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## **De Jure and De Facto Coverage of Parental Benefits in Nepal**

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<sup>1</sup> The authors are grateful to Prasun Singh and Leticia Donoso Pena for excellent research assistance. The Solutions survey firm conducted excellent fieldwork. We are grateful to Ivette Contreras, Amparo Palacios-Lopez and their team for valuable support to design questionnaires, and to Jumana Alaref, Jasmine Rajbhandary, Jyoti Pandey and Aishwarya Patil for their context inputs through the study. This study was made possible through the generous funding from the Rapid Social Response program. All errors are our own.

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## **Abstract**

Women constitute nearly half of the young working age-population in Nepal but are less likely than men to participate in the labor force. When employed, they work largely in informal, or subsistence work characterized by inadequate social protection and are subject to lower wages relative to men. A key factor behind these outcomes is that childcare responsibilities fall primarily on women with little or inadequate support at work, in the family, or more broadly at a societal level. A holistic and inclusive parental benefits framework which includes all parents (men and women), and all working individuals irrespective of type of employment (formal, informal, part time), is required to bridge the gap between childcare responsibilities and employment for women. The design and implementation of such benefits in developing economies must be cognizant to the trade-offs arising from source of financing (payroll or general revenue); and extent of cost-sharing. This study examines the laws, policies and schemes governing parental benefits in Nepal to outline de-jure coverage. It then presents the results of a survey with 1000 workers in urban Nepal that identify de-facto coverage of these benefits and enquires about labor market choices of mothers and fathers. Four key messages emerge. First, the formal sector workforce, which is less than 10 percent of the employed in Nepal has legislated coverage of the key parental benefits, but suffers from gaps in awareness, and compliance. Second, workers in the informal sector currently lack parental benefits, 28 percent of whom have to borrow money around childbirth while others stop work, reduce hours or dip into savings. Third, there is a willingness to contribute among informal sector workers, to the recently launched social insurance scheme that includes maternity benefits. Finally, women in Nepal are more likely to shift in and out of employment based on childbirth and childrearing constraints, while men are less likely to use childcare as a factor in work decisions, signaling the need for policies to be complemented with a sustainable social norm change.

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## Introduction

### I. Country context and motivation

**Nepal has a large, young working age population with a sizeable proportion of women under the age of 44 years.** Nepal has a working age population of 20.7 million people. Most of them, 13.3 million, reside in urban areas. There are more females than males in the working-age population. More than 40 percent of the working age is 15–34 years old, reflecting the large youth workforce in Nepal.<sup>2</sup>

**Formal employment is extremely rare, and men are thrice as likely as women to be in the formal sector.** The labor force participation rate (LFPR) in Nepal was 77 percent in 2018<sup>3</sup> but when subsistence work<sup>4</sup> is excluded, the LFPR falls to 38.5 percent. Female LFPR stands at 26 percent relative to 54 percent for males. The broader South Asia region is marked by low female LFPR and Nepal is no exception.<sup>5</sup> Women are disproportionately represented in the unpaid and subsistence sectors in Nepal. While formal employment is rare, men are thrice as likely to be in a formal sector than women: 12 percent men held formal jobs compared to 4 percent women.<sup>6</sup>

**Women earn less than men on average and the wage gap is larger for women in informal sector and for women with children.** Globally, women in the labor force are half as likely as men to have a full-time wage job, their jobs tend to be more vulnerable, and they earn 77 cents for every dollar<sup>7</sup> men earn. Similarly, there exists a wage gap in Nepal with women earning on average 26 percent lower than men. Wage gaps are larger in private sectors than in the public sector. Having a formal job results in stronger pay for women: formally employed women earn 56 percent more than an otherwise equal woman in informal work. For men, this “formality premium” is half of that of women, indicating that women may be more severely underpaid in the informal sector than men.<sup>8</sup> Women with children face greater constraints in balancing paid work and family responsibilities resulting in the ‘motherhood penalty’ on wages. In sub-Saharan Africa and South Asia, the gender pay gap is 31 per cent and 35 per cent, respectively, for women with children, compared to 4 per cent and 14 per cent for women without children.<sup>9</sup>

**In a labor market which is predominantly informal and lacks workplace protection or social insurance coverage, women are especially disadvantaged.** According to a UN Women report,

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<sup>2</sup> Nepal Labor Force Survey 2017-2018. 2019.

<sup>3</sup> Nepal Jobs Diagnostic. 2020.

<sup>4</sup> Subsistence work refers to activities which do not generate any payment or profit and more than half of Nepal’s labor force engages in subsistence work.

<sup>5</sup> As per 2023, female LFPR in South Asia was 32% against male LFPR of 77%. World Bank Gender Data Portal. <https://genderdata.worldbank.org/en/regions/south-asia>

<sup>6</sup> World Bank. Nepal Jobs Diagnostic. 2020.

<sup>7</sup> <https://interactive.unwomen.org/multimedia/infographic/changingworldofwork/en/index.html>

<sup>8</sup> World Bank. Nepal Jobs Diagnostic. 2020.

<sup>9</sup> <https://interactive.unwomen.org/multimedia/infographic/changingworldofwork/en/index.html>

restrictive labor market policies such as ‘inflexible working hours and limited parental leave can impede women’s mobility in the workforce and force them into part-time employment.’ Furthermore, the prevalence of subsistence, unpaid, and informal work means that most of Nepal’s workers are not covered by the workplace protections outlined in the Labor Act, such as safety at the workplace, paid leave and overtime pay, and minimum wages, which is legally mandated for workers in formal employment.<sup>10</sup> Individuals and households in subsistence or informal employment must therefore rely on personal savings to manage shocks through the life cycle, including health, job loss, sickness, maternity, and old age or make decisions with long term welfare and wellbeing consequences for women, families and societies (e.g. women in the household foregoing paid work to take care of children and elderly). Female workers are over represented in the informal sector and are thus less likely to be protected by Labor Laws.

**Globally, the family situation does not impact men's labor force participation rate but significantly affects women's, the same being true for the South Asia region.**<sup>11</sup> An ILO study of 84 countries finds that among adults aged 25 to 54 years old, men’s LFP stays between 90 to 97 percent regardless of whether they are living alone, with a partner, or with children. However, women’s LFP varies strongly with their family situation, ranging from 82% for women living with non-relatives to a low of 45-48% for women living with partner and kids or extended family (Figure 1). Women who are single parents have an average LFPR of 69 percent, likely due to economic needs of the household. The authors of the study note, “Women give up their economic independence (mothers in families) or take on more economic responsibility (lone mothers) as household needs dictate.”<sup>12</sup> In South Asia this gap is even more pronounced. Women with partners and children have an LFPR of 28 percent compared to 98 percent for men.<sup>13</sup> These statistics necessitate a closer look at the role of policies, programs and social norms in ensuring that women feel empowered and supported to stay in the labor force even as family situation changes.

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<sup>10</sup> World Bank. Nepal Jobs Diagnostic. 2020.

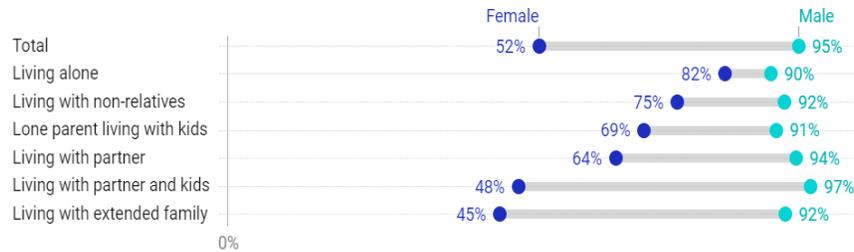
<sup>11</sup> ILO and UN Women. 2020. THE IMPACT OF MARRIAGE AND CHILDREN ON LABOUR MARKET PARTICIPATION.

<sup>12</sup> ILO and UN Women. 2020

<sup>13</sup> <https://ilostat.ilo.org/having-kids-sets-back-womens-labour-force-participation-more-so-than-getting-married/>

Figure 1: LFPR of people ages 25 to 54 by family situation

Labour force participation rate of people aged 25 to 54 by family situation



Source: ILO and UN Women. 2020.<sup>14</sup>

**Low female LFPR rates, women’s capacity to engage in the labor market, and their well-being are influenced by their caregiving responsibilities.** An ILO report on care work found that globally, 606 million working-age women in 2018 identified themselves as being unable to work due to childcare responsibilities, compared to only 41 million men, and that women perform 76 percent of total unpaid care work, 3.2 times more time than men. Women were engaged in unpaid care for an average of 4 hours and 25 minutes per day, compared to 1 hour and 23 minutes for men. Annually, this represented a total of 201 working days (on an eight-hour basis) for women compared with 63 working days for men.<sup>15</sup> In the South Asian context, such norms are especially strong compared to other regions. In Nepal, women spend 4 hours on housework whereas men spend 58 minutes<sup>16</sup>. A qualitative study in urban India found that while there are very limited entry points for women into the labor market in India, several exit points exist in the form of pregnancy, childbirth, childcare, elderly care, and lack of support at home and work. Thus, among the 27 percent of women in India who joined the workforce annually, 73 percent left their jobs upon giving birth; 48 percent dropped out within four months of returning from maternity leave, and 50 percent left their careers before the age of 30 due to childcare responsibilities.<sup>17</sup> Another quantitative study on urban India shows having a young child in the household lowered women’s employment, a trend which has worsened over time. Conversely, households with older children and women above the age of 50 years had higher women’s employment, indicating that women’s employment decisions are strongly based on childrearing

<sup>14</sup> <https://ilostat.ilo.org/blog/having-kids-sets-back-womens-labour-force-participation-more-so-than-getting-married/>

<sup>15</sup> Care work and care jobs for the future of decent work. ILO. 2018.

<sup>16</sup> <https://idl-bnc-idrc.dspacedirect.org/server/api/core/bitstreams/ff538ff6-27e3-4a3c-adae-cc61acbe588a/content>

<sup>17</sup> Genpact Center for Women’s Leadership. Ashoka University. 2018. “The Predicament of Returning Mothers.” <https://www.thequint.com/news/india/working-mothers-in-india-report-ashoka-university#read-more>, <https://bwpeople.businessworld.in/article/Predicament-of-Returning-Mothers-A-study-on-women-in-corporate-/29-04-2018-147734/>

needs and further underscoring the importance of formal childcare options which are missing from these contexts.<sup>18</sup>

**A recent study on social norms in Nepal finds that men and women hold more traditional beliefs around spousal roles in the household, and that women’s own conservative beliefs are negatively linked to their work outcomes.** A recent rigorous study on social norms and their link with women’s labor force participation in Nepal finds that, while overall social norms are not very restrictive and have a limited linkage to women’s work outcomes, norms related to gender roles within the household are less liberal. The study finds that the respondents – 2000 Nepali men and women in 4 provinces of the country – hold more traditional beliefs and expectations around gender roles in the household, with stronger beliefs that household work being under the ambit of women (female caregiver norm), and financial provision for the household being done by men (male breadwinner norm). Among women in their sample, 53 percent reported not leaving or not being willing to leave their young children with someone else to go to work, and also expected 67 percent of the people in their reference groups to hold the same behavior. The study finds that women’s own personal beliefs were stronger predictors of women’s employment outcomes, rather than social expectations; however, women’s own conservative beliefs were negatively linked to their employment outcomes.<sup>19</sup>

**While some legal and policy frameworks exist in Nepal to provide for paid parental leave and childcare, their implementation on the ground appears to remain low, underscoring unequal gender norms around parenthood responsibility.** The World Bank’s Women, Business and the Law (WBL) initiative has measured global progress toward gender equality in 190 economies by identifying the laws and regulations that restrict and incentivize women’s economic participation. The WBL 2.0 scores for Nepal reflect that while there is overall progress towards legal equality for women on various indicators, childcare is an area with the lowest scores on legal frameworks (25 out of 100) as well as supporting policy and program frameworks. Parenthood is another area where legal frameworks are moderate (score of 50 out of 100) but while maternity and paternity leave are mandated by law, benefits are not paid solely by government and dismissal of pregnant workers is not explicitly prohibited. Per the ‘de facto’ information reported by the WBL on implementation of the laws and policies on the ground, only about a third of fathers are reported as having access to paid leave on birth of a child, and no women are reported as having access to affordably and good-quality childcare.<sup>20</sup>

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<sup>18</sup> Das and Žumbytė, 2017. World Bank. “The Motherhood Penalty and Female Employment in Urban India”

<sup>19</sup> Alaref et al. 2024.

<sup>20</sup> World Bank. 2024. Women, Business and the Law Database 2.0 for Nepal. <https://wbl.worldbank.org/content/dam/documents/wbl/2024/pilot/WBL24-2-0-Nepal.pdf>

Figure 2: Women, Business and the Law 2024 Database 2.0 Scores for Nepal

**Women, Business and the Law 2024 2.0 indicator scores**

										
WBL 2.0	Safety	Mobility	Workplace	Pay	Marriage	Parenthood	Childcare	Entrepreneurship	Assets	Pension
Legal frameworks score	50.0	50.0	50.0	100.0	100.0	50.0	25.0	50.0	75.0	75.0
Supportive frameworks score	50.0	100.0	0.0	0.0	66.7	33.3	0.0	66.7	66.7	50.0
Expert opinions score	25.0	50.0	37.5	37.5	75.0	50.0	25.0	50.0	25.0	100.0

Source: Women, Business and the Law Database 2.0. Nepal Country Snapshot. 2024.

**There are intergenerational human development consequences of this gender inequality.** When roughly half of the country’s working age population faces gender inequalities there are substantial growth impacts for the country. The World Bank estimates that on average across countries, long-run GDP per capita would be almost 20% higher if gender employment gaps were closed<sup>21</sup>. The present-day gender inequities have inter-generational adverse human capital impacts. In Nepal, if a woman is doing paid work or is overburdened by both her paid work and her unpaid care work, social norms dictate that it is the older women or the eldest girl who steps in to do household work and childcare (Ghosh and Singh 2017). Older women might therefore be working for much longer than desirable, and girls have less time to study or acquire skills that would help them get well-paying jobs in the future. The reinforcement of gender stereotypes ‘from the mother to the daughter’ risks the next generation of women as suffering from the same challenges as their predecessors. This path dependency can be a detriment to the human capital transformation, countries need to achieve inclusive growth.

**Childcare and social protection have been emphasized in recent literature and policy discussions for stronger women’s LFPR and gender equality at work.** Government measures to improve access, affordability and quality of childcare has been emphasized as a policy response, both long term and in response to COVID-19. Other recommendations in childcare policy include investing in the non-family care workforce and aligning childcare services with other child-focused policy.<sup>22</sup> Employer-driven provision of childcare centers and creches to employees has also been recognized as an important source of support.<sup>23</sup> Social protection floors, including universal social protection for basic income support during childbirth and early infancy, are other aspects of the childcare response<sup>24</sup>; countries with higher public expenditure on social protection

<sup>21</sup><https://www.worldbank.org/en/topic/gender/overview#:~:text=Low%20female%20labor%20force%20participation,gender%20employment%20gaps%20were%20closed>.

<sup>22</sup> See, for example, UNICEF 2020: Childcare in a global crisis: the impact of COVID-19 on work and family life.

<sup>23</sup> See, for example, IFC. 2019. Tackling Childcare: A GUIDE FOR EMPLOYER-SUPPORTED CHILDCARE.

<sup>24</sup> UNICEF 2020: Childcare in a global crisis: the impact of COVID-19 on work and family life.

have lower gender gaps in LFP.<sup>25</sup> Evidence has found that access to childcare and early child education facilities can enable women to participate in the workforce and engage in paid work.<sup>26</sup>

**While childcare is crucial, a first step to enable gender-equitable economic participation is to implement gender-balanced parental leave policies.** A UNICEF study from 2020 states that the clearest policy solution to crisis on unequal childcare burden and low women’s LFP is “first to provide adequate and gender-balanced parental leave policies and then to improve access to organized non-family childcare, to enable both parents to balance caring and earning responsibilities more effectively and equitably.” Similarly, the IFC guidelines on employer-provided childcare facilities emphasize comprehensive and generous parental leave policies as an essential complimentary intervention to support working parents during the event of pregnancy and childbirth.<sup>27</sup>

**The lack of parental benefits for women can contribute to both drop-outs of women from employment and deterrence from joining the labor force.** Even if childcare facilities are provided at a later stage in the child’s growth, the immediate effects of having a child and discontinuing work, and not having an option to return full time or via a flexible work schedule, can be discouraging for many women in the workplace. Further, it can also act as a deterrent for women of child-bearing age from participating in the labor market.<sup>28</sup> Timely, comprehensive and inclusive parental benefits are an essential part of the support to women, families and societies towards achieving more equal societies and more prosperous economies (Figure 3). Inclusive parental benefits also have positive impacts beyond women’s labor market outcomes, as families with more involved fathers have healthier and happier fathers, and children with better development outcomes (outlined in the next section).

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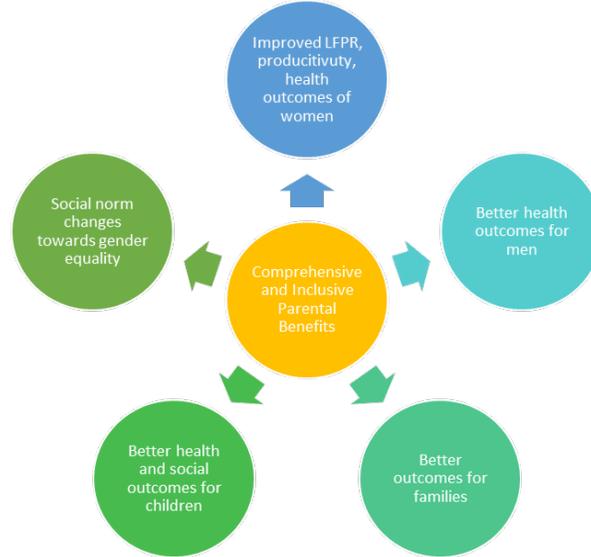
25 ILO and UN Women. 2020

26 Samman et al. 2016. ODI. Mothers, children and the global childcare crisis; ILO 2019. A quantum leap for gender equality : for a better future of work for all.

27 IFC. 2019. Tackling Childcare: A GUIDE FOR EMPLOYER-SUPPORTED CHILDCARE

28 Genpact Center for Women’s Leadership. Ashoka University. 2018. “The Predicament of Returning Mothers.”

Figure 3: Benefits of inclusive parental benefits



Source: Authors' illustration.

The rest of the paper is organized as follows. The immediately following sections of this Introduction provide a literature review on current evidence on impacts of parental benefits on women's labor market participation, and a review of international standards on parental benefits. Part 1 examines the de-jure parental benefits in Nepal for the employed populations through an analysis of Nepal's labor laws, policies and available programs. Part 2 provides results on the de-facto implementation of parental benefits informed by an in-person survey of 1000 urban workers in Nepal which we conducted. A concluding section highlights key results and provides policy and program recommendations.

## II. Literature review on impacts of parental benefits on labor market participation

**Most evidence on the labor market impacts of parental leave and benefits is focused on the global north, where parental leave is linked to increased women's employment.** The evidence base on the impact of maternity and paternity leave on women's labor market outcomes is primarily focused in the global north countries where these policies are well developed and easier to implement given their larger formal sector workforce<sup>29</sup>. Expanding parental benefits and childcare for young families has contributed to high female LFPR in OECD countries. Between 2000 and 2015, females' LFPR converged to the male LFPR in select OECD economies. A significant explanatory factor was the expansion of benefits for young families through parental policies like guaranteed paid leave, childcare, early childhood education.<sup>30</sup> Another study on 30

<sup>29</sup> Maternity insurance benefits during the leave period are historically financed via payroll contributions with benefits linked to reported earnings. This requires a traditional employer-employee relationship; hence these benefits usually apply only to workers in 'formal sector'.

<sup>30</sup> Cascio et.al, 2015.

OECD countries found that, government-funded paid parental leave had a positive effect on women's workforce participation, as long as the leave was not more than two years.<sup>31</sup> Reserving some parental leave for 'fathers only' increased take up of the Quebec Parental Insurance Plan by fathers and improved women's employment in Canada. Fathers' participation in the plan increased by 250 percent, driven by higher benefits and the framing effect of labeling some parental leave weeks as "daddy only." Three years later, mothers spent more time in paid work, in the physical workplace, and were more likely to be full-time employed compared to women who were not exposed to the plan.<sup>32</sup>

**Parental benefits, especially paternity leave, also improve a host of other socio-economic outcomes as per evidence from advanced economies.** Evidence from a 2001 paternity leave reform in Iceland showed that the policy also reduced the earnings gap between couples.<sup>33</sup> Evidence from Denmark also shows that paternity benefit policies reduced the within-household gender wage gap (the motherhood penalty).<sup>34</sup> Increased involvement of men during pregnancy can positively affect the physical and mental health of the mother according to a USA study.<sup>35</sup> Paternity leave was associated with lower mortality for fathers in Sweden.<sup>36</sup> A meta review found that father's involvement with the child promotes children's physical health and social skills.<sup>37</sup> In South Korea, paid paternity leave was associated with increased job satisfaction and life satisfaction among fathers.<sup>38</sup>

**Mandating maternity leave increased women's employment in developing countries.** Firm-level data from 111 developing and emerging economies shows that offering maternity leave is strongly positively linked to female employment.<sup>39</sup> Theoretically, more maternity leave increases the cost of hiring women for firms, thereby discouraging female employment, but also encourages more women to participate in the labor market, thus increasing female employment. The study finds that the latter effect dominates, and maternity leave increased female employment in developing country firms. The positive link with women's employment was especially pronounced if the maternity leave is funded by the government rather than the employer, and in countries with a larger proportion of women of childbearing age. Women with

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<sup>31</sup> Thévenon and Solaz, 2013. Labour Market Effects of Parental Leave Policies in OECD Countries.

<sup>32</sup> Patnaik, 2019.

<sup>33</sup> Steingrimsdottir & Vardardottir, 2014.

<sup>34</sup> Anderson, 2018. [Paternity Leave and the Motherhood Penalty: New Causal Evidence](#)

<sup>35</sup> Kroelinger & Oths, 2000.

<sup>36</sup> Mansdotter et al, 2007.

<sup>37</sup> Sarkadi et al., 2008

<sup>38</sup> Kramer et al, 2019. The positive spillover and crossover of paternity leave use: A dyadic longitudinal analysis. *Journal of Vocational Behavior*.

<sup>39</sup> Amin and Islam, 2022.

lower skills and wages were benefitted more by the maternity leave policy, indicating that it has progressive distributional impacts.

**In developing countries and South Asia in particular, there is a growing gap between maternity and paternity leave which is linked negatively to women’s labor market participation.** Firm-level data from 53 developing countries shows that mandated paternity benefits not only impacted but in fact increased women’s employment rates.<sup>40</sup> Mandating paternity benefits while a first step is not sufficient. The gap between days for maternity and paternity leave also matters for women’s labor market outcomes. A study of parental leave policy over 50 years in 190 countries<sup>41</sup> finds that the gap in parental leave offered to mothers and fathers has grown over the last 5 decades, especially in developing countries.<sup>42</sup> Although a similar number of economies provide both maternity leave (118 countries) and paternity leave (117 countries), the length of leave differs drastically, with an average of 192.8 days for mothers and just 22.5 days for fathers<sup>43</sup>. This gap is being driven by increasing amounts of leave granted to mothers upon birth of a child, across all regions while the amount of leave granted to fathers is low and has stagnated. Thus, there exist large and growing gaps in the amount of leave given to mothers and fathers in non-OECD countries. Depending on the context, this can reinforce unequal gender norms around unpaid care work and employment – with women trading off the latter in favor of the former in many regions. As the gap grows, hiring women would yet again become ‘costlier’ to the firm. The data shows that in countries with larger gaps between maternity and paternity leave, there is lower women’s participation in labor markets. Thus, increasing maternity leave would have a limited impact in enhancing women’s LFP if paternity leave remains low and stagnated, creating a larger gap between maternity and paternity leave – especially if such leaves are funded by employers. A regional disaggregation shows that this negative relationship in the data is driven by countries in South Asia, East Asia and Pacific, and Sub-Saharan Africa. Among all regions, the leave gap and women’s participation in labor markets is most negatively correlated in South Asia.

**A gender-balanced approach to parental leave is important to enable women’s labor market participation in developing countries.** The firm level studies shows that both maternity and paternity leave increase women’s LFP at the firm level.<sup>44</sup> The country level study of 190 countries across 50 years finds that large gaps between the amount of maternity and paternity leave are linked to lower female employment, as is greater amounts of maternity leave itself.<sup>45</sup> One

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<sup>40</sup> Amin et al., 2016.

<sup>41</sup> Hyland and Shen, 2022. Women, Business and the Law unit, World Bank.

<sup>42</sup> Hyland and Shen, 2022. Women, Business and the Law unit, World Bank.

<sup>43</sup> <https://openknowledge.worldbank.org/server/api/core/bitstreams/6785737d-b8f7-45d0-a0bd-b54825495d1a/content>

<sup>44</sup> Amin et al 2016 and Amin and Islam 2022.

<sup>45</sup> Hyland and Shen, 2022. Women, Business and the Law unit, World Bank.

important difference among these approaches is that the country-level studies use aggregate labor market estimates, while the firm-level data is able to separate out the trends in the formal sectors, which is important in the developing country context as the informal sector is large and not subject to parental benefits.<sup>46</sup> Another study on maternity leave policy in 121 low and middle income economies finds that there was no impact on women's labor force participation.<sup>47</sup> Despite the mixed results, in part attributable to the differences in labor composition amongst economies and how these benefits are financed, the evidence underscores that a gender-balanced approach to parental leave is important to enable women's labor market participation, and merely increasing the length of maternity leave may not be sufficient.

### **III. Review of international standards on parental benefits and where we stand globally**

**The ILO's Maternity Protection Convention, 2000 (Convention 183) lays out the minimum maternity leave standards.** The convention requires states who ratify to provide 14 weeks of maternity leave, with cash benefits to enable mothers to support themselves and their children, at a rate of at least two thirds of her earnings prior to the leave. Further, pregnant or nursing mothers should not be obliged by their employers to undertake work that is harmful for her or the child's health. Mothers returning to work should have a right to daily breaks for breastfeeding. Finally, the convention provides protection against discrimination on the basis of maternity, prohibits employers from terminating employment during pregnancy or maternity leave on the grounds of pregnancy, childbirth, nursing or other related grounds, and requires that women return to work on the same or equivalent position and pay.<sup>48</sup> While 14 weeks of leave is the minimum requirement, the ILO recommends increasing the leave to 18 weeks for adequate time for rest and recovery for mothers. Similarly, while leave replacement pay is mandated at a minimum of two thirds of regular pay, the ILO recommends increasing it to 100 percent where possible. Further, the ILO standards stipulate that maternity leave is a public good, and that individual employers not be held liable to fund the maternity leave. Rather, the cash benefits should be funded by mandatory social insurance, public funds, and social assistance in the case of women who do not have access to formal social insurance.<sup>49</sup>

**While the ILO Convention 183 outlines a comprehensive floor of key maternity protections, it does not offer any standards on protections and benefits for fathers.** The convention does not provide for any paternity leave or benefits, nor are there other conventions dedicated to paternity or gender-neutral parental leave. This results in exclusion of fathers from their entitlements to and responsibility for home care and baby bonding. It also reinforces unequal gender roles where infant care is left solely in the ambit of mothers. Depending on how leave

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<sup>46</sup> Amin and Islam, 2022.

<sup>47</sup> Fallon, Mazar and Swiss, 2017. The Development Benefits of Maternity Leave. World Development.

<sup>48</sup> ILO, 2000. C183 – Maternity Protection Convention, 2000 (No. 183).

<sup>49</sup> ILO, 2022. Care at Work: Investing in Care Leave Policies and Care Services for a More Gender-Equal World of Work

benefits are financed (through payroll contributions levied on all employees or female employees only) and how the work commitments are handled during the time the mother is on leave, there can also be inequities which male employees are subject to. More broadly, same-sex couples or single parents or adoptive parents might be excluded entirely. Therefore, the lack of paternity leave and/or gender-neutral parental benefits prevents men from claiming entitlements to time off, receiving paid benefits and parental protections, and places the burden of infant care and the need to trade-off between home care and employment, to women. Though missing from the conventions, the ILO recognizes the importance of paternity leave. The ILO resolution on the second recurrent discussion on social protection (social security, ILO 2021e) asks members to support income security during maternity, paternity, and parental leave, as a component of gender-responsive social protection systems. Further, the ILO states in its annual legal survey of countries' parental policies 2022 that "paternity leave is key to enabling men's care rights and responsibilities".<sup>50</sup>

**Further, the application of the Convention to those in non-standard employment (e.g., workers in informal economy, self-employed) is limited legally and in practice.** While Convention 183 states that it is intended for all working women, including those in "atypical" forms of work, it also states that members can exclude sections of workers if applying the law to them would raise substantial challenges.<sup>51</sup> Moreover, in practice, it is nearly impossible to apply and monitor the leave and income replacement standards for informally employed women, who often lack labor contracts, can have multiple employers, and do not report their income for social security or tax purposes. This challenge manifests itself in the data. In a survey using data as of 2021, the ILO reported that while 120 countries provided at least 14 weeks of maternity leave, only 81 provided mandatory coverage for self-employed women. Thus, 496 million self-employed women were in countries without adequate maternity benefits.<sup>52</sup>

**The 2023 global average Women, Business and the Law score was 77.1 out of 100 with the Parenthood indicator being the lowest suggesting an urgent need to close this gap.** Out of the ten indicators (as of 2023) in the WBL against which progress by countries is tracked since 1970s, the Parenthood indicator examines laws affecting women's work after having children. The global average WBL score of 77.1 out of 100 suggests that a typical woman has just over three-quarters of the rights of men in the ten areas measured by the WBL. The average score of the Parenthood indicator was 58.1 in 2023, lowest out of all ten indicators<sup>53</sup>. Specifically, for South Asia the parenthood indicator was even lower (30). The picture on the ground is likely to be more sobering, because the laws mandating maternity, paternity leave, length of leave, shared days

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<sup>50</sup> ILO, 2022. Care at Work: Investing in Care Leave Policies and Care Services for a More Gender-Equal World of Work

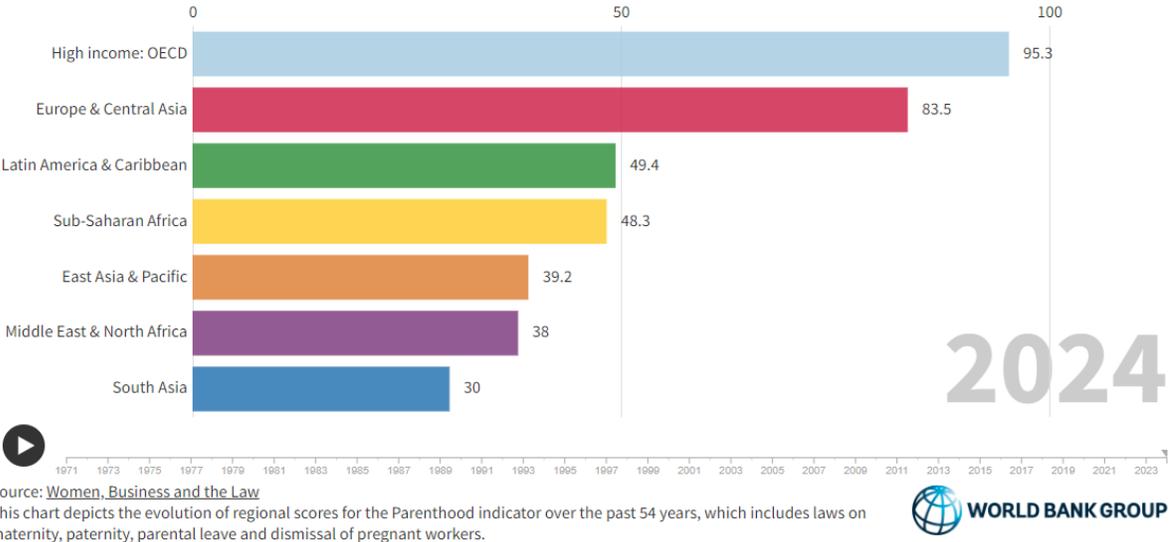
<sup>51</sup> ILO, 2000. C183 – Maternity Protection Convention, 2000 (No. 183).

<sup>52</sup> ILO, 2022. Care at Work: Investing in Care Leave Policies and Care Services for a More Gender-Equal World of Work

<sup>53</sup> [https://wbl.worldbank.org/en/data/exploretopics/wbl\\_hc](https://wbl.worldbank.org/en/data/exploretopics/wbl_hc)

etc. are in practice only applicable to women with formal labor contracts which is a small share of women workers in low- and middle-income contexts. Even within the small share of workers in the formal sector workers, the differences in de-jure and de-facto coverage can vary depending on the ability of the government to enforce the law, financing challenges if benefits are covered by the firm, grievance redressal mechanism if an individual is wrongfully terminated, and societal norms which might prevent individuals (especially men) from taking the legislated time off.

*Figure 4: South Asia has the lowest value of Women Business & Law Parenthood indicator across all regions.*



Source: [https://wbl.worldbank.org/en/data/exploretopics/wbl\\_hc](https://wbl.worldbank.org/en/data/exploretopics/wbl_hc)

**Progress has been made in the last few decades but parental benefit protection for formal sector needs to be strengthened and innovative approaches needed to cover those in the informal economy.** Among 193 countries tracked from 1995 to 2002<sup>54</sup> about 96 percent of the countries currently provide paid maternity leave, while only 56 percent provide paid paternity leave. The number of paid leave days granted to mothers increased substantially between 1970 and 2022 in all regions—and today, 118 economies guarantee the International Labor

<sup>54</sup> Earle et al, 2023. Progress towards gender equality in paid parental leave: analysis of legislation in 193 countries from 1995–2022.

Organization (ILO) standard of 14 weeks of paid maternity. The share of countries globally providing parental leave has increased 4 times from 13 percent in 1995 to 56 percent in 2022 but there are large gaps in encouraging and enabling gender-balanced sharing of home and care work and paid employment work. Besides the urgency of enacting gender-neutral laws to meet the SDG commitments to end gender discrimination by 2030, data on parental benefit coverage (as % of labor force) needs to be tracked and approaches to cover all employed workers need to be discussed. This requires recognizing the diverse and fluid world of work, understanding the unmet needs of those in the informal economy, and considering alternate design, implementation, and financing strategies, to protect all.

#### **IV. Contributions of this study to the literature and policy discussion**

**This paper assesses awareness and use of maternity protections for women in Nepal’s labor market, using ILO’s Convention 183 as a benchmark, but expanding it to also look at paternity benefits among men in formal sector and benefits for parents in the informal sector.** Building on international standards set by ILO Convention 183 on maternity protection, the paper analyzes the legal coverage of parental benefits across 6 dimensions: parental leave policies to assist with newborn care, income replacement during parental leave, medical benefits, workplace protections for pregnant people and new parents, non-discrimination for return to work after childbirth, and childcare provisions to enable a return to work, for both fathers and mothers, in formal and informal sectors<sup>55</sup>. The attempt by this paper to understand the coverage, legal protection, and perception around parental benefits among workers in the informal sector is especially relevant given the predominance of informal employment in Nepal. The survey aims to document the prevailing practices around parental benefits among employed workers in urban Nepal, in the hope that future work will further expand on the findings to inform changes to legislation, scheme design, and societal norms needed to achieve desired outcomes for parents irrespective of type of employment.

**Studies have documented whether laws that guarantee the basic parental protections exist in developing countries<sup>56</sup>, but data on take-up remains limited as the legislated benefits are often provided and wholly or partially financed by the firm.** This limits the ability to assess the effectiveness of the law, or comment on benefits available to those in informal sector. This study attempts to fill this knowledge gap by focusing on a country, Nepal, that has a significant share

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<sup>55</sup> The Guidance note for analyzing Parental Benefits, World Bank (forthcoming) lists the areas under maternity protection per the ILO Convention 183 and also includes the adaptation being proposed by the authors of this note, to enable a more holistic and inclusive definition of parental benefits e.g., instead of maternity leave we suggest assessing parental leave policies to assist with newborn care, which would allow researchers to comment on benefits available to men and women; and to those in formal and informal employment.

<sup>56</sup> See for example, ILO 2022: Care at work: Investing in care leave and services for a more gender equal world of work; World Bank 2023: Women, Business and the Law Report.

of workers in informal sector, and a relatively new<sup>57</sup> social security institution (SSF) tasked to administer maternity benefits, besides other social insurance schemes<sup>58</sup>. The objective of this study is to understand the awareness, take-up, and implementation of policy and programs that provide some form of parental benefit to workers. Relatedly, the study also inquires about the willingness to contribute for such benefits, factors and norms which drive women to stay, leave, or re-enter workforce on becoming a mother, and societal/spousal support available to working women after childbirth. This study uses desk research and a quantitative survey of 1000 formal and informal employees in Nepal to answer the following key questions:

- What is the awareness (among non-parents) and take-up (among parents) of legislated parental benefits, among workers in the formal sector?
- What state provided benefits exist for parents in the informal sector? What coping measures do these workers use in the absence of comprehensive parental benefits?
- What is the 'willingness to pay' and desire to participate in a voluntary maternity insurance scheme?
- What impact does childbirth have on labor market choices of individuals? What challenges/opportunities appear at the workplace after childbirth?
- What are the individual perceptions on the impact of childbirth on employment prospects? What are the individual perceptions on the role of the state in providing parental benefits?

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<sup>57</sup> The SSF was established in 2011 and the contributory social security scheme for workers including maternity benefits was introduced in 2019.

<sup>58</sup> <https://www.ssf.gov.np/pages/introduction>

## Part 1: De-jure parental benefits in Nepal for the employed population

**Nepal has not ratified the ILO Convention 183 but Nepal’s labor law meets most standards set out by the convention with the important exception of financing arrangements.** The standards provided to workers according to Nepal’s current labor law are outlined below and meet most of the ILO Convention 183 standards on the protections to be offered to workers. However, the Nepali law mandates that of the total 98 days of legislated paid maternity leave, the cost for the first 60 days be borne by employers, while the remaining 38 days be borne by the contributory state-funded social insurance. Here, the law differs from Convention 183 which states that the maternity benefit should be funded fully by the state as parental leave is a public good. The national social insurance agency which administers the maternity benefits is the Social Security Fund (SSF). It finances the legislated benefits by collecting contributions from employers/employees in case of the mandatory scheme and from individuals in case of voluntary scheme<sup>59</sup>. The details of the SSF’s maternity protections schemes for both formal and informal workers is outlined in Appendix 1.

*Table 1 De Jure Parental Benefits for Employees in Nepal.:*

<b>Benefit</b>	<b>Current law and policy</b>
Parental leave to share newborn care responsibilities	The labor law in Nepal offers 98 days of maternity leave and 15 days of paternity leave.
Cash benefits for loss in income during the parental leave period	60 days of maternity leave are to be covered at full base salary by employers. The remaining 38 days to be covered at partial base salary by the state’s social insurance for formal workers who are enrolled and contributing to the social insurance scheme.  In practice, for workers in informal employment, all 98 days are to be covered by a newly launched contributory social insurance scheme for informal and self-employed workers. The income replacement is set as a partial percentage of the minimum wage.
Medical benefits for pregnancy and childbirth costs	The social insurance scheme provides medical coverage for prenatal visits, childbirth expenses and infant care, as well as a one-time child allowance cash benefit per child.

<sup>59</sup> The SSF uses contributions to pay benefits, and invests reserves (for periods when contributions > benefits paid) or relies on the Treasury to finance deficits (when contributions < benefits paid).

	Social insurance schemes for both formal and informal workers mention these benefits.
Breastfeeding and other family-friendly provisions at the place of work	Workplaces are required to make breastfeeding arrangements during office hours for up to two years after the birth of the child of a female employee.  Employers are obliged to engage pregnant employees in work that does not lead to adverse effects on their health.  Employers are required to provide for an additional 30-minute rest per day to new mothers within regular working hours.
Non-discrimination at the place of work	The labor act provides the right to remedy to workers facing discrimination. However, there are no provisions specifically prohibiting the dismissal of pregnant workers.
Affordable childcare to facilitate return to work	The labor law stipulates that workplaces with more than 50 women should provide for childcare rooms or centers.

Source: Nepal Labor Act 2017, Nepal Labor Rules 2018, Women, Business and the Law 2024, Nepal Social Security Fund.

**Section 1: Parental leave to share newborn care responsibilities**

**The labor law in Nepal offers 98 days of maternity leave for female workers, in keeping with international standards.** Nepal’s labor law, outlined in the Labor Act 2017 and the Labor Rules 2018, sets the standards for parental leave in the country. The Act defines labor as “a worker or employee with any job title who performs physical or intellectual work for the employer”<sup>60</sup>. The law offers women working in “any governmental, non- governmental or private organization or institution” the right to maternity leave with pay for 98 days. This is in keeping with the ILO Convention 183 which stipulates 14 weeks of paid maternity leave. New parents in Nepal are entitled to being paid during these leave days, an important feature, also in line with ILO Convention.

<sup>60</sup> Government of Nepal. “The Labor Act, 2017”.

**For formal workers, 60 days of maternity leave are paid directly by employers, the remaining 38 days are covered through the contributory social security system.** Formal workers are mandated to contribute to social security with 1% of the total 31% of wages towards social security going towards medical treatment, health and the maternity protection scheme (see Appendix 1). As per the Labor Act 2017, 60 days' pay is to be covered by the employer at the full (100%) base salary, and 38 days are covered by the government's social security fund at 60 percent of the base salary. The 98 days can be used before or after the birth of the child, with the restriction that at least 2 weeks should be used before birth and at least 6 weeks after birth. In addition, women have the right to additional leave without pay, for up to 1 year, if medically recommended by a doctor.<sup>61</sup>

**Men are offered 15 days of paid paternity leave.** Men working in a governmental, non-governmental or private organization or institution, whose wife is going to deliver a baby, have a right to 'paid maternity care' or 'obstetric care' leave with pay for 15 days before or after the delivery.<sup>62</sup> The 15 days are to be covered at full base salary by the employer. If the mother dies within 60 days of the birth, the father is entitled to paid paternity leave for the remainder of the 60-day period, with approval from the employer<sup>63</sup>. While de-jure leave is offered to men, incentives are not in place to encourage fathers to take paternity leave on the birth of a child, and according to the WBL, in practice only about 36 percent of men have access to paid leave at the birth of a child.<sup>64</sup>

**Female workers in the informal sector will be covered for 98 days at 60 percent of the minimum basic salary, under a recently launched social security scheme tailored for informal and self-employed workers.** The Social Security Fund (SSF) under the Ministry of Labour, Employment and Social Services (MoLESS) administers the Medical Treatment, Health, and Maternity Protection Scheme to all workers. While the scheme currently focuses on formally employed workers, the government recently introduced another scheme for informal and self-employed workers, that began implementation in August 2023.<sup>65</sup> With the implementation of this scheme, workers who are informally employed or self-employed can contribute voluntarily by paying 20.37% of the minimum basic salary<sup>66</sup> annually and be covered for a package of social insurance

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<sup>61</sup> Government of Nepal. "The Right to Safe Motherhood and Reproductive Health Act-2018". Section 13.

<sup>62</sup> The Right to Safe Motherhood and Reproductive Health Act-2018, Section 13.

<sup>63</sup> The Labor Act-2017, Section 45 (6).

<sup>64</sup> World Bank, 2024. Women, Business and the Law 2.0 Database. Nepal Snapshot.

<sup>65</sup> <https://nepalnews.com/s/nation/workers-in-informal-sector-self-employed-to-be-covered-by-social-security-scheme>, <https://myrepublica.nagariknetwork.com/news/govt-preparing-to-bring-informal-sector-workers-under-social-security-scheme/>, <https://kathmandupost.com/money/2023/08/17/coverage-extended-to-informal-workers-and-self-employed>

<sup>66</sup> The minimum basic salary for the informal and self-employed scheme is Rs 9,385 (~USD 70) as per the Social Security Fund's official calculation, as of 2023 In line with international experience, the minimum basic salary would grow over time.

benefits, of which maternity is one (See Appendix 1 for details). Under the voluntary scheme SSF will provide 98 days of “leave” to women contributors at 60 percent of the minimum basic salary to the worker.

**In practice, women are able to access 60 days of leave from employers, but take-up of the social security fund remains low.** For formal workers, the additional 38 days of coverage at 60% income replacement is only available if they are enrolled and actively contributing to social security by paying 31% of payroll. Much of these contributions (28.33%) goes towards pensions, a long-term benefit. The total contribution rate (11 percent of base salary by employees and 20 percent by employers) in Nepal is the highest among schemes in the South Asia region and even higher than rates in some European economies. This can pose significant affordability concerns for formal sector employers<sup>67</sup> and many may choose to not contribute to social security at all. Since maternity benefits is part of the overall package of social security benefits, non-compliance to social security, results in individuals losing both short term and long-term coverage. Consultations with stakeholders indicate that while a majority of formal employers provide the 60 days’ of maternity leave to their employees,<sup>68</sup> the low take-up of Social Security Fund enrolment results in many not receiving coverage for the 38 additional days of leave. At the time of writing, the SSF has 390,288 contributors (employees) enrolled in the social security schemes<sup>69</sup> – roughly 33 percent of the formally employed labor force.

**The question of affordability of social security contributions and lack of monitoring mechanisms is likely to limit the de-facto coverage of parental benefits among formal sector workers.** The social security contributions can be a ‘tax on formality’ and when combined with income taxes, cess, or other taxes which salaried individuals need to pay, it could significantly reduce their take-home salary. Since much of the contributions of the 31% in social security goes towards old age pensions, a long-term benefit, the salience of social security coverage might be low for young individuals who prefer liquidity in the short run. The SSF being a new institution can also raise implementation concerns and trust issues in the minds of formal sector workers around how the funds will be managed. A more prudent approach would be to start with lower contribution rates and slowly increase them over time (e.g., BPJS in Indonesia started collecting contributions in 2015 under the Jaminan Penum scheme with 3% of payroll and going up to 8% for their Defined Benefit pensions)<sup>70</sup> as the economy grows and implementation/governance capacity improves. Alternatively, coverage could first be provided for the more salient short-term benefits, and as take-up improves the additional contributions for pensions could be introduced. Actuarial analysis of the SSF is also needed to ascertain the sustainability of the scheme under

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<sup>67</sup> Note that income taxes are over and above the contributions for social security.

<sup>68</sup> See the list of stakeholders with whom consultations were done in Appendix 3.

<sup>69</sup> Social Security Fund website, accessed February 2023.

<sup>70</sup> <https://openknowledge.worldbank.org/entities/publication/1829cc65-c456-53c1-923a-46ce799fe59f>

different coverage scenarios. Early stages of scheme implementation also need to be accompanied by awareness campaigns, and consensus building among trade-unions, firms, industrial houses etc., who hire salaried workers and are mandated to pay the social security contributions, thereby increasing their cost of hiring these workers.

## **Section 2: Cash benefits for loss in income during the parental leave period**

**Income during parental leave is provided through two main channels: the Social Security Fund's maternity scheme, and paid leave covered by employers, as follows:**

- Women working in the formal sector are provided 60 days' leave at full base salary by the employer, and 38 days at 60 percent of the base salary by the SSF.
- Women working in the informal sector (as informal workers or self-employed) who contribute to the voluntary scheme of SSF (launched in August 2023) will be offered 60 percent of the minimum basic salary for 98 days.
- Men in the formal sector are covered at full base salary for the 15 days of maternity care leave, to be covered by employers.

**The income replacement offered during the leave period compares favorably to the ILO Convention 183 on maternity protection**, which stipulates that cash benefits should be at minimum two thirds of the women's previous earnings.<sup>71</sup> However, the ILO Convention 183 states that to protect women in the labor market, no individual employer should be liable to pay for maternity benefits unless agreed upon at the national level between government and representative organizations for employers and workers. This is not the case in Nepal as paying salaries for the first 60 days (for women) and 15 days (for men) lies solely with the employer. The Women, Business and the Law Database 2.0 from the World Bank also notes that benefits are not financed fully by the government which reduces the WBL score of the country's legal coverage on parenthood.<sup>72</sup> During the leave period, employers might also need to incur additional costs of hiring temporary workers. Overall, the higher leave days for women relative to men could give rise to implicit preferences among firms to limit hiring of women of childbearing age or offer them part time contracts.

**The SSF provides 60% of minimum basic salary for the full 98 days for women contributing voluntarily.** This aligns well with ILO standards but since maternity benefits in the voluntary scheme are also part of an overall package of other social security benefits, affordability could be a concern. Experience suggests that awareness campaigns, trust, and clear communication is even more important in case of increasing take-up of voluntary schemes (Guyen et.al, 2022).

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<sup>71</sup> International Labor Organization. "Convention 183 - Maternity Protection Convention, 2000", Article 6.

<sup>72</sup> World Bank, 2024. Women, Business and the Law 2.0 Database. Nepal Snapshot.

Currently, the voluntary scheme only provides maternity benefit, but it could expand to include parental benefits, making it attractive also for the males working in the informal economy.

**Maternity benefits provided by the SSF are currently financed through contributions collected.**

The contributions towards the health and maternity scheme for formal sector workers is 1% of their base salary (0.34% by the employee, and 0.66% by employer) but as noted earlier it is part of the overall 31% of contributions towards social security collected by SSF. For workers in the informal sector the contribution towards medical treatment, health and maternity protection, accident and disability protection, and dependent family protection scheme are 10.37% (of the total 20.37% of minimum basic salary as contributions). Further, the benefits under SSF are provided conditional to having contributed to the scheme at least 3 months in the last 12 months for the formal sector and 9 months in the last 12 months for the informal/self-employed workers. It is recommended to carry out an actuarial analysis to understand the financing gap<sup>73</sup> for the benefits guaranteed by SSF to the formal and informal sector workers. If the financing gap is positive, it means the contributions collected are in excess of what is offered in benefits to these workers and if the gap is negative, it would imply that the SSF will need to increase contributions rate in the future, reduce benefits or request the Treasury to finance deficits. The SSF financed maternity benefits are paid directly to the bank account of the policyholder.

**Section 3: Medical benefits for pregnancy and childbirth costs**

**The SSF offers child allowances, hospital expenses and out of hospital care coverage.** In addition to leave allowances mentioned in the previous section, the Social Security Fund's maternity scheme provides the following medical benefits for pregnancy and childbirth related costs for formally employed workers:

- 1 month of nationally determined minimum salary paid as child allowance – per child. This is paid at a flat rate of Rs 15,000 per month regardless of actual salaries of the contributor. Both mothers and fathers are eligible for this benefit. This amount is also provided in the case of miscarriage<sup>74</sup> or stillbirths.
- Up to Rs 1 lakh per year in hospital fees and doctor visits, including antenatal care, delivery, infant treatment, with 20% copayment from the contributor. Both female contributors and wives of male contributors are eligible for this benefit.
- Up to Rs 25,000 per annum for out-of-hospital care. Both female contributors and wives of male contributors are eligible for this benefit.

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<sup>73</sup> The financing gap can change over time and is influenced by number of contributors to the scheme, demographics of the scheme, investment returns earned on accumulated contributions, benefit formula changes etc, so it is recommended that the actuarial analysis be carried out every 2-3 years.

<sup>74</sup> If the pregnancy lasted more than 24 weeks.

**For informal and self-employed workers, the scheme launched in August 2023<sup>75</sup> stipulates the following medical benefits:**

- 1 month of child allowance per child, paid at a flat rate equal to the minimum basic salary set by the government.<sup>76</sup> Both mothers and fathers are eligible for this benefit. This amount is also provided in the case of miscarriage<sup>77</sup> or stillbirths.
- Up to Rs 1 lakh per year in hospital fees and doctor visits, including antenatal care, delivery, infant treatment, with 20% copayment from the contributor. Both female contributors and wives of male contributors are eligible for this benefit.
- Up to Rs 25,000 per annum for out-of-hospital care. Both female contributors and wives of male contributors are eligible for this benefit.

**Besides the benefits available to contributors in SSF there also exists a non-contributory poverty targeted program by the Ministry of Health and Population.** The Safe Motherhood Program targets poor and under-served populations with conditional cash benefits to promote maternal and neonatal health. The program's target beneficiaries are vulnerable women who get antenatal or post-natal care from a public health institution with birthing facility.<sup>78</sup> This includes a lump sum cash incentive of Nepali Rupees 400 (USD 3) to complete four ante-natal care visits, transport incentives to travel to birthing facilities for delivery, and coverage of sick newborn care at the facilities which amount in value to NPR 8000 and is fully covered by Safe Motherhood Program. Finally, government health institutions<sup>79</sup> and health institutions receiving grants from government are required to provide reproductive health services for free. This includes four antenatal health check-ups, consultations and treatment for complications, health care counseling, and safety measures to be adopted during pregnancy. The utilization and quality of these services are outside the scope of this study's review but important to consider, to understand the affordability and access of medical benefits before, during and after childbirth that is available for the vast majority who are not eligible for benefits from the SSF. Private, non-governmental and community health institutions charge fees for providing reproductive health services, but in theory are required to make the service accessible for individuals unable to pay the charges.

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<sup>75</sup> <https://kathmandupost.com/money/2023/08/17/coverage-extended-to-informal-workers-and-self-employed>

<sup>76</sup> At the time of writing, this minimum basic salary is Rs 9,385 per month.

<sup>77</sup> If the pregnancy lasted more than 24 weeks.

<sup>78</sup> <https://moHP.gov.np/program/safe-motherhood-programme/en>

<sup>79</sup> "Health institution" refers to a hospital, nursing home, medical college or health academy, primary health center, health post or health institution operated under any other name.

#### **Section 4: Breastfeeding and other family-friendly provisions at the place of work**

**The law stipulates for safe work for pregnant workers, rest times for new mothers during the workday, and breastfeeding arrangements at the workplace.** The law outlines maternity-friendly workplace standards on three counts. First, the Labor Act states that employers, upon receiving information from the employee that she is pregnant, are obliged to engage her in work that does not lead to adverse effects on her health.<sup>80</sup> The employee is required to present a medical proof of pregnancy when notifying the employer. Second, as per the Labor Rules, employers must provide for an additional 30-minute rest per day to new mothers within regular working hours<sup>81</sup>. Third, the Right to Safe Motherhood Act states that workplaces are required to make breastfeeding arrangements during office hours for up to two years after the birth of the child of a female employee.<sup>82</sup> The workplace is defined as a “governmental, non-governmental or private organization or institution”. Finally, as per the Labour Rules, workplaces with 50 or above women employees need to arrange for a childcare room/center for children below 3 years. Such room/center could be jointly run by more than one employer with qualified caregiving staff<sup>83</sup>.

**These stipulations place the burden of financing and managing such facilities on the employer, and mechanisms to monitor and enforce these standards are lacking.** Moreover, these stipulations would be difficult to apply to own account workers, self-employed, domestic workers etc. The environment for safe work is to be provided, managed and financed by the employer and it is unclear if/how monitoring is to be carried out. In Kenya for example, a study of maternity benefits landscape assessment<sup>84</sup> found that a major telecom firm had designated exclusive spaces for breastfeeding for women but after a few areas of the space not being fully utilized, it was converted to a filing room. In the absence of monitoring mechanisms and institutional capacity in the public sector to enforce provisions or develop accreditation, and clear standards for private sector firms to follow, the implementation of these stipulations would remain a challenge.

**Implementing safe working conditions for workers in informal employment is even more challenging but using aggregators in the informal sector could be considered to raise awareness.** The challenge with workers in non-standard employment is that they are diverse, have multiple employers or no employers (street vendors for example) which makes them ‘unorganized’ and difficult to reach. However, as platform work, worker associations (e.g. Jua Kali

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<sup>80</sup> The Labour Act-2017, Section 81.

<sup>81</sup> The Labour Rules 2018, Section 17.

<sup>82</sup> The Right to Safe Motherhood and Reproductive Health Act-2018, Section 13(3).

<sup>83</sup> The Labour Rules- 2018, Section 45

<sup>84</sup> Jain, Himanshi et.al (forthcoming) ‘Note on Maternity Benefits Landscape Assessment in Kenya’, World Bank

in Kenya), government programs (e.g. public works, programs targeting women) become more common place, it present opportunities to raise awareness around safe working conditions for women in these settings. Mobile breastfeeding facilities or designated rest spaces for pