation Committee** sets and reviews minimum wages in consultation with trade unions and employers' organizations.

MoLESS Encounters Challenges

MoLESS operates in the context of high labour migration, widespread informality, limited domestic job creation, and institutional capacity constraints. Although the ministry's mandate is broad, its effectiveness is limited by structural economic conditions, enforcement gaps, data constraints, and coordination challenges within Nepal's federal governance system.

Trade Unions

Trade unions in Nepal play a central role in advocating for workers' rights, improving labour conditions, and negotiating with employers and the government.

Unionism is Primarily Centralised

Despite ongoing constitutional reforms to the labour governance system and the 2017 Labour Law, the trade union movement remains primarily centralised, retaining strong national influence, including mechanisms for workers' representation and tripartite consultations. There is still no law or provision to establish trade union structures at the provincial and local levels,⁷ not to mention to general capacity gaps at these levels. Consequently, platforms for collective bargaining and policy input at the local level remain underdeveloped.

National trade union centres maintain provincial committees in practice; however, these are internal organisational units, not legally recognised entities. This limits unions' ability to engage formally in provincial policymaking or social dialogue platforms. Capacity constraints, political affiliations, and the predominance of informal employment further hinder union efforts to expand representation at decentralized levels.

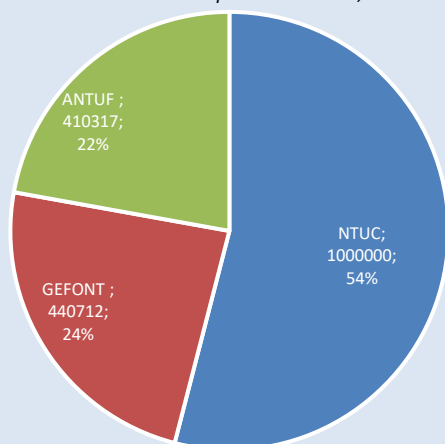
Significant Upsurge in Membership

Nepal's trade union movement is structured in a multi-tiered system, organised in a pyramid shape: the base consists of enterprise-level unions, the middle comprises sectoral federations, and the top consists of national confederations, which dominate representation in national social dialogue and policymaking.

The three main national trade union confederations—Nepal Trade Union Congress (NTUC), the General Federation of Nepalese Trade Unions (GEFONT), and the All-Nepal Federation of Trade Unions (ANTUF)—have demonstrated significant growth in overall membership. Trade union density has reached 25% of total employment, making it one of the highest densities in Southern Asia (see more in Box 2 below).

Box 2: Key Facts on Major Central Trade Unions in Nepal

Membership rate and share, 2022



Source: International Trade Union Confederation.

- The total number of affiliated members reached almost 1.9 million.
- The aggregated membership growth increased by 70% from 2012 to 2022, particularly from NTUC.
- The trade union density of total employment rose from 17% in 2012 to 25% in 2022, which was supported by drop in employment and sectoral shifts.

Coordinating Platforms

Two platforms facilitate collaboration and coordination among trade union centres. The first is the ITUC-Nepal Affiliated Council (ITUC-NAC), formed in 2003 by the three main confederations. It operates with a joint secretariat and represents workers in tripartite social dialogue mechanisms while maintaining membership in the International Trade Union Confederation. The second is the Joint Trade Union Coordination Centre (JTUCC), established in 2007 as a broader umbrella body unifying all registered trade union federations and centres, primarily focusing on political discussions and agreements.

Unionism Faces Difficulties

Nepal's trade union movement faces multiple challenges. The large informal economy and high workforce emigration make it difficult to develop traditional industrial unionism. Inadequate labour laws, uneven enforcement, and political instability further hinder unionism growth. Internal challenges, such as limited finances and challenged leadership coordination, combined with strong employer resistance—including anti-union activities—also impede organisation. Additionally, the severe impacts of climate change on vulnerable workers and the rise of digital labour platforms trigger structural alterations in the labour market's landscape, testing the evolution of unionism.

Regular Violations Rights

Nepal's Global Rights Index rating in 2025 is 3 out of 5 (5 is worst), reflecting union-busting activities and laws that impose draconian restrictions on strikes, as well as erosion of collective bargaining. For example, casino workers had to fight for eight months to have their employer implement an agreed-upon contract.⁸

Employers' Organisations

Expanding Advisory Services

Nepali employers' organisations primarily aim to influence labour legislation, promote industrial growth, and represent businesses in social dialogue with trade unions and the government. These organisations have begun adapting by expanding advisory services and participating more actively in social dialogue.

Central Employers' Organisations

The two main employers' organisations are the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), which serves as the umbrella body for private sector businesses and represents

employers in social dialogue with the government and trade unions. The other is the Confederation of Nepalese Industries (CNI), which represents large- and medium-scale industries and also engages in policy dialogue on industrialisation and taxation, among others (see Box 3).

Box 3: Key Facts About the Main Central Employers' Organisations in Nepal membership

FNCCI members:⁹

- District / Municipality Level CCI: 130.
- All Nepal Commodity Association: 142.
- Bi-National Chamber of Commerce & Industry Members: 20.
- Companies & enterprises associate members: 1,897.

CNI members:¹⁰

- Promoters: 101.
- Cooperates: 237.
- Institutional: 27.
- Province chapters: 7.

Key Obstacles for Employers' Organisations

Fragmentation among employers' organisations in Nepal remains a challenge, and full restructuring to align with the relatively new governance framework remains ongoing; for instance, FNCCI and CNI lacking a unified voice.

The large informal economy particularly reduces membership and legitimacy, while limited engagement in social dialogue and policy uncertainty under the Labour Act of 2017 make it harder to advocate effectively for employers' interests.

These factors limit employers' organisations' ability to develop as strong and inclusive social partners within the country's labour governance system. Slow adaptation to emerging forms of work like the gig economy and the Just Transition Agenda further create some hurdles.

SOCIAL DIALOGUE

Key Findings

- Nepal has a strong multi-layered social dialogue system, including dispute resolution mechanisms, but implementation remains challenged.
- Low coverage of collective bargaining agreements (CBAs) leads to fragmented wage setting and limits the spread of standard working conditions.
- A widespread informal economy undermines the effectiveness of social dialogue.

Across countries and levels of development, social dialogue is widely recognised for its contribution to economic and social development. It encompasses negotiation, consultation, and the exchange of information among governments, employers, and workers on labour-related issues. Its functioning depends on mutual trust, institutional capacity, and an enabling legal framework.

Social Dialogue Legal Framework

Nepal's Labour Act of 2017 includes provisions for social dialogue. The framework provides for the formation and recognition of trade unions, employers' organisations, and federations, and establishes mechanisms for collective bargaining at enterprise and sectoral levels. It also regulates labour relations, dispute resolution, and the functioning of social dialogue institutions (see Box 4 below), aligning national legislation with international labour standards.

The law establishes labour relations committees (LRCs) at enterprises with 10 or more workers, composed of both employer and worker representatives. LRCs are mandated to discuss workplace issues, resolve grievances, and promote cooperation.

Box 4: Central Tripartite Institutions in Nepal

Body	Level	Core Role
Minimum Remuneration Fixation Committee	National	Wage setting
Labour Advisory Council	National	Policy advice
Collective Bargaining Committee	Enterprise	Negotiation / agreements
Labour Relations Committee	National / sectoral	Dispute resolution

Regulations' Application Faces Obstacles

Although Nepal's social dialogue framework is well-developed in law, its practical application is weak due to structural, organisational, and capacity-related obstacles. Challenges include the limited institutional capacity of government bodies responsible for labour oversight, stemming from insufficient funding, staff, and infrastructure. Social dialogue also remains highly centralised, with tripartite consultations largely conducted at the federal level, while local institutions remain underdeveloped.

The functionality of LRCs is inadequate due to low union presence in smaller enterprises, and many employers—particularly those in informally—lack incentives or awareness to engage in social dialogue. Limited capacity further constrains their ability to handle disputes effectively.

Weak CBAs Coverage

In Nepal, the scope of collective bargaining is comprehensive and covers issues directly affecting employees' working lives.¹¹ Currently, 31 trade unions have been certified as authorised bargaining agents in their enterprises, either through enterprise-level elections or where only a single union exists. Records suggest that 53 collective agreements have been officially registered with labour and employment offices, and cumulatively over 1,000 enterprise-level agreements have been registered.¹²

Data suggest around 10% of formal sector workers are covered by collective bargaining agreements (CBAs), highlighting the need to strengthen collective bargaining. This includes promoting union elections, prioritising negotiations with representative trade unions, and reviewing legal provisions to support free and voluntary bargaining at all levels.¹³

Informality Limits Social Dialogue

Many Nepali workers operate in the informal economy, which sidelines labour regulations and social dialogue mechanisms. This creates a gap in labour representation, undermining collective bargaining and the enforcement of labour rights. It also leads to many workers and employers lacking awareness of, or incentives to exercise, their legal rights and obligations, particularly regarding freedom of association, minimum wage standards, and dispute resolution mechanisms.

Industrial Relations Dispute System

Multi-Tiered Dispute Resolution System

Nepal's formal industrial relations dispute resolution system is structured under the Labour Act of 2017 and provides two types of mechanisms: i) Individual disputes; and ii) collective disputes, applicable to enterprises with 10 or more employees (see more in Box 5).

Most disputes are resolved informally at the workplace level, such as direct negotiation are handled by employers and workers or unions via Collective Bargaining Committee (CBC). Formal mechanisms like the Labour Court Nepal are important but used only when negotiation and conciliation fail. In practice, most disputes do not enter the formal system at all.

Alternative dispute resolution (ADR) processes in labour relations are increasingly recognised and formalised under the law.

Box 5: Nepal's Industrial Relations Dispute Resolution and Advisory System			
Stage	Authority / Body	Method	Outcome
Enterprise Level	CBC, Employer & Workers	Negotiation / Collective bargaining	Agreement or escalation
Conciliation	Labour Office / Government Conciliator	Mediation / Facilitation	Binding settlement or referral
Administrative Intervention	Labour Relations Committee	Tripartite dialogue / conciliation	Settlement or escalation
Adjudication	Labour Court Nepal	Formal legal hearing	Binding decision
Appeal	High Court Nepal	Judicial review	Final verdict
Industrial Action (Last Resort)	Workers / Employers	Strike or lockout (regulated)	Pressure for settlement

Regulations Weak Implementation

Although Nepal has a legally robust, multi-tiered dispute resolution system with ADR at its core, its practical effectiveness is hampered by delays, weak enforcement, limited reach in the widespread informal economy, institutional overlaps, and constrained capacity.¹⁴

STATUS OF WORKING CONDITIONS

Key Findings

- Real minimum wage growth remained marginal.
- Weak wage system leads to high brain drains.

Working conditions directly influence workers' well-being, productivity, and job satisfaction. They also have broader implications for the labour market, affecting economic performance, employment patterns, and social stability.

Laws Protect Working Conditions

Working conditions in Nepal are governed by labour laws and occupational safety and health (OSH) standards. These provisions cover overtime pay, paid annual leave, maternity and sick leave,

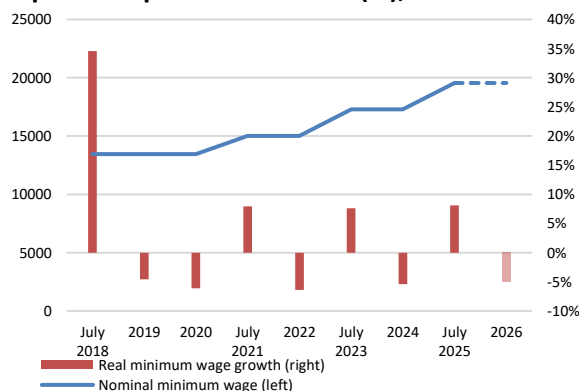
and unemployment protection. Employers with more than 20 formal sector workers are also required to establish an OSH committee.

In practice, enforcement remains fragile, partly due to the frequent use of temporary and insecure contracts. This challenge is particularly pronounced in the large informal economy, where limited awareness, lack of incentives, and restricted access to social protection persist. Significant gaps in labour inspections and audits further undermine compliance.

Real Wage Growth Remained Marginal

The minimum wage system in Nepal is centrally set and legally binding, covering all formal sector workers, except specific categories, such as tea estate workers, who follow separate wage structures. Wages are revised through tripartite negotiations and adjusted for inflation. However, most informal workers do not directly benefit from these statutory minimums. Figure 3 shows a steady adjustment of the minimum wage, with the most recent increase in July 2025 bringing it to 19,550 Nepalese rupees (US\$141) per month, an 8% increase in real terms (adjusted for inflation). Real wage growth even remained marginal aggregating between 2020 and 2025.

Figure 3: Monthly minimum wage in Nepal, Nepalese rupee and real hike (%), 2018-2026



Note: The real minimum wage is the nominal minimum wage adjusted for consumer price inflation.

Source: WageIndicator.org; own estimations of the real minimum wage.

Negative Impact of Weak Wage System

Nepal's wage system is characterised by weak enforcement, high informality, wage inequality, inflationary pressures, fragmented wage-setting, and limited collective bargaining. Consequently, statutory minimum wages exist on paper but fail to effectively protect the majority of workers. This also contributes to a substantial income tax revenue gap, weakening the state's capacity to strengthen education and social protection systems. These conditions drive many Nepalese workers to seek better-paying opportunities abroad (see the Migration sub-section).

TRENDS THAT AFFECT THE LABOUR MARKET

Key Findings

- Nepal's demographic dividend is at a crossroads, depending on the economy's capacity to generate productive and decent employment.
- A falling labour force participation rate creates pressures in the labour market.
- Significant structural employment shifts are in progress, marking to some improvement in labour productivity and formalisation.

Undergoing Demographic Transitions

Demographic shifts in Nepal—characterised by a declining fertility rate, a growing working-age population, and increasing labour migration—are reshaping labour market dynamics. While these trends create the potential for a demographic dividend, this opportunity remains uncertain. High levels of informal employment, limited job creation in the formal sector, and persistent skills mismatches constrain the absorption of the expanding workforce. Significant outward migration, particularly among young workers, reduces domestic labour supply but reflects insufficient employment opportunities at home.

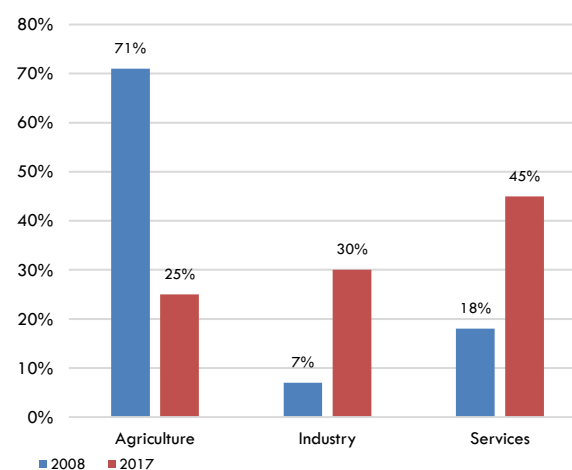
Falling Labour Force Participation

Nepal has experienced a marked decline in the labour force participation rate. This trend is not primarily due to a shortage of workers but is linked to several factors. For instance, an increasing share of youth remaining in education and delaying entry into the workforce, labour emigration reducing domestic participation, and structural shifts in informal employment, among other factors. Status of key workforce indicators are summarised below and see facts in Appendix Table 7).

Shifting Employment Structure

Nepal's employment structure has shifted markedly from rural to urban areas. This change reflects both the reclassification of municipalities as urban areas and sharply because workers are leaving low-productivity farming, driven by migration, urbanisation, and changing aspirations. These circumstances are echoed in substantial sectoral shifts in employment: agricultural employment share has declined sharply, while in industry and services has increased (Figure 4). The latter two sectors have grown mainly by absorbing labour exiting agriculture, especially into informal service activities, rather than through rapid industrialisation.

Figure 4: Share of employment by economic activity in Nepal, %, 2008-2017



Source: Nepal Labour Force Surveys.

Rising Labour Productivity

Nepal's labour productivity is rising and is approaching that of Bangladesh. This increase is driven more by the mentioned demographic and structural shifts than by rapid industrial growth.

Global trend waves have too contributed to some changes in Nepal's labour market, such as the Fourth Industrial Revolution (4IR). While 4IR has not yet fundamentally transformed Nepal's labour market, it is gradually reinforcing existing structural challenges, including informality, skills gaps, and unequal access to decent work. The extent to which it will reshape employment and working conditions depends on the pace of technological adoption and the capacity of institutions to adapt (see Box 6).

Box 6: Overview of Fourth Industrial Revolution (4IR) in Nepal

4IR Status

- Early stage of Fourth Industrial Revolution adoption.
- Growth in ICT, digital payments, outsourcing.
- Limited automation in traditional sectors.

Positive Impacts

- New jobs in IT, freelancing, digital services.
- Increased productivity in banking, telecom, services.
- Global work access (remote jobs, outsourcing).

Negative Impacts

- Job displacement in low-skill sectors.
- Skills mismatch (education vs market needs).
- Risk of widening inequality (urban vs rural).

Key Challenges

- Weak digital infrastructure (rural gap).
- Lack of technical skills/training.
- Large informal labour market limits transition.

THEMATIC DIMENSIONS SETTING THE WORKFORCE

Cross-cutting issues significantly influence the labour market by intersecting with economic, social, and environmental dimensions, affecting workers and employers across multiple sectors.

Informal economy

The informal economy plays a dual role in labour markets – providing employment opportunities and creating challenges related to wages, worker protections, and economic stability.

Falling Informal Employment

Nepal's employment structure was almost entirely dominated by informality, but sectoral shifts toward industry and services over the past two decades have led to a decline in informal employment: Data show that the share of informal employment fell from 100% in 2008 to 82% in 2017, while non-agricultural workers accounted for 77% of total employment.¹⁵ Thus, Nepal has made some progress toward a more modern, industrialised labour market.

Improvements at the education levels in Nepal have supported the reduction of informal workers. Better education has helped reduce informality by shifting part of the workforce into non-agricultural and more formal employment. Most jobs remain informal, and the transition is constrained by insufficient domestic formal job creation.

Impact of Informality

Most workers continue to rely on unregistered micro and small-scale enterprises, agriculture, street vending, and informal services for their livelihoods. Informal and casual working conditions result in limited access to social protection and no job security, leaving survival as

the primary option (see more in the Social Protection section). Informality further creates a structural gap between economic activity and the government's capacity to mobilise tax revenues. For example, informal enterprises generally operate outside formal registration, meaning they rarely contribute to mandatory income tax and to the Social Security Fund. It limits the tax base and undermines the state's ability to finance universal social protection.

Organising Informal Workers

Informal workers are increasingly acknowledged in Nepal's national labour policy processes, and trade unions have played an important advocacy role in that shift. There are steps toward inclusion, such as in social security policy and formal planning frameworks. However, they are not systematically included as equal participants in all tripartite consultations. Institutional structures still primarily reflect formal employment interests, and genuine representation of informal workers remains an emerging goal rather than a fully realised reality.

Nepal's trade union movement is placing more emphasis on organising informal economy workers, but actual establishment and representation remain limited. This stance is an ongoing, incremental process rather than a fully established practice. For instance, many informal workers often lack awareness or incentives to join unions and the spread of precarious employment arrangements (daily wage, outsourcing, contracts).

Migration

Migration flows impact Nepal's labour market, influencing supply and demand for labour, wages, skills, and social dynamics. Depending on the type of migration and the sectors involved, the impact can be positive or negative.

Gaps in Legal Protection for Migrant Workers

Nepal's migration framework combines broad constitutional guarantees, sector-specific laws, and ratified regional and global treaties. This framework is designed to regulate and protect migrant workers, but restrictive bans, complex procedures, and weak implementation often lead to irregular migration flows, particularly among women and poorer households. Nepal's government has imposed bans and regulations on women migrating as domestic workers, especially to Gulf Cooperation Council (GCC) states. As a result, many women are driven into irregular migration, increasing their vulnerability to trafficking and abuse.

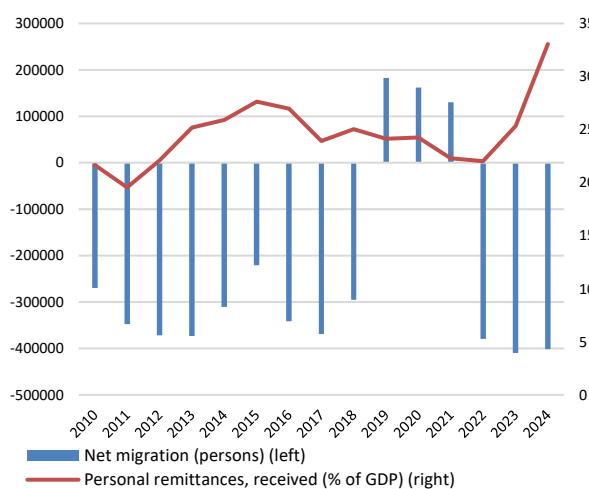
Trade Unions Play a Dual Role in Migration

The country's trade union movement plays a dual role in migration: defending migrant rights abroad through policy advocacy and supporting reintegration at home. They are moreover involved in organising migrant workers, advocating for migrant-related legal reforms, and pushing for expanded social protection.

Exporting Workers on a Massive Scale

Nepal is not a "regional transit hub" but rather one of the world's largest labour-sending countries, exporting workers on a massive scale and relying heavily on the remittances they generate (see Figure 5). Many young Nepalese men migrate abroad, contributing to labour shortages in agriculture and other low-wage sectors. Returnees often come back with limited transferable skills. While labour migration sustains the country's economy through remittances, it also creates structural dependency, weak domestic job creation, social strain, and high vulnerability among workers abroad. Nepal's development path has become heavily tied to exporting labour rather than building a strong domestic labour market.

Figure 5: Net migration and personal remittance in Nepal, 2010-2024



Source: The World Bank, World Development Indicators.

Impact of IDP Flows

Nepal's labour market has been disrupted by the massive flow of internally displaced persons (IDPs) caused by disasters. This scale is exemplified by a peak of 2.6 million in 2015 following a devastating earthquake. Currently, around 110,000 (0.4% of population) Nepalese persons are registered as IDPs associated with disasters.¹⁶ Many IDPs lost their farmland, housing, and productive assets during displacement. Without collateral or networks, they struggle to find formal employment and are often pushed into low-paid, insecure informal jobs, such as construction, petty trade, or daily wage labour.

A large share of IDPs originate from rural, agricultural backgrounds. When displaced to urban areas, they often lack the skills required for urban employment in manufacturing, services, or skilled trades, and few reintegration or retraining programmes exist to bridge this gap. These displaced persons are concentrated in the informal economy, where unionisation coverage is weak. Their voices are underrepresented in tripartite social dialogue, limiting their ability to influence labour policies or negotiate better working conditions.

Child Labour

Child labour has several adverse effects on the labour market. It provides a source of cheap labour, allowing employers to pay lower wages. This factor is often connected with a lack of decent wages and job opportunities, forcing families to rely on child labour for survival. These child labourers grow into unskilled adults and are more likely to remain in low-paying, unstable jobs.

Laws and Policies Against Child Labour

Nepal has ratified key international conventions concerning child labour (see Appendix Table 5). They have improved the education system, considering a cornerstone of child rights protection in the country, though implementation has been uneven (see more in the Education and Training section). Other national action plans, such as the National Master Plan II on Child Labour (2018–2028), focus on curbing child labour. Despite these initiatives, they do not cover children working in the informal economy, which represents the most common form of child labour in Nepal.

Relatively High Child Labour Rate

Based on available data, Nepal has one of the highest child labour rates in Asia. The child labour rate was estimated at 19% for children aged 5–17, sixteen percentage points higher than the Southern Asia average of 3%.¹⁷ This high rate reflects widespread non-compliance with labour laws and regulations.

Factors Contributing to Child Labour

Nepal's relatively high child labour rate is driven by several interlinked factors. Poverty is a primary cause, as many families rely on children's income to survive. The widespread informal economy leads many Nepali children to work as unpaid family workers in agriculture, domestic service, petty trade, recycling, transportation, and particularly in brick kilns, stone-breaking, carpet

production, embroidery, and the entertainment sector. Although improvements in school enrolment have reduced child labour, dropout rates remain high, especially after primary school. Many children combine school with work, demonstrating the persistence of child labour even among enrolled students. In rural areas, child work is often viewed as a normal contribution to the household economy, and exploitative practices, such as bonded labour (e.g., *Kamlari*, outlawed in 2013) persist in some regions.

Trade Unions and Child Labour Prevention

Nepal's trade union movement is not only vocal but also actively involved in institutional strategies to eliminate child labour, complementing government policies and ILO programmes. Strengthening unions could help reduce child labour by improving working conditions for adults and ensuring that legal protections are enforced.

Gender

Gender shapes labour market dynamics, affecting employment opportunities, wages, job security, and economic growth.

Commitment to Gender Equality

Nepal has demonstrated a political commitment to promoting gender equality through legislative measures, policy frameworks, and institutional initiatives. The country's laws and regulations covering the life cycle of a working woman scored 81 out of 100 (100 is best), significantly higher than the South Asia regional average of 64. However, Nepal ranks poorly on issues related to parenthood (see more details in Appendix Table 6).¹⁸

Social partners actively promote gender equality through institutional commitments, capacity-building initiatives, and collaborations with international partners. Despite these initiatives

and the strong constitutional and legal framework, enforcement weaknesses and cultural barriers undermine the full realisation of gender equality.

Persistent Employment Gender Gaps

The country has a remarkable higher women's share than men of total working-age population, which is largely due to mass male out-migration for labour and higher female life expectancy. However, although the number of working-age women exceeds that of men, a smaller proportion are employed. Table 1 shows the status of gender employment gaps in Nepal's employment structure. These gaps are less about women's labour force participation—which is relatively high—and more about their concentration in low-quality, low-paid, and insecure jobs. These factors are shaped by structural inequalities, educational disparities, patriarchal norms, and wage discrimination.

Table 1: Key indicators for employed gender gaps in Nepal

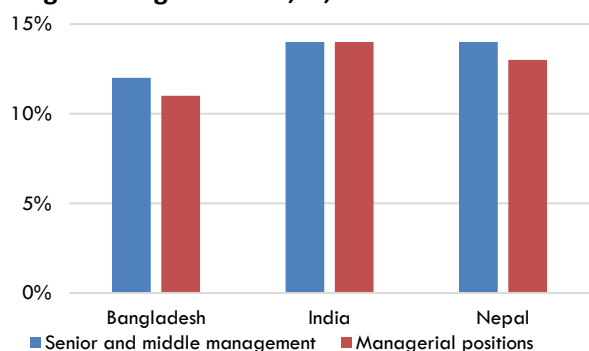
	Men	Women
Working-age population share	44%	56%
Employment share	62%	38%
Unemployment rate	9.8%	12%
Employees rate	60%	38%
Self-employed rate	40%	62%
Employers rate	2.1%	0.5%

Source: International Labour Organization, ILOSTAT.

Low Female Representation in Leadership

Data suggest that Nepali women hold low levels of leadership positions in the formal sector, although these levels are comparable to those in neighbouring countries (see Figure 6). This proportion is influenced by several statistical factors, including the concentration of women in informal enterprises and small sample sizes in the formal sector. These managerial positions do not reflect gender parity in high-level corporate or political leadership, which remains limited.

Figure 6: Proportion of women in senior, middle and management positions in Nepal and neighbouring countries, %, latest data



Source: International Labour Organization, ILOSTAT.

Youth

Youth is the labour market's future backbone, playing a central role in shaping employment trends, productivity, and economic growth.

Declining Youth Bulge

Nepal currently has a youth bulge, with a large share of the population under 25, a substantial working-age population, and relatively few elderly. However, this is gradually shifting: fertility rates are declining, the share of children is shrinking, and signs of population ageing are becoming more visible. Whether this bulge translates into a lasting demographic dividend depends on policies and the country's economic capacity.

Policies to Expand Youth Opportunities

The country has adopted a range of laws, policies, and programmes to address youth needs and strengthen their role in national development. For example, the National Youth Policy, revised in 2025, seeks to enhance skills, entrepreneurship, and civic participation. The National Youth Council has been established to implement various activities envisioned under Youth Vision 2025. Together, these measures aim to expand opportunities, safeguard rights, and prepare

Nepal's large youth cohort for productive employment and social participation.

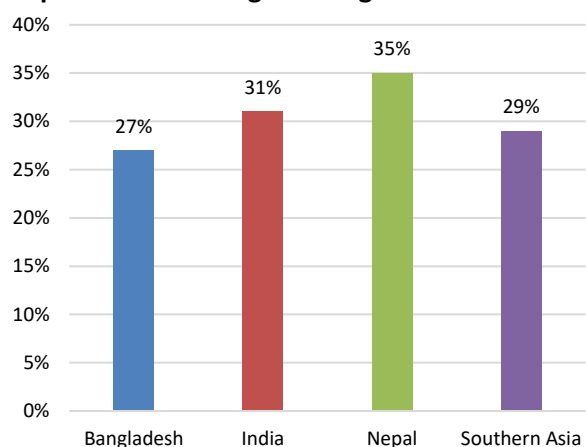
Rising Youth Unemployment

Youth unemployment in Nepal rose from low levels in the 2000s to high levels in the 2010s, remaining around 23% in 2023.¹⁹ High youth unemployment has several significant impacts. The economy loses the productive potential of a large cohort, undermining the possibility of harnessing a demographic dividend. Many young people who cannot secure formal jobs turn to precarious or low-paid informal work, often below their education or skill level, which lowers labour productivity and earnings. High unemployment also drives young Nepalis to seek work abroad, making foreign labour migration a structural outlet. Persistent youth joblessness can lead to frustration and disillusionment, eroding social cohesion and weakening trust in institutions. Employers often cite skills mismatches despite high unemployment, highlighting inefficiencies in the education and training system. This paradox of simultaneous labour shortages and high youth unemployment reflects structural inefficiencies in Nepal's labour market.

High Youth NEET Rate

The not-in-education, employment, or training (NEET) rate provides a clearer indication of barriers facing young people in the labour market than unemployment alone. Nepal's NEET rate stands at 35%, the highest among neighbouring countries (see Figure 7). This high rate is primarily linked to limited domestic job opportunities, mismatches between education and labour market demand, and social norms—especially those restricting young women's participation. Economic insecurity and slow structural transformation leave many youths idle, weakening both their prospects and the broader labour market.

Figure 7: Proportion of youth (aged 15-24 years) not in education, employment or training in Nepal and other neighbouring countries



Source: International Labour Organization, ILOSTAT.

Youth Face Difficult Employment Conditions

The youth employment-to-population ratio has fallen sharply due to structural factors and recent shocks. Weak domestic job creation, reliance on low-productivity agriculture, and limited industrial development have constrained opportunities. In addition, persistent skills mismatches between education and labour market demand leave many youths underemployed or unemployed. Large-scale labour migration further reduces the share of youth employed domestically. Political instability, combined with slow economic transformation, hampers the creation of decent and sustainable jobs for the growing youth population.

EDUCATION AND TRAINING

Key Findings

- There is a need for comprehensive reforms in teacher management and compensation.
- Positive shifts in employment by education at the basic and intermediate levels.
- The TVET legal framework is fragmented and struggles to attract students.
- Private TVET institutions gained ground but the scope remains limited at the enterprise-based level.

The connection between education, training, and the labour market refers to the relationship between the education system, vocational training programmes, and labour market needs. It highlights how education and skills development prepare individuals to meet employers' demands, improve employability, and support economic growth.

Education Reforms Confront Difficulties

Nepal has undertaken reforms in its education sector during the last decade, such as the 2015 Constitution guarantees the right to compulsory and free basic education up to Grade 8 (basic level) and free education up to secondary level (Grade 12) as a fundamental right. To implement this constitutional guarantee, the Act Relating to Compulsory and Free Education of 2018 was enacted. Additionally, the School Sector Development Programme (SSDP) aims to enhance the quality, equity, and efficiency of basic and secondary education. The National Education Policy (NEP), approved in 2022, emphasises inclusive, equitable, and quality education. A School Education Bill is in progress to replace the outdated Education Act, including decentralising education governance by empowering local units to manage and operate schools.

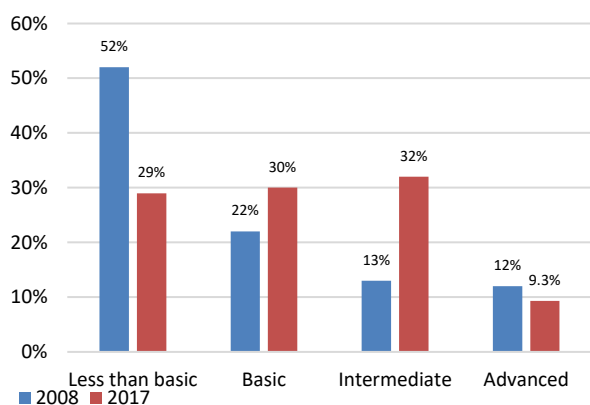
The success of these reforms depends on effective implementation, addressing teacher concerns, and ensuring political stability to create a conducive environment for educational advancement. In 2025, over 230,000 teachers staged mass protests in Kathmandu, demanding better working conditions, job security, and fair wages. These protests highlighted the urgent need for comprehensive reforms in teacher management and compensation.

Employment by Education Shifts

Nepal has made progress in improving student enrolment and completion rates, particularly at

the primary and secondary levels. This trend is reflected in shifts in employment by education, with many workers who previously had little education moving towards basic education and a notable increase at the intermediate level. In contrast, employment among those with advanced education has declined, mainly due to structural unemployment among graduates, limited domestic job creation, reliance on labour migration, and slower growth in higher education enrolment (see Figure 8).

Figure 8: Nepal's employment by education, %, 2008-2017



Source: Nepal Labour Force Surveys; International Labour Organization, ILOSTAT.

Skills-Employment Mismatch

Several educational factors influence Nepal's labour market, notably a mismatch between skills acquired through education and labour market demand. Youth unemployment is particularly high among university graduates compared to those with no formal education. This suggests that many graduates lack skills relevant to labour market needs. Limited emphasis on technical and vocational education further exacerbates this challenge.

Underemployment is widespread. Many individuals work in jobs that do not fully utilise their qualifications, resulting in lower productivity and job dissatisfaction. In addition, insufficient domestic employment opportunities have driven

many Nepali workers to seek jobs abroad. While migration generates financial benefits and can improve the educational status of migrant households, it likewise contributes to a significant loss of skilled labour within the country.

Education Sector Unionism

Nepal's trade union movement is actively involved in the education sector. For example, they advocate for educators' rights, influence policy, represent private sector educators, collaborate with local governments, and promote professional development. However, unions face challenges such as political interference, limited resources, and resistance to reforms.

Vocational Training

Fragmented TVET Legal Framework

Nepal's policy framework has been modernised to cover the Technical and Vocational Education and Training (TVET) system. However, there is no standalone TVET Act that fully reflects the federal structure or addresses all aspects of governance, employer involvement, and accreditation. Instead, the framework is complex and fragmented (see more in Appendix Table 9).

Complex TVET Coordination

Coordination of the TVET system is challenged by a multitude of actors, including twelve ministries, as well as donor agencies and NGOs delivering short-term TVET programmes. A TVET Technical Committee has been formed, and high-level discussions on coordination and sector enhancement have taken place. Additionally, the Council for Technical Education and Vocational Training (CTEVT), an autonomous national apex body, operates under a governance structure with tripartite representation. CTEVT oversees accreditation, curriculum development, and ensures the quality of training programmes.²⁰

Efforts to Formalise the TVET System

Nepal has made strides in formalising the TVET system through CTEVT, the National Qualifications Framework, strategic plans, accreditation systems, and policy dialogues.²¹ However, progress is encountered by challenges, such as under-resourced TVET schools (particularly in remote areas), insufficiently qualified staff, inadequate infrastructure and equipment, and curricula not aligned with market demand. Dual-TVET and apprenticeship models are still in early stages.

Expanding the Non-Formal TVET Sector

Nepal's non-formal TVET sector has expanded significantly in recent years, supported by a rapid increase in training providers and programmes.²² These programmes, typically 1–6 months long, target unemployed youth and disadvantaged groups. Informal learning and apprenticeships play a key role in equipping workers with practical skills. However, the sector continues to face challenges in quality, access, and alignment with labour market demand.

Private Institutions Gaining Ground

Nepal's private sector has expanded its role in TVET, but enterprise-based training remains limited compared to international standards. Based on the latest data available, only 14% of Nepali firms offered formal training, far below China's 79%.²³ Most enterprises are informal micro- and small firms that rarely provide structured training. While the number of private TVET institutes is rising, employer involvement in skills development remains low.

Trade Unions as Stakeholders

Trade unions and employers' organisations in Nepal are gradually positioning themselves as key stakeholders in TVET. They are recognised in governance structures and social dialogue, contributing to policy design and implementation.

However, their influence in fully aligning TVET with labour market needs remains limited, though growing.

TVET Sector Struggling to Attract Students

Despite an increase in public and private TVET institutes and expanded enrolment, only 1.2% of students were enrolled in vocational programmes in 2024.²⁴ Central TVET institutions' programmes attracted just 51% of the total TVET capacity.²⁵ Nevertheless, studies show that TVET improves employment opportunities and raises average income after graduation.²⁶ Information and communications technology (ICT) and Business Process Outsourcing (BPO) firms are increasingly relevant employers for TVET-type skills, and this does affect the labour market, but the scale is still limited and uneven. These circumstances indicate a need to strengthening quality, access, and employer linkages with TVET is central to enhancing its impact and flexibility in the labour market.

SOCIAL PROTECTION

Key Findings

- The Social Security Act establishes a mandatory contributory scheme, with social partners sitting on the governing board.
- The social protection system is underdeveloped, but social safety net programmes have been increasing.
- Nepal's ageing population is putting pressure on the pension system.

Social protection and the labour market are closely connected, as social protection programmes play a central role in enhancing workers' well-being, promoting job security, and reducing poverty.

Comprehensive Social Security System

Nepal's social protection system seeks to provide comprehensive coverage for workers and citizens, reduce poverty and vulnerability, and extend protection beyond the formal sector. Key legal foundations include the 2015 Constitution, the Labour Law of 2017, the Social Security Act of 2017, and the Social Security Regulations of 2018. Additional laws expand protection to health care, education, housing, food security, and employment rights.

Mandatory Contributory Scheme

The Social Security Act established a mandatory contributory scheme. Trade unions participated in tripartite consultations to shape its design, advocating for universal access and inclusive coverage, including informal workers. Social partners sit on the governing board of the Social Security Fund (SSF), representing workers' interests in decisions about benefits, contribution rates, and implementation. Unions also campaign for better awareness and enforcement, as many employers have resisted registration and contributions.

Complex Social Protection System

Nepal has a broad social protection system with numerous programmes implemented by 13 ministries and agencies, and wide some population reach.²⁷ However, implementation remains fragmented across many programmes and institutions, not to mention the scope is shallow haunted by low benefits and employment security (see Table 2).

Extending Coverage to Informal Workers

The Contribution-Based Social Security Act of 2017 envisages all formal and informal business establishments under the SSF. Employees contribute 11% and employers 20% of the basic salary under formal schemes. The SSF is being extended to informal workers, the self-employed,

and migrant workers. Current coverage is less than 10% of all workers, mainly civil servants.²⁸ This suggests that the National Development Plans coverage targets may be overestimated and highlights delays in formalising the labour market.

Underdeveloped Social Protection System

Overall, social protection coverage is low in Nepal: only 21% of the population receives at least one social protection benefit, thirteen percentage points below the Southern Asia average of 34%. Coverage of social safety net programmes has risen in recent years, but many gaps remain. Unemployed workers generally have no access to unemployment benefits, and very few mothers with newborns receive maternity benefits (see more in Table 2). These factors support the fact that Nepal's labour market delivers an immature formal social insurance system.

Table 2: Proportion of population covered by social protection services in Nepal and Southern Asia (SA), %, latest data

Indicator	Nepal	SA
Population covered by at least one social protection benefit	21%	34%
Persons above retirement age receiving a pension	77%	46%
Persons with severe disabilities collecting disability social protection benefits	28%	16%
Unemployed receiving unemployment benefits	0.0%	0.4%
Mothers with newborns receiving maternity benefits	1.0%	45%
Employed covered in the event of work injury	7.1%	9.8%
Children/households receiving child/family cash benefits	28%	27%
Poor persons covered by social protection systems	70%	-
Vulnerable persons covered by social assistance	19%	23%

Source: International Labour Organisation, *Key Indicators of the Labour Market (KILM)*.

Mounting Pressure on Pension Coverage

Nepal is shifting from a youthful society toward an ageing population, with the elderly share set to double by 2050, reaching 15%.²⁹ This demographic transition will reduce the relative size of the workforce, increase dependency, and place significant pressure on pensions and health-related social protection schemes.

The pension system provides financial support during retirement, but it is dual-structured and coverage is uneven: i) civil service pensions (secure, budget-financed), ii) the contributory SFF (limited coverage and still expanding), and iii) a universal old-age allowance (modest but wide-reaching). About 77% of persons above retirement age receive a pension, significantly higher than the Southern Asia average; however, this coverage is declining in the country. Nepal's universal old-age allowance, known as the tax-funded Senior Citizen Allowance, provides a monthly payment to elderly citizens. As of May 2025, the government

increased the eligibility age from 68 to 70 years. Currently, only individuals aged 70 and above qualify for the full monthly allowance of NPR 4,000 (US\$29).³⁰

Informal Social Protection Plays a Role

Informal social protection plays a central role in supporting vulnerable populations in Nepal. These services include community-based, family-based, or traditional support mechanisms rather than formal government programmes. A large portion of the population, particularly in rural areas, relies on these informal networks and social norms to cope with economic shocks, illness, old age, or disability.

However, informal protection is unequal, as vulnerability depends on family wealth, social status, or caste. It may not suffice for chronic poverty or large-scale shocks, which require formal social safety nets.

APPENDIX: ADDITIONAL DATA

Table 3: Nepal's labour-related legal framework

Law/policy	Function
Constitution of 2015	Provides the right to form and participate in trade unions and engage in collective bargaining. It also expanded social security provisions and assigned labour-related responsibilities to both central and provincial governments.
The Labour Act of 2017	This act serves as the cornerstone of Nepal's labour law system, with reference to employment agreements, working hours and leave, remuneration, termination and dispute resolution, and occupational safety and health.
The Social Security Act of 2018	The act establishes a comprehensive social security system for workers in Nepal.
The Employees Provident Fund Act of 2019	The act is a statutory pension fund for employees in both the government and private sectors.
Foreign Employment Act of 2007	The act regulates the employment of Nepali workers abroad.
National Employment Policy of 2015	This policy deals with promotion of employment, improvement of employment quality, and support for vulnerable groups

Table 4: Legal reservations in Nepal concerning the rights to organise, collective bargaining, and strikes

Right to organise
<ul style="list-style-type: none"> • 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, national). • Excessive representativity or minimum number of members required for the establishment of a union. • Categories of workers prohibited or limited from forming or joining a union, or from holding a union office: Other civil servants and public employees, non-national or migrant workers, managerial and supervisory staff, restrictions on trade unions' right to establish branches, federation and confederation or to affiliate with national and international organisations, trade union federations can be formed through the association of 50 company unions, or of 5,000 individuals working in enterprises of the same nature. • Administrative authorities' power to unilaterally dissolve, suspend or de-register trade union organisations. • Restrictions on the right to freely organise activities and formulate programmes.
Right to collective bargaining
<ul style="list-style-type: none"> • Possibility to by-pass representative trade unions and bargain directly with workers' representatives. • Prohibition or limitation of collective bargaining at a certain level (local, regional, territorial, national; enterprise, industry, sector or general). • Compulsory conciliation and / or binding arbitration procedure in the event of disputes during collective bargaining, other than in essential services.
Right to strike
<ul style="list-style-type: none"> • Authorities' or employers' power to unilaterally prohibit, limit, suspend or cease a strike action. • Discretionary determination or excessively long list of "essential services" in which the right to strike is prohibited or severely restricted. • 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. • Excessive civil or penal sanctions for workers and unions involved in non-authorized strike actions.

Source: International Trade Union Confederation, *Survey of Violations of Trade Union Rights, Nepal: Legal*, September 2025.

Table 5: Status of ratified ILO Conventions in Nepal

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
Occupational safety and health	C155 - Occupational Safety and Health Convention, 1981	Not ratified
	C187 - Promotional Framework for Occupational Safety and Health Convention, 2006	Not ratified
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
Technical Conventions (Up-to-date)		
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

Source: International Labour Organization, NORMLEX, Nepal, August 2025.

Table 6: Nepal – Legal framework scores for women, business and the law, 2024

Mobility	Workplace	Pay	Marriage	Parenthood	Entrepreneurship	Assets	Pension
75	100	100	100	40	75	80	75

Source: The World Bank, Nepal: Women, Business and the Law 2024.

Table 7: Nepal's key workforce data, latest data

Indicator	Value
Working Age Population	20,744,300
Employment	7,397,500
Labour force participation rate	40%
Employed share	
<i>Urban</i>	69%
<i>Rural</i>	31%
<i>Public</i>	9.5%
<i>Private</i>	91%
Employed by aggregated sector share	
<i>Agriculture</i>	25%
<i>Industry</i>	30%
<i>Service</i>	45%

Source: Nepal Labour Force Survey, 2017.

Table 8: Affiliated Trade Unions Centres to JTUCC in Nepal, 2020/21

Trade Union Centres	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: Nepalis Joint Trade Union Coordination Centre.

Table 9: Key TVET laws and policies in Nepal

Policies & plans
Recovery and Accelerated Learning Plan 2023-2028.
School education sector plan 2022/23-2031/32.
Technical and Vocational Education Reform Strategic Plan (TRSP) 2023-2032.
TVET Sector Strategic Plan (TSSP) 2023-2032.
Strategic framework (plan) for integrated Education Management Information System (2022).
Free and Compulsory Education Act of 2018.
Youth Vision 2025 and National Youth Policy, launched in 2015.
Technical Education and Vocational Training (TEVT) Act of 1989.
Technical Education and Vocational Training Council Act of 1988.

Source: United Nations Educational, Scientific and Cultural Organization, TVET Country Profiles: Nepal, September 2025.

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