



Between Rights and Reality: "Access to Social Protection for Informal Workers in Nepal"

*Advocate Bina Kunwor*¹⁶⁵

LL.M (TU)

Email: kunworbna@gmail.com

*Advocate Sankalpa Chhetri*¹⁶⁶

LL.M., MBS (TU)

Email: sankalpa.determine@gmail.com

Article History : 2025 September 3

Abstract

Informal workers constitute a significant portion of Nepal's labor force, yet they remain excluded from formal social protection systems. Over 80 percent of the total labor force is engaged in the informal sector. Despite contributing significantly to the national economy, they have not received adequate legal recognition and institutional protection.

The study explores the critical gap between the constitutional and policy-level recognition of social protection as a right and the actual accessibility of these provisions for informal workers in Nepal.

Drawing on a review of existing legal frameworks and other secondary data the paper analyzes the legal, institutional and socio-economic barriers that hinder inclusive social protection. The paper argues for a rights-based, inclusive and context-sensitive approach to social protection that addresses the specific vulnerabilities of informal workers. It concludes with recommendations to enhance policy coherence, expand coverage and ensure participatory governance to realize the transformative potential of social protection in promoting equity and resilience in Nepal's labor market.

Key Words: Social Protection, Informal Sector Workers

1. Background

The informal sector plays a vital role in Nepal's economy, employing a majority of the country's labor force. Informal sector workers represent a significant portion of workforce, often facing vulnerabilities and lacking legal protections, yet they play a crucial role in economic activity. Among the total employed population in Nepal, 7.1 million people, 84.6 percent

¹⁶⁵ Collective Campaign for Peace and Determine Law Associate, bina@cocap.org.np kunworbna@gmail.com

¹⁶⁶ Determine Law Associate, sankalpa.determine@gmail.com

(6 million) engaged in informal work making it a dominant feature of the national labor market.¹⁶⁷ This sector includes a wide range of occupations such as agricultural laborers, street vendors, domestic workers, construction laborers, transport workers, home-based producers, and small-scale entrepreneurs.

The International Labor Organization (ILO) broadly defines the informal economy as referring to “all economic activities by workers and economic units that are – in law or practice – not covered or insufficiently covered by formal arrangements.” It refers to working arrangements that are in practice or by law not subject to national labor legislation, income, taxation or entitlement to social protection or other employment guarantees.¹⁶⁸

The informal economy is no longer a temporary phenomenon in Nepal. Its grasp is steadily expanding in the Nepali socio-economic sphere. The deprivation of decent livelihood opportunities fostered by deepening poverty, high unemployment rate, illiteracy, disproportionate development benefits and generational occupation has radically pushed mass Nepalis into the informal economy, which is often exacerbated with multiple risks of vulnerabilities.¹⁶⁹ The absence of labor contracts and the limited enforcement of labor laws further exacerbate their vulnerability to exploitation, income insecurity, and poverty. Structural issues such as weak institutional capacity, limited awareness, and inadequate policy implementation have hindered efforts to formalize this sector and integrate informal workers into national social protection frameworks.

Sustainable reforms in institutional structures, combined with effective policy implementation and joint action among stakeholders are essential for reducing the vulnerabilities faced by Nepal’s fragmented informal workforce. As Nepal continues its path toward inclusive economic development, addressing the needs and rights of informal workers remains a critical challenge.

2. Objective

This paper aims to

- Examines the current situation of informal sector workers in relation to their right to social protection with a particular focus on the existing policy framework.
- To analyzes the gap between constitutional and legal guarantees of social protection and the actual access to these protections in practice.
- Additionally, the paper will identify key barriers to the inclusion of informal workers and proposes policy measures and institutional reforms to extend and improve social protection coverage for all.

¹⁶⁷ 90 percent employed women are working informally in Nepal, www.kathmandupost.com/national/2022/01/07/, Assessed date: July 26, 2025

¹⁶⁸ www.ilo.org/media/5481/download. Assessed date: July 4, 2025

¹⁶⁹ Under-the-Shadows-of-Informality-web-preview.pdf www.socialchange.org.np. Assessed date: July 8, 2025

3. Informal Workers and Social Security/Protection in Nepal

Nepal's labor market is characterized by a high prevalence of informal employment, with an estimated majority of the working population engaged in informal economic activities. Informal workers include individuals who are self-employed, daily wage earners, agricultural laborers, domestic workers, street vendors, and other categories not covered by formal labor contracts or regulatory frameworks. These workers typically operate outside the purview of legal and institutional protections and are therefore excluded from the benefits associated with formal employment, including access to social security and labor rights.

Social protection is a fundamental right for all workers, regardless of their employment status. Informal workers should be entitled to the same rights as formal workers, including access to health facilities, safe working environment and inclusion in social protection schemes.¹⁷⁰ For informal workers many of whom live in poverty social protection is a critical priority. In addition to the need for regular stable income, access to health services, availability of childcare and improved savings and security in old age are the basic yet essential needs that must be addressed through comprehensive social protection measures.¹⁷¹ The legal policies and programs should be designed in a way that guaranteed their rights, ensure broad coverage and effectively reaches as many workers as possible.

The Constitution of Nepal guarantees the right to social security as a fundamental right under Article 43, affirming the State's obligation to provide protection to the economically vulnerable, physically incapacitated, single women, person with impairment, marginalized and the communities that are on the verge of extinction.¹⁷² Furthermore, the Social Security Act, 2017 and its associated regulations lay the legal foundation for the implementation of contributory and non-contributory social security schemes. However, the practical realization of these rights remains limited for informal sector workers due to several structural and administrative barriers.

Among the major challenges are the lack of legal recognition of informal employment relationships, limited awareness among workers about their entitlements and weak enforcement of labor and social protection laws. Moreover, the contributory nature of many existing schemes under the Social Security Fund (SSF) presents difficulties for informal workers, who often experience irregular incomes and lack the financial stability required to participate consistently in such programs.

Efforts to extend social protection coverage to informal workers have been initiated through various policy interventions, including targeted cash transfer programs, health insurance subsidies, and community-based initiatives. Nonetheless, these measures remain fragmented and insufficient to ensure comprehensive and sustainable protection. Bridging the gap between constitutional commitments and ground-level implementation necessitates the

¹⁷⁰ Social Protection for Informal Workers - WIEGO. Assessed date: July 8, 2025

¹⁷¹ Social Protection for Informal Workers - WIEGO Assessed date: July 9, 2025

¹⁷² Article 43, The Constitution of Nepal

development of inclusive, adaptable, and participatory social protection frameworks tailored to the realities of informal labor.

A more integrated approach combining legislative reform, institutional capacity building, awareness campaigns, and stakeholder engagement is essential to promote the inclusion of informal workers in national social protection systems and to ensure that no worker is left behind.

4. Policy Analysis and Gap

In Nepal, while the Constitution guarantees the right to social protection for all citizens, including informal sector workers, the implementation of this right remains limited and inconsistent. It recognizes social security as a fundamental right, in particular to vulnerable groups and workers, guaranteed free basic health service to all citizens. Similarly, the right to social security is enshrined for vulnerable segments of the society such as Dalits, senior citizens, socio-economically marginalized, persons with disabilities and children.¹⁷³

The 16th National Development Plan (2022/23 to 2026/27) intends to continue the extension of social protection in Nepal, through a life-cycle approach, and within a sustainable financing framework. The 16th Plan places emphasis on expanding contribution-based social security to all workers, including those in the informal sector, as one of the key strategies to ensure the constitutional right to social protection to the population. The 16th Plan targets to increase social security coverage from 32 to 60 percent of the population and to decrease the proportion of informal employment in the informal sector from 62 to 40 percent in its five-year period.¹⁷⁴ The Contribution-based Social Security Act, 2017 (CBSS Act or 'Act') makes provisions for all "workers" to participate in social security. The Social Security Fund (SSF), Nepal is mandated to implement the provisions of the Act and the schemes cover eight of the nine branches of social security grouped around the four key schemes: (i) Medical care, health, and maternity benefits scheme; (ii) Accidental and disability protection scheme; (iii) Dependent family protection scheme; and (iv) Old age protection scheme. However, current regulations are in place only for the workers of the formal sector. Various policies and programs formulated under different ministries and inline institutions/departments, such as the Social Security Fund (SSF), Prime Minister Employment Program (PMEP) and social protection laws/policies. However, these are largely focused on formal sector employees, with minimal coverage for informal workers, who constitute the majority of Nepal's labor force. The technical team of the SSF has drafted an initial proposal for the design of the schemes for those currently excluded, largely those in the informal sector and the self-employed.¹⁷⁵

A significant policy gap lies in the lack of tailored programs that address the unique needs and vulnerabilities of informal workers. Existing labor related laws, policies, and mechanisms are stated to be applicable to all working citizens of Nepal. While formal sector workers are aware and capable of benefitting from provisions like maternity benefits, workers'

¹⁷³ Nepal | ILO. Assessed date: July 12, 2025

¹⁷⁴ National Planning Commission, www.npc.gov.np. Assessed date: July 15, 2025

¹⁷⁵ Media.action "Extending contribution-based social security schemes for workers in the informal economy and self employed in Nepal" ILO, 2023. Assessed date: July 15, 2025

compensations, health insurance, etc., informal workers are largely unaware and incapable of utilizing such benefits to which they are rightfully entitled.¹⁷⁶ Similarly, informal workers bear disproportionate burden of economic and social shocks. Often devoid of constitutional and human rights and social justice, informal workers who are not protected by legal contracts, are often susceptible to difficult working conditions, labor exploitation, discrimination, social exclusion and are extremely vulnerable to economic and social shocks. Worsening their preexisting vulnerabilities, informal workers are reportedly among the groups who are hit the hardest by the effects of the ongoing Covid-19 pandemic.¹⁷⁷

Likewise, existing legal provisions often fail to clearly define mechanisms for inclusion, funding, or enforcement, resulting in fragmented and inaccessible services. Informal workers typically lack awareness of available schemes, and complex registration processes further hinder their participation. Moreover, there is limited coordination among government agencies and a lack of reliable data on informal employment, which impedes effective policy formulation and monitoring.

To bridge these gaps, Nepal requires comprehensive policy reform, including the development of inclusive and flexible social protection frameworks, simplified procedures for enrollment, improved inter-agency coordination, and the establishment of sustainable financing mechanisms. Strengthening institutional capacity and ensuring legal clarity are also crucial to realizing the constitutional right to social protection for informal sector workers.

5. Conclusion

Informal workers represent a substantial share of Nepal's total labor force; however, they continue to be systematically excluded from the formal architecture of social protection. This persistent exclusion persists despite the presence of constitutional assurances and a series of policy-level commitments aimed at guaranteeing social security for all. The gap between policy and practice is primarily attributed to institutional weaknesses, limited programmatic outreach, insufficient financial resources, and an absence of context-specific initiatives designed to address the heterogeneous realities of informal sector workers.

This study underscores the critical imperative for adopting a comprehensive, inclusive, and rights-based social protection framework that duly acknowledges informal workers as integral contributors to national development. Key priorities include the strengthening of legal and regulatory mechanisms, ensuring alignment and coherence across policies, enhancing administrative capacities at all levels, and utilizing digital innovations to improve registration, identification, and service delivery mechanisms.

¹⁷⁶ InformalSector_PolicyRecommend.pdf <https://socialchange.org.np/wp-content/uploads/> Assessed date: July 15, 2025

¹⁷⁷ InformalSector_PolicyRecommend.pdf <https://socialchange.org.np/wp-content/uploads/>. Assessed date: July 15, 2025

Furthermore, the active and meaningful involvement of workers' associations, trade unions, and civil society organizations in the formulation, implementation, and oversight of social protection programs is essential to foster transparency, accountability, and responsiveness.

To foster a just, equitable, and resilient society, it is imperative that Nepal accelerates its efforts to expand social protection coverage to encompass all segments of the workforce—formal and informal—through integrated, inclusive, and sustainable strategies that effectively respond to both immediate vulnerabilities and long-term livelihood security.

References:

Constitution of Nepal (2015)

Ghimire Aakriti, (July 25, 2025). 90 percent employed women are working informally in Nepal, www.kathmandupost.com, The Kathmandu Post

www.ilo.org/media/5481/download

Khadka Sharadha, Magar.R Kalpana, Bhattarai Prakash and Khatri Anish, (December, 2021) Under-the-Shadows-of-Informality-web-preview.pdf www.socialchange.org.np

Nepal | ILO.

National Planning Commission, www.npc.gov.np

Media.action “Extending contribution-based social security schemes for workers in the informal economy and self-employed in Nepal” ILO, 2023.

Centre for Social Change December, 2021, Informal Sector_Policy Reccomend.pdf,<https://socialchange.org.np/wp-content/uploads/>

www.ssf.gov.np