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Labour and Employment Law in Nepal

A Legal and Practical Handbook



Wisdom Law Associates

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EMPLOYMENT • SOCIAL SECURITY • WORKPLACE COMPLIANCE

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Editorial and legal-use notice. *This handbook explains selected Nepalese employment-law requirements for general information. The authoritative Nepali text of legislation, applicable amendments, Gazette notices, rules, directives and judicial decisions must be consulted in any individual matter. Employment rights and obligations may vary according to the sector, employment classification, collective agreement, statutory exemptions and relevant facts. This publication does not constitute legal advice or establish a lawyer-client relationship.*

Foreword

Employment law concerns the legal relationships through which enterprises organise work and individuals earn their livelihoods. Those relationships require more than an agreed monthly wage. They encompass recruitment, classification of employment, occupational safety, working hours, leave, statutory benefits, social security, workplace conduct, collective relations and lawful termination.

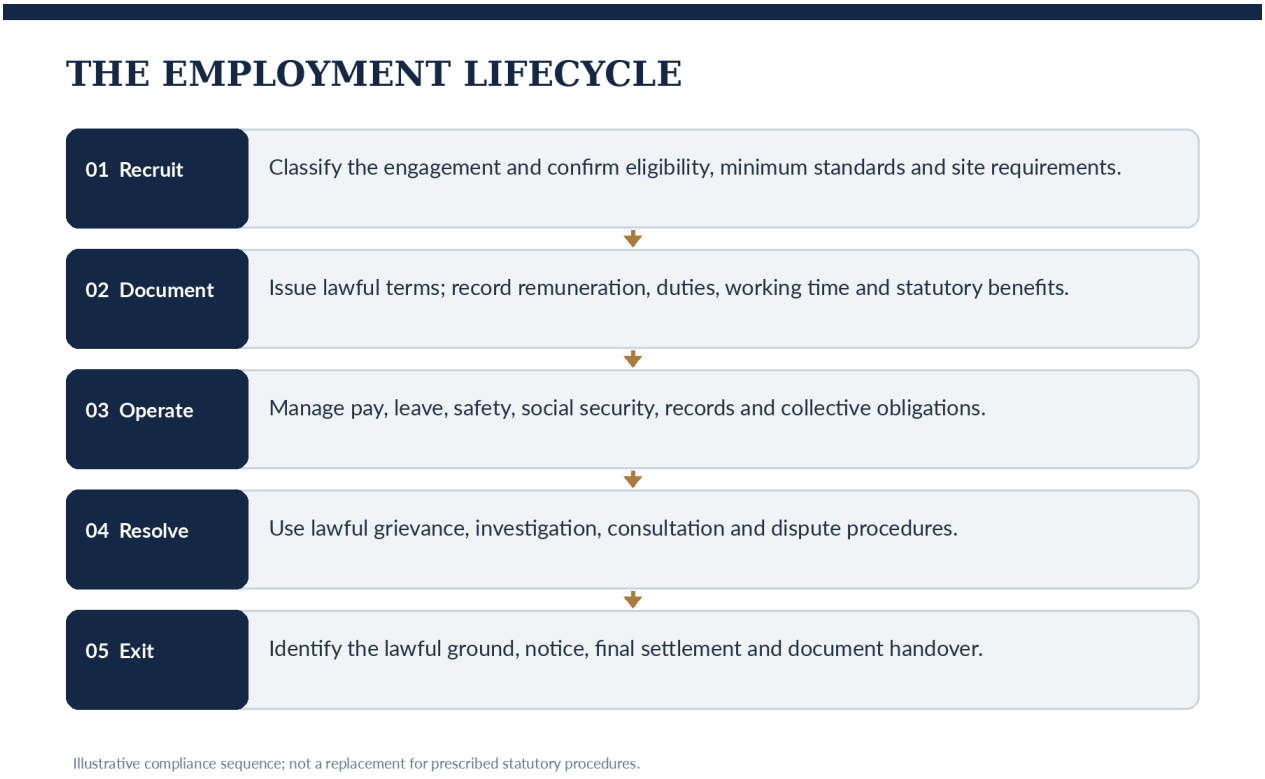
For a company operating a construction site or an infrastructure project, employment obligations can be especially complex. A single project may engage permanent administrative employees, task-based construction workers, subcontractor personnel, licensed labour-supplier workers, technical consultants and foreign specialists. Different contractual forms may coexist, but the label adopted by the parties does not by itself settle the legal status of an individual or eliminate statutory responsibilities.

The Labour Act, 2074 (2017), the Labour Rules, 2075 (2018), and Nepal's contribution-based social security framework create minimum standards and institutional mechanisms intended to regulate employment and protect labour rights. These standards operate alongside other legislation relating to trade unions, insurance, immigration, child protection, workplace equality and civil liability. The interaction of these regimes becomes particularly important where workplace accidents, compensation claims, social security contributions or contractual disputes arise.

This handbook is intended for employers, human-resources professionals, contractors, in-house counsel, lawyers, employees and researchers. It follows the employment relationship from recruitment to exit, explains practical compliance controls, and includes illustrative scenarios and checklists. It does not assume that an employer is always liable whenever loss occurs or that insurance or social security always discharges other legal obligations. Each question requires examination of its independent legal basis, relevant documents and procedural requirements.

The handbook takes a practical, law-based approach. Its examples are fictional and are not drawn from client files. The purpose is to make employment-law reasoning transparent without treating a general publication as a substitute for advice on a specific matter.

Chapter 1 — The Employment Law Framework in Nepal



1.1 The constitutional and statutory setting

Nepal's employment law must be read within the broader constitutional commitment to labour rights, equality, protection against exploitation and social security. For private-sector and other covered employment, the Labour Act, 2074 (2017) is the central statute. Its scope is broad, and it establishes standards concerning the formation of employment relationships, wages, working time, leave, workplace safety, discipline, collective relations and termination. The Labour Rules, 2075 supplement the Act with procedural and administrative requirements.

Separate but closely related legislation governs contribution-based social security. The Contribution-Based Social Security Act, 2074 (2017), its Rules, and the Social Security Scheme Operating Procedure, 2075 (as amended) regulate registration, contributions and scheme benefits. The applicable version and any recent amendments must be checked before quoting contribution allocation, benefit eligibility or payment formulae.

A company may also be affected by the Trade Union Act, relevant child-labour and anti-discrimination rules, applicable immigration and work-permit requirements, social insurance instruments and sector-specific standards. Employment within an establishment should therefore be reviewed as an integrated compliance system, not as an isolated written contract.

1.2 The hierarchy of obligations

Statutory minimum standards normally operate as a floor. An employer and worker can negotiate terms appropriate to their relationship, but a contractual provision purporting to reduce a mandatory entitlement may be unenforceable to that extent. A collective agreement or a more favourable individual benefit may also affect the employer's position. It is important to distinguish **mandatory rights**, **contractual benefits**, **discretionary policies**, and **benefits conditional upon participation in a statutory scheme**.

For example, a company policy describing a payment as an 'allowance' does not automatically establish whether it forms part of basic remuneration, contribution-eligible income or final settlement. The legal effect turns on the relevant statute, applicable definitions, contract and payroll practice. The same principle applies to payments described as 'compensation', 'gratuity' or 'insurance'.

1.3 Institutions and dispute pathways

Employment regulation involves the Ministry responsible for labour, the Department of Labour and Occupational Safety, Labour and Employment Offices, the Labour Court, the Social Security Fund and, where relevant, other competent public bodies. The appropriate institution depends on the legal issue: a claim about unpaid remuneration, an appeal against a labour-office decision, a workplace safety violation and a social security benefit claim need not follow the same procedure.

An employer's first response to an emerging dispute should therefore be to identify the disputed right, gather contemporaneous records, determine the competent process and preserve applicable filing periods. Resort to the wrong forum or reliance on an informal settlement alone may leave substantive obligations unresolved.

Practical example. A contractor and a worker disagree about compensation after a site accident. The issue should be divided into medical and accident records, the employer's statutory duties, policy coverage, social security registration and contributions, any applicable third-party liability, and the identity of the lawful beneficiary. None of these questions is answered merely by describing the incident as accidental.

Legal references: Labour Act, 2074; Labour Rules, 2075; Contribution-Based Social Security Act, 2074; Social Security Scheme Operating Procedure, 2075 (as amended). [S1–S4]

Chapter 2 — Recruitment, Classification and Employment Status

2.1 Classification is a substantive question

The Labour Act recognises different forms of employment, including regular, task-based, time-based, casual and part-time work. The category matters because the commencement and end of employment, relevant working arrangements, and some rights or procedures may depend upon the nature of the work. The categories should not be selected merely to minimise employer obligations. The actual working relationship, work assigned and applicable statutory tests must be considered.

Regular employment generally covers work not genuinely structured as a specified task, specified term or casual engagement. Task-based employment relates to a defined work or service; time-based employment relates to a defined period; casual employment covers short engagements meeting the statutory definition; and part-time employment concerns working arrangements within the statutory weekly-hour definition. If continuous work is repeatedly described as casual without an objective basis, the written label may not be decisive.

2.2 Recruitment and pre-engagement diligence

Before engaging personnel, an employer should identify the work, assess whether a licence or professional qualification is needed, define reporting lines, confirm eligibility to work, and adopt objective selection criteria. Equal treatment, avoidance of unlawful discrimination and respect for minimum age and other protected rights should be part of the recruitment process. Recruitment communications and offer letters should not promise terms inconsistent with the final contract or statute.

For project employers, a recruitment file should ordinarily record the position, employment classification, site, duration or defined task, expected remuneration, benefits, working arrangements, identity verification, and responsible supervisor. An assignment to a hazardous site also requires appropriate safety induction, training and protective equipment before work begins.

2.3 Probation and changes in role

Probation is not a period in which statutory protections disappear. The contract should describe the lawful probation arrangement and objectively explain assessment criteria. Material changes in pay, location, duties or reporting structure should be documented, and unilateral changes must be evaluated against the Act, contract, collective arrangements and legitimate operational needs.

Practical example. A hydropower contractor retains a tunnel electrician on a 'casual' agreement for many consecutive months. The classification should be reassessed against the worker's actual duties and the statutory definitions before relying upon a casual-employment termination clause.

Employer checklist: record the statutory category; describe duties and location; verify age and qualification; provide written terms; document training; confirm lawful benefits and insurance; preserve recruitment records.

Legal references: Labour Act, 2074, Chapters 2–5 and relevant rules. [S1–S2]

Chapter 3 — Drafting and Administering Employment Contracts

3.1 The role of the written agreement

An employment agreement is an operational and evidentiary instrument. It should identify the parties, nature of employment, commencement date, workplace, work duties, reporting relationship, remuneration, payment period, working time, leave, statutory benefits, conduct expectations, confidentiality obligations, disciplinary process and termination framework. It should not attempt to exclude the mandatory provisions of employment law.

A contract can protect an employer's legitimate interests without being unbalanced. Clear job descriptions, asset-return duties, lawful protection of confidential information, conflict-of-interest provisions and proportionate disciplinary clauses can reduce ambiguity. Conversely, broad waivers of statutory rights, blanket authorisations for salary deductions or clauses allowing termination 'at the employer's absolute discretion' may create rather than reduce legal risk.

3.2 Remuneration and statutory benefits

The contract should differentiate basic remuneration from specified allowances and other benefits. This is significant for overtime, social security contributions, and some other statutory calculations. Where the employer provides accommodation, meals, transportation or equipment, the agreement should identify whether the benefit is additional remuneration or a lawful and documented arrangement; any deductions require an independent legal basis.

3.3 Site-specific schedules and annexes

For construction and infrastructure employers, the agreement may use schedules covering the worksite, roster, reporting officer, attendance method, safety equipment, emergency communication, accommodation,

camp rules and project demobilisation procedures. The schedules must remain consistent with the Act and should not obscure who is the legal employer.

3.4 Policies and record integrity

Workplace policies are useful only when employees can access them and management applies them consistently. Employers should maintain signed agreements, amendments, leave and attendance records, wage records, accident reports, medical certificates where legally appropriate, and disciplinary correspondence. Retention practices should respect confidentiality and any applicable data-protection obligations.

Practical example. An agreement lists a single 'consolidated salary' without identifying basic remuneration. The employer later encounters difficulty calculating overtime and social security contributions. A properly structured payroll schedule, tied to the statutory definitions, would reduce that uncertainty.

Employer checklist: include clear duties; state wages accurately; avoid unlawful waivers; attach relevant policies; identify statutory contribution arrangements; include lawful notice rules; record all amendments.

Legal references: Labour Act, 2074, Chapters 2–3, 7–10, 17 and 21; Labour Rules, 2075. [S1–S2]

Chapter 4 — Remuneration, Working Hours and Overtime

4.1 Minimum remuneration and pay structure

An employer must observe the minimum remuneration applicable to the worker, sector and effective period. The notice published in 2082 B.S. sets the general monthly minimum for non-tea-plantation workers at NPR 19,550, effective 1 Shrawan 2082 (17 July 2025). Because minimum wages are revised through official notices and different arrangements may apply to particular sectors, an employer should verify the operative Gazette notice before budgeting or issuing payroll instructions. [S5]

The agreed salary should be recorded clearly, and payment should follow statutory timing requirements. Unlawful deductions or unexplained withholding expose the employer to disputes even where a worker has signed a general payroll acknowledgment. A payslip should distinguish basic pay, allowances, overtime, lawful deductions and the amount actually paid.

4.2 Hours and rest

Section 28 of the Labour Act establishes the ordinary limit of eight hours a day and forty-eight hours a week. It also requires a rest break after five consecutive hours of work, with the statutory treatment of that break taken into account in the working-time calculation. Different site rosters can be used where legally permissible, but the existence of a shift schedule does not remove the statutory limits. [S1]

4.3 Overtime entitlement

Sections 29–31 regulate excess work. Subject to the applicable circumstances and statutory restrictions, overtime must not exceed four hours per day or twenty-four hours per week. The statutory premium is generally one-and-a-half times basic remuneration for the overtime worked, with particular qualifications for collective arrangements and managerial categories that must be checked under the Act. Employers should not assume that a fixed 'site allowance' discharges overtime obligations.

4.4 Payroll controls

A sound payroll system reconciles the appointment letter, attendance register, overtime authorisation, bank transfers, leave ledger, festival allowance and contribution statements. Site managers should not independently promise deductions or wage adjustments without an authorised written process.

Practical example. A project requires continuous concreting during an emergency. The employer must distinguish the operational need to continue work from the legal requirements concerning overtime limits, authorisation, recording, remuneration and health and safety.

Employer checklist: verify current wage notice; maintain attendance; secure overtime approval; calculate the statutory premium; retain payslips and bank proof; reconcile social security deductions.

Legal references: Labour Act, 2074, sections 28–38 and applicable official minimum remuneration notice, 2082. [S1, S5]

Chapter 5 — Leave, Holidays and Family-related Rights

5.1 Leave as a structured entitlement

Leave administration should be based upon statutory categories, accrual, eligibility and lawful approval procedures rather than a single generic 'annual leave' balance. Employees should be informed of weekly and public holidays, home leave, sick leave, maternity leave, maternity-care leave, mourning leave and any additional leave created by contract or collective agreement.

The Labour Act provides a weekly holiday, public holidays and home leave calculated on the statutory basis. Section 44 provides twelve days of paid sick leave annually, subject to proportionate treatment for workers with shorter service and medical evidence requirements in relevant cases. Employers should maintain separate leave ledgers and avoid deducting one category against another without a legal basis. [S1]

5.2 Maternity and care leave

Section 45 provides maternity leave of fourteen weeks, including a prescribed minimum period around childbirth; the statutory text provides full remuneration for sixty days of that leave, subject to any more favourable lawful arrangement or applicable scheme benefit. Maternity-care leave and related rights should be separately considered. A manager's discretionary approval is not a substitute for compliance with statutory maternity protections. [S1]

5.3 Replacement holidays and continuous operations

Construction, transport and other continuous operations may require work on a weekly or public holiday. Employers should apply the statutory provisions governing substitute leave and overtime where applicable. Attendance registers must identify work performed on holidays so that compensatory entitlements can be calculated accurately.

5.4 Leave records in an exit settlement

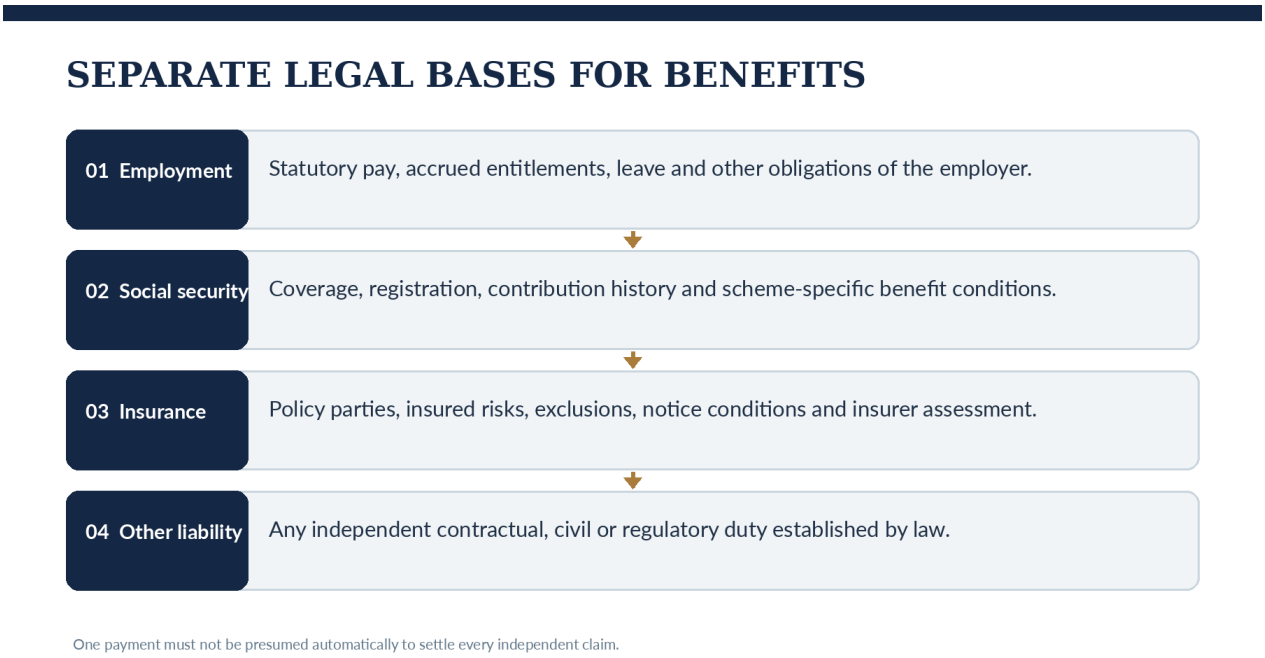
An employee's departure requires reconciliation of accrued leave and any legally required leave encashment. The final calculation should distinguish accrued statutory rights, additional contractual benefits, and any conditional or discretionary payment. A general 'full and final' signature should not be used to conceal an inaccurate computation.

Practical example. An employee submits a three-day illness notification without a medical report. The correct response depends on the statutory evidence rule, the duration, existing records and whether extended leave is requested; it should not be reduced to an automatic disciplinary absence.

Employer checklist: publish the leave calendar; use separate ledgers; obtain required medical certificates proportionately; document substitute holidays; reconcile accrued leave at termination.

Legal references: Labour Act, 2074, Chapter 9 (especially sections 40–51); Labour Rules, 2075. [S1–S2]

Chapter 6 — Provident Fund, Gratuity and Social Security Fund



6.1 Distinguishing the legal regimes

An employment audit should separate at least three issues: employment-law obligations concerning provident fund, gratuity and insurance; contribution and registration duties arising under the Social Security Fund framework; and the eligibility conditions for particular benefits under the applicable scheme. These categories interact but are not interchangeable.

The Contribution-Based Social Security Act, 2074, as amended through 2082 B.S., and the applicable scheme operating procedure form the central legal framework. The current SSF website publishes a scheme operating procedure incorporating its fifth amendment. The precise benefit allocation and eligibility requirements must be checked in the operative edition. [S3–S4]

6.2 Registration and contributions

For covered formal-sector employment, the widely applied contribution structure is 31% of basic remuneration, consisting of 11% deducted from the worker and 20% contributed by the employer. How this total is distributed among medical and maternity, accident and disability, dependent-family, and old-age or retirement schemes follows the relevant operating procedure; it should not be assumed to be unchanged for all periods or categories. [S4]

An employer should maintain proof of registration, declared basic remuneration, payroll deduction, employer contribution, deposit dates and the worker's contribution history. The fact that an employee verbally declined participation or requested cash instead should not be treated as conclusive legal exemption from a mandatory statutory regime.

6.3 Scheme entitlement is not an automatic payment

A worker or beneficiary's right to a particular benefit may depend on the scheme rules, contribution history, qualifying event, evidence, claimant status and administrative decision. Registration alone does not prove entitlement to every listed benefit, and a contractual 'compensation equivalent to SSF' should never be presented as a statutory SSF payment unless it is one.

6.4 Avoiding unlawful duplication and arbitrary offsets

An employer should not assume either that every insurance or statutory benefit is cumulative or that payment under one scheme automatically cancels liability under another. The appropriate analysis identifies the legal source of each obligation, the recipient, any express coordination or set-off provision, relevant policy language and governing jurisprudence. A 'no double recovery' argument requires a concrete legal foundation, not simply a label.

Practical example. A company has not enrolled a group of employees because they requested larger take-home pay. If a worker later seeks statutory benefits, the employer should review actual enrolment duties, deductions, unpaid contributions and potential remedies; the employee's preference does not alone settle compliance.

Employer checklist: verify coverage; register on time; confirm contribution bases; reconcile 11%/20%; keep deposit proof; check benefit eligibility before responding to claims; avoid unconditional liability waivers.

Legal references: Labour Act, 2074, Chapter 10; Contribution-Based Social Security Act, 2074 (as amended); Social Security Rules and SSF Scheme Operating Procedure, 2075 (fifth-amendment edition). [S1, S3–S4]

Chapter 7 — Occupational Safety and Health

7.1 The employer's preventive duty

Occupational safety and health (OSH) is a continuing duty involving safe systems of work, hazard identification, training, equipment, supervision and response to foreseeable risks. A printed safety policy is insufficient if operational practices contradict it. The Labour Act and Rules contain a dedicated OSH framework, supplemented by sector-specific directions and technical standards where applicable.

A risk assessment should identify the hazard, persons exposed, probability and severity of harm, existing precautions, necessary corrective measures, responsible officer and review date. High-risk works—including excavation, tunnelling, blasting, work at height, lifting operations and electrical works—require appropriate technical supervision.

7.2 Management systems and evidence

Employers should record safety induction, toolbox meetings, personal protective equipment issue, machinery inspection, working permits, incident reports, corrective actions and emergency drills. Where a contractor

employs subcontractors, the site-control framework should explain coordination, reporting and incident escalation without obscuring the statutory responsibilities of the respective employers.

7.3 Work stoppage and emergency response

Where an immediate serious danger arises, prompt action to protect life and health is essential. An emergency response plan should address communication, evacuation, first aid, medical access, rescue, site security, authority notification and preservation of records. After the event, risk management should include prevention of secondary injury and evidence integrity, not merely restoration of production.

7.4 Accountability and organisational learning

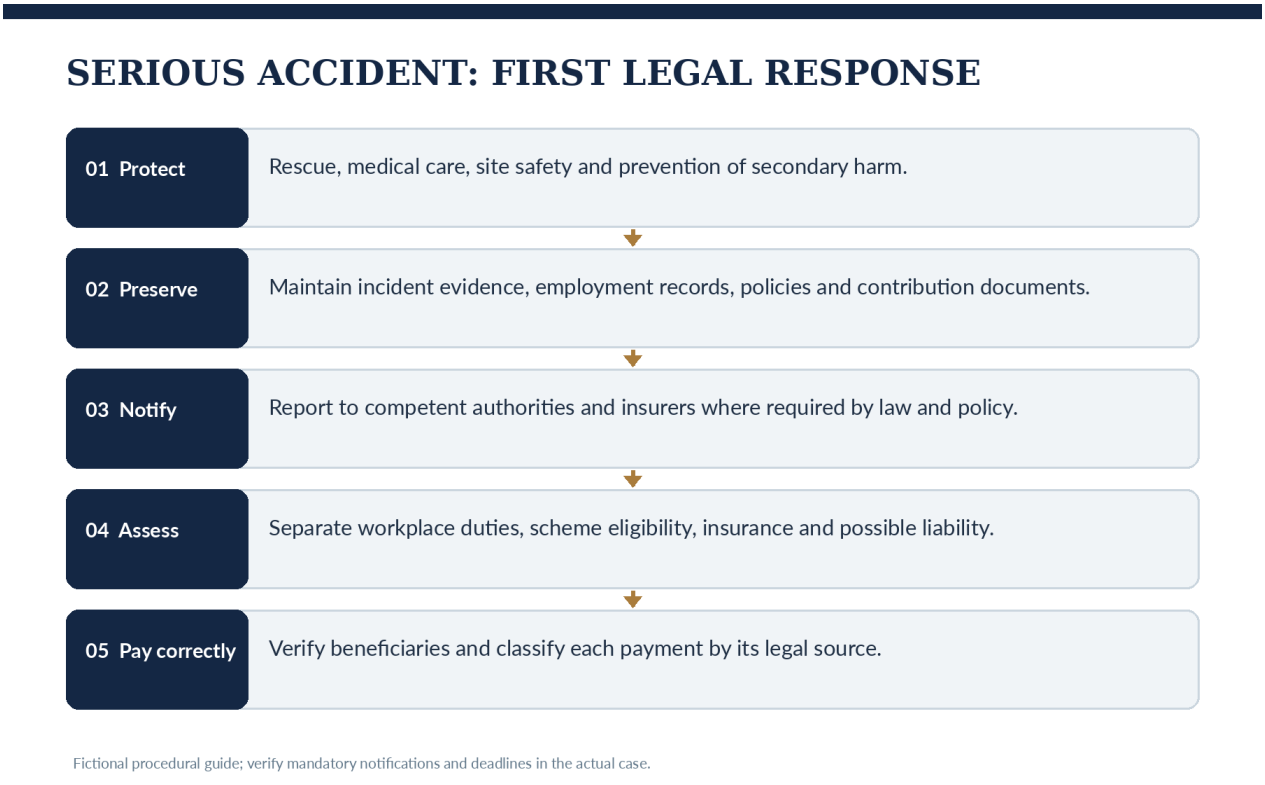
An incident investigation should distinguish immediate causes, underlying management factors, technical findings, possible legal breaches and unrelated external events. The occurrence of an injury does not automatically establish a criminal or civil wrong, but an unforeseeable event likewise does not excuse an employer from independent safety obligations that remained applicable.

Practical example. A landslide affects a project access road during heavy rain. The legal review should address weather forecasts, road closure decisions, site access controls, warning systems, evacuation, subcontractor coordination and the extent to which the hazard was foreseeable and manageable.

Employer checklist: maintain OSH policy; risk registers; trained supervisors; PPE records; plant inspections; emergency plans; incident reporting; independent investigations for serious events.

Legal references: Labour Act, 2074, Chapter 12; Labour Rules, 2075; applicable Department of Labour and Occupational Safety notices and standards. [S1–S2, S6]

Chapter 8 — Workplace Accidents, Death and Compensation



8.1 Separate the questions of fact, coverage and liability

Where an employee suffers injury or death, an effective legal response begins with verified facts: worker identity, employer, engagement status, site location, event chronology, medical and police records, and the work-related connection. Several legal processes may follow, but they should not be treated as a single 'compensation claim'.

Potential issues include emergency treatment and welfare, statutory employment obligations, insurance policy coverage, SSF scheme benefits where applicable, contractual indemnity, negligence or other civil liability, and lawful beneficiary identification. Each may involve different proof and different decision-makers.

8.2 Insurance and social security

An insurer's obligation is determined by the applicable policy, insured persons, effective coverage, exclusions, conditions and claim procedure. SSF benefits are subject to statutory scheme criteria and contribution history. Neither an insurance certificate nor a payroll statement, viewed alone, proves the result of every claim.

An employer should promptly preserve policy schedules, premium receipts, insured-person lists, contribution records, accident reports, wage records and correspondence. The company should avoid inconsistent statements to insurers, authorities and affected families.

8.3 Lawful beneficiaries and disputed family status

Following a worker's death, distribution of money should depend on the applicable law, policy or scheme's beneficiary rules. A person claiming as spouse or dependent may require a careful assessment of marital and relationship evidence. A relationship certificate, employer form, nominee form and succession-related document may answer different questions and should not be treated as automatically conclusive of every entitlement.

Where competing claims exist, the employer should avoid arbitrary payment to one relative merely because that person submitted the first documents. It may be appropriate to request verification from competent authorities, seek consent where legally valid, or use a lawful dispute-resolution or deposit mechanism depending on the payment's nature.

8.4 Settlements and release documents

A properly drafted settlement states the nature and source of each payment, identifies the payee and legal capacity, confirms what is settled, preserves any non-waivable rights, and avoids representing unapproved insurance or statutory benefits as guaranteed. It should not assert that accepting an ex gratia amount necessarily waives third-party or scheme rights.

Practical example. A worker dies after a project-site disaster. The company proposes a voluntary support payment while an insurance claim remains under review. The documents should distinguish the voluntary payment from insurance proceeds, statutory dues and other possible liabilities, and must verify the correct recipient for each.

Employer checklist: preserve evidence; identify employer; notify insurer and authority as required; review SSF; verify beneficiaries; document payments by legal category; seek informed approvals for settlement.

Legal references: Labour Act, 2074, Chapters 10 and 12; Contribution-Based Social Security Act and scheme procedure; relevant insurance contracts and other applicable law. [S1, S3–S4]

Chapter 9 — Labour Suppliers, Subcontractors and Project Personnel

9.1 Why triangular employment matters

A project may obtain labour directly, through a licensed labour supplier, or through a subcontractor carrying out its own work. These are different commercial arrangements. The existence of an intermediary does not, by itself, make all obligations disappear for the enterprise receiving the benefit of the work. The Labour Act contains special provisions concerning the supply of labour and related duties of labour suppliers and principal employers.

A contract for the supply of personnel should be distinguished from a genuine subcontract for an independently defined scope of works. In a labour-supply arrangement the supplier may recruit and employ workers placed with another enterprise; in a works subcontract the subcontractor typically undertakes a defined output with its own personnel and resources. Actual control, supervision, assignment and payment arrangements may matter more than the document title.

9.2 Due diligence before engagement

A main contractor should verify whether a labour supplier has the required licence and whether the proposed labour supply is legally permitted. The agreement should allocate recruitment, payroll, social security, insurance, safety induction, accommodation, transportation, record submission and incident reporting responsibilities. The allocation should not be represented as extinguishing non-delegable statutory duties.

Subcontract agreements should state how the subcontractor establishes employment status, performs statutory contributions, pays wages, handles accidents and maintains employment records. Site access controls should prevent personnel from entering hazardous work areas without the required authorisations and induction.

9.3 Monitoring and escalation

A prudent receiving enterprise should require periodic compliance evidence without taking unnecessary control over the supplier's internal employment decisions. Payroll certificates, insurance confirmations and safety reports should be assessed for authenticity. Where non-payment or unsafe work is identified, the contract should provide a corrective-action and escalation process consistent with law.

Practical example. A licensed supplier fails to pay deployed workers and the project owner receives complaints. It should not respond merely that 'these are not our employees'. The law and the actual arrangement must be checked for principal-employer obligations and available corrective measures.

Employer checklist: verify licence; distinguish personnel supply from works subcontract; collect payroll/SSF evidence; identify line management; provide site induction; define emergency reporting; audit periodically.

Legal references: Labour Act, 2074, Chapter 11 (labour supply); Labour Rules, 2075; applicable licensing requirements. [S1–S2, S6]

Chapter 10 — Foreign Workers and Cross-Border Employment

10.1 Employment of foreign nationals in Nepal

Foreign nationals working in Nepal may require labour permits, immigration permissions and other approvals, depending on the individual's nationality, role and applicable legal exceptions. Section 22 and related provisions of the Labour Act address restrictions on the employment of foreign labour and circumstances in which a permit may be obtained. Permission to enter Nepal as a visitor is not ordinarily interchangeable with permission to take up employment.

Where a project requires foreign engineers, specialists or technicians, the company should assess whether the role is eligible, which authority must act, whether an advertisement or demonstration of unavailable Nepalese skills is required, and whether a special arrangement applies under a government-approved investment or project agreement. The applicable procedural documents should be verified against the Department's current guidance. [S1, S6]

10.2 Contracts and governing law

An employment agreement signed abroad is not a reliable means of avoiding mandatory Nepalese rules for work performed in Nepal. The parties should consider the governing law, place of work, immigration position, tax residence, salary payment route, secondment terms, insurance, repatriation, and the identity of the employer. A foreign parent company and Nepal project office should not assume that a single group appointment letter resolves all local obligations.

10.3 Secondments and project mobilisation

A secondment agreement should address who directs daily work, pays wages and taxes, maintains insurance, handles disciplinary matters and arranges return travel. The agreement among group entities should be consistent with the employee-facing instrument and the actual working relationship.

Practical example. A foreign technical supervisor is deployed to a hydropower site under a services contract. Before mobilisation, the company should review whether the arrangement constitutes employment or a permitted technical service, the work-authorisation requirements and the tax and safety implications of on-site control.

Employer checklist: verify immigration and work permit; document statutory exception if relied upon; identify actual employer; record salary and tax arrangements; obtain insurance; manage renewals.

Legal references: Labour Act, 2074, Chapter 6; Labour Rules, 2075; Department of Labour and Occupational Safety work-permit guidance; applicable immigration rules. [S1–S2, S6]

Chapter 11 — Workplace Rules, Misconduct and Disciplinary Process

11.1 Fairness and lawful management powers

Employers have legitimate interests in attendance, performance, safety, security, confidentiality and the protection of company property. These interests should be reflected in clear, lawful workplace rules and a proportionate disciplinary framework. A company rule cannot authorise a penalty prohibited by statute or dispense with a mandatory opportunity to respond where the law requires it.

Misconduct must be distinguished from unsatisfactory performance, medical inability to work, redundancy and disagreement about employment terms. Each may involve a different legal threshold and process. Combining them into a single clause allowing immediate dismissal invites challenge.

11.2 Investigation and response

An investigation should identify the allegation, relevant policies, witness accounts, physical or digital records, and any immediate protection needed. The employee should receive the applicable notice and opportunity to respond. The decision-maker should consider proportionality, prior warnings if legally relevant, mitigating circumstances and consistency with previous cases.

Documentation matters. A conclusion that a worker was 'negligent' without explaining the facts, breached duty and evidence may not withstand review. Likewise, a worker should not be disciplined for raising a bona fide safety concern or asserting a statutory right.

11.3 Performance management

Poor performance should be handled with a defined evaluation system, reasonable feedback and records. Where the statute provides special conditions for termination on the ground of incompetence, these must be satisfied. An isolated unfavourable evaluation should not be treated as automatic proof of lawful termination.

11.4 Respectful workplace and grievance procedures

Employers should prohibit harassment, discrimination, intimidation and retaliation. A grievance channel should distinguish confidential reporting from the ordinary chain of command and define how matters involving senior supervisors are handled. Complaints should be recorded and resolved without prejudging facts.

Practical example. A supervisor accuses a worker of refusing an unsafe task. The company should examine the task and safety instruction before concluding that the refusal amounts to misconduct.

Employer checklist: publish rules; train managers; distinguish misconduct from poor performance; issue appropriate notice; document evidence; allow a lawful response; communicate reasoned decisions.

Legal references: Labour Act, 2074, Chapters 14, 17, 20 and 21; Labour Rules, 2075. [S1–S2]

Chapter 12 — Resignation, Termination and Final Settlement



12.1 Grounds and the requirement of lawful process

Section 139 of the Labour Act reflects the general principle that employment should not be ended outside the procedures recognised by law, and that employer termination requires an appropriate and sufficient reason. Different pathways exist for expiration of a genuinely time- or task-based engagement, voluntary resignation, lawful disciplinary dismissal, qualifying incompetence, medical incapacity and other statutorily recognised circumstances. The label used in an HR letter must correspond to the actual legal ground. [S1]

The conclusion of an infrastructure project does not necessarily end every employee's engagement immediately. The statutory treatment of time- or task-based workers, extensions of project work, contractual extensions and other personnel categories must be examined.

12.2 Resignation and notice

The Labour Act contains rules for written resignation, its treatment by the employer and the legal effect of continued work after resignation. Section 144 prescribes notice for many employment-ending circumstances other than dismissal for misconduct: at least one day for up to four weeks' employment, seven days for four weeks to one year, and thirty days for employment exceeding one year. Where the employer does not give required notice, the Act provides for payment corresponding to the notice period. These rules must be read with any relevant exceptions and the precise facts. [S1]

12.3 Computing final dues

A final settlement must be itemised. Possible heads include wages through the final date, approved overtime, statutory or contractual leave payments, notice pay, accrued benefits, contributions, authorised advances and other proven amounts. Each line should state its source—statute, contract, collective agreement, policy, agreed settlement or discretionary payment.

Do not presume that mentioning a possible head in a draft calculation is an admission of liability. Equally, do not use a drafting disclaimer to defeat an amount actually payable under law. A properly documented calculation records both the amount due and the basis on which it is due.

12.4 Releases, receipts and handover

An exit form may record delivery of documents, return of property and acknowledged payments. It should not purport to waive non-waivable statutory rights or impose punitive restrictions unrelated to lawful business needs. Where the employee disputes the settlement, the employer should preserve the competing calculation and provide a reasonable avenue for resolution.

Practical example. A worker on a project-based contract is released when the project's financing is interrupted. Before characterising the event as automatic expiry, the employer should review the contractual term, whether the task remains, relevant notice and payment requirements, and any formal suspension or reduction-in-workforce provisions.

Employer checklist: identify lawful ground; prepare evidence; calculate notice; reconcile payroll, leave and SSF; list deductions with authority; conduct handover; give statutory documents; preserve signed records.

Legal references: Labour Act, 2074, Chapter 21, including sections 139–150; Labour Rules, 2075. [S1–S2]

Chapter 13 — Individual Disputes, Collective Relations and Remedies

13.1 A dispute starts with identifying the right

Employment disputes can concern unpaid salary, misclassification, leave, disciplinary action, social security, workplace injuries or termination. The appropriate procedure depends on the type of claim and the institution authorised to decide it. An internal grievance mechanism is useful, but it does not necessarily replace a statutory remedy.

Legal counsel should identify the alleged duty, the legal source, the timeline, requested relief, evidence and applicable limitation or appeal period. Where the relevant law provides an initial complaint to the employer or Labour Office, those steps should be followed rather than assuming that every employment dispute begins directly in court.

13.2 Negotiation and settlement

Early, informed negotiation can resolve factual discrepancies and reduce costs. However, settlement is sound only when the parties have identified the rights at issue, the evidence and the lawful scope of compromise. A settlement letter should distinguish an admitted amount, a disputed claim and an ex gratia amount. Promising benefits controlled by an insurer or statutory fund without its approval is not appropriate.

13.3 Trade unions and collective bargaining

Workers' collective rights are recognised within the Labour Act and related legislation. Employers should maintain legitimate channels for engagement and bargaining and avoid retaliation for lawful activity. Collective disputes may trigger specific conciliation or industrial-action procedures, and a company's operational response should be evaluated against the relevant statutory framework.

13.4 Labour Court and review proceedings

The Labour Court and administrative labour authorities may have distinct roles. Before filing or appealing, the advocate should determine jurisdiction, the decision under challenge, statutory filing period, evidence and interim relief options. The existence of an arbitration clause in a commercial subcontract does not, by itself, confer jurisdiction over an individual's statutory labour claim.

Practical example. Employees challenge a unilateral reduction in a contractual allowance. The employer should examine whether the allowance forms part of protected remuneration, any collective agreement, how the change was introduced and whether workers were given legally required information.

Employer checklist: classify grievance; identify forum; check deadlines; preserve documents; seek early resolution where appropriate; record any settlement distinctly from statutory claims.

Legal references: Labour Act, 2074, Chapters 14, 18, 19, 22 and 23; applicable Trade Union Act and regulations. [S1–S2]

Chapter 14 — Corporate Labour Governance and Practical Compliance

14.1 From legal opinions to operating controls

Compliance is effective only when policies, contracts, payroll, safety and management decisions align. A company should assign responsibility for employment law to identified officers rather than leaving every compliance matter to the human-resources department alone. Finance, site management, procurement, legal counsel and risk personnel all have relevant functions.

A practical governance structure should maintain one authoritative version of the contract templates, salary scales, benefits policy, grievance procedure, safety plan, SSF process and site subcontractor requirements. Informal arrangements and verbal exemptions should be assessed before becoming payroll practice.

14.2 A risk-based audit programme

A labour audit can be organised around five questions: (1) who works for the company and on what basis; (2) whether wages, hours and leave meet current requirements; (3) whether social security, insurance and taxes are properly administered; (4) whether safety systems are effective; and (5) whether workplace and exit decisions are legally documented. High-risk indicators include repeated casual contracts, off-payroll personnel, unrecorded overtime, premium and contribution arrears, missing foreign permits and inconsistent incident reports.

14.3 Incident and dispute response protocols

A company should have a written escalation procedure for serious accidents, labour inspections, collective complaints and termination-related litigation. It should explain who preserves evidence, who may communicate with the authorities, who informs insurers, who speaks with families, and who may approve settlement proposals. Legal privilege and confidentiality must be preserved where applicable.

14.4 Periodic legislative updates

Minimum remuneration, social security procedures, administrative forms and technical safety standards may change without the underlying Act being replaced. An annual handbook review is helpful, but payroll and

HR controls must also be updated whenever an operative Gazette notice or relevant regulation changes. The definitive reference is the instrument effective for the transaction or event being reviewed.

Practical example. Following a serious workplace accident, the safety manager prepares the incident report, payroll confirms the worker's engagement, finance collects policy and contribution records, legal counsel assesses obligations and the company uses one approved correspondence protocol. This is more reliable than a single generic liability denial.

Employer checklist: audit contracts quarterly; review payroll monthly; reconcile SSF; track safety training; review subcontractors; monitor permits; maintain a dispute register; review statutory changes; document approvals.

Legal references: Labour Act, 2074; Labour Rules, 2075; Social Security Act and scheme procedure; Department of Labour and Occupational Safety notices. [S1–S6]

Conclusion — An Integrated Approach to Employment Compliance

Employment law is not limited to hiring and dismissal. It governs the full relationship between the enterprise and those who perform its work. In Nepal, a sound compliance programme requires accurate employment classification, clear agreements, lawful payroll and leave practices, registration and contributions where required, workplace safety controls, reliable records, and legally sound termination and dispute procedures.

A particular employment claim should not be resolved by reference to a single contract sentence or isolated payment. Its outcome depends on the facts, the governing statute, statutory minimum standards, relevant administrative schemes and the available evidence. Equally, legal compliance should not be confused with automatic acceptance of every claimed amount. An employer is entitled to verify entitlement, challenge unsupported demands and protect legitimate commercial interests while observing mandatory law and professional obligations.

Wisdom Law Associates offers this handbook as a structured educational resource for understanding the relationship between statutory duties and practical management decisions in the Nepalese workplace. Readers should consult the authoritative Nepali texts and obtain matter-specific advice when a legal question turns on particular facts, current rates or procedural deadlines.

Practical Appendices

Appendix A — Employment Agreement Review Checklist

Review area	Minimum questions
Identity and status	Have the parties, position, employer and employment classification been correctly identified?
Terms	Are commencement, task/term, duties, workplace and supervision clear?
Pay	Are basic remuneration, allowances, pay frequency and deduction rules stated accurately?
Hours and leave	Are rosters and holiday entitlements consistent with the Act?
Social security	Are registration, deduction and employer-contribution arrangements lawful?
Insurance and safety	Have relevant coverage, PPE, induction and emergency duties

	been addressed?
Conduct	Are company rules and disciplinary steps sufficiently clear and lawful?
Termination	Are grounds, notice, final settlement and document-return procedures lawful?

Appendix B — Monthly Employer Compliance Calendar

Timing	Recommended control	Evidence
Every payroll cycle	Reconcile hours, overtime, leave and wages	Approved payroll register, attendance, bank proof
Monthly	Verify SSF declarations, deposits and exceptions	Contribution statement and deposit receipts
Monthly	Check outstanding grievance and discipline matters	Issue log and closure documents
Quarterly	Audit employment contracts and labour-supplier files	Contract sample, licence and payroll checks
Quarterly	Review OSH incidents and corrective action	Risk register, training and investigation records
Before mobilisation	Check foreign workers, safety induction and contract status	Permits, induction and site-access register
Before termination	Check lawful ground, notice and dues	Counsel/HR review and itemised calculation
On statutory change	Update payroll and policy controls	Gazette notice, effective date and change log

Appendix C — Workplace Accident and Death Response Checklist

1. Protect life, arrange urgent medical response and prevent further exposure.
2. Notify relevant authorities and insurers as required by law and the policy.
3. Record the time, location, worker identity and employer relationship.
4. Preserve photographs, site logs, permits, equipment records and witness accounts.
5. Secure the relevant employment contract, payroll, SSF and insurance records.
6. Distinguish employer statutory dues, insurance claims, scheme benefits and separate liability issues.
7. Verify the lawful claimant or beneficiary, especially if family status is disputed.
8. Communicate consistently and avoid unapproved promises of payment.
9. Document voluntary support payments separately from statutory or insured benefits.
10. Preserve an auditable record of investigation, remedial measures and final decisions.

Appendix D — Model Structure for a Lawful Disciplinary Notice

Subject: Notice concerning an alleged workplace incident

Relevant particulars: Date, site, employee, alleged conduct and relevant policy or duty.

Summary of evidence: A neutral statement of documents or other material presently relied upon, without asserting that the allegation has been proven.

Opportunity to respond: Specify the lawful response period and method, relevant access to supporting information, and the person receiving the explanation.

Protection of process: State that the matter will be considered after reviewing the employee's response and applicable evidence; do not predetermine the outcome.

Authorisation: Signature, role and date of the competent company representative.

This is a structural illustration, not a universally valid statutory form. The governing procedures and required deadlines must be reviewed before use.

Appendix E — Exit and Final Settlement Review Worksheet

Head	Potential basis	Evidence to obtain	Treatment
Salary through final date	Contract and statute	Attendance and payroll	Calculate actual due amount
Overtime	Statute and authorised records	Time sheets and approvals	Review entitlement and rate
Leave settlement	Statute/contract	Leave ledger	Assess accrued amount
Notice payment	Labour Act, section 144 if applicable	Employment period, notice records	Confirm exception and period
Retirement/SSF	Applicable employment and SSF rules	Registration and contributions	Reconcile separately
Insurance	Policy and insured event	Policy, premium, claim record	Do not presume insurer approval
Advances or deductions	Lawful contract/statutory basis	Advance voucher and consent	Assess legality of deduction
Ex gratia payment	Company decision	Approved offer	Label separately; do not misstate statutory basis

Appendix F — Mini Glossary

Basic remuneration: The remuneration component defined by the Labour Act that is relevant to various statutory calculations.

Collective agreement: An agreement concluded through a lawful collective process, subject to applicable legislation.

Contribution: Amount payable under an applicable social security arrangement, with distinct employee and employer portions where prescribed.

Ex gratia: A voluntary payment not necessarily made because a legal obligation has been admitted.

Labour supplier: An entity supplying workers under the legally regulated labour-supply framework.

Misconduct: Conduct potentially subject to lawful disciplinary measures; distinct from poor performance.

Occupational safety and health: Duties and systems directed toward protecting people from workplace hazards.

Statutory minimum: A mandatory standard that contract terms ordinarily cannot reduce.

Task-based employment: Employment for a defined work or service, subject to statutory classification rules.

Principal Legal Sources and Further Reading

[S1] Labour Act, 2074 (2017), consolidated Nepali text with amendments through Ashoj 2082. Ministry of Law, Justice and Parliamentary Affairs. https://www.moljpa.gov.np/public/uploads/9b35c290-0260-48c8-9c06-0d5e6d68f522.pdf

[S2] Labour Rules, 2075 (2018), including the First Amendment 2080. Ministry of Law, Justice and Parliamentary Affairs, consolidated rule resources. https://www.moljpa.gov.np/constitution-detail/607

[S3] Contribution-Based Social Security Act, 2074 (2017), amendments through 2082. Social Security Fund / Nepal Law Commission. https://ssf.gov.np/list/act_regulation/contribution-based-social-security-act-2074

[S4] Social Security Scheme Operating Procedure, 2075 (2018), including the Fifth Amendment. Social Security Fund. https://www.ssf.gov.np/list/act_regulation/social-security-operation-procedure-2075-with-5th-ammendment

[S5] Government minimum remuneration notification, 2082 B.S. Department of Printing, Nepal Gazette and Labour Office reference: https://dop.gov.np/content/12572/relating-to-determination-of-minimum-wages-for/ ; https://loba.gov.np/content/49/2082-regarding-fixation-of-minimum-wages-for/

[S6] Official labour forms, work permit documents, minimum remuneration and safety notices. Department of Labour and Occupational Safety. https://dol.gov.np/en/legaltext

Secondary cross-check: International Labour Organization, NATLEX entry for the Labour Act, 2074. https://www.ilo.org/dyn/natlex/natlex4.detail?p_isn=105434&p_lang=en

Research note: The English wording in this handbook is explanatory, not an authorised statutory translation. Verify Nepali statutory sections and the effective version in any official or contested matter. Avoid relying solely on third-party translations for amendments or filing deadlines.

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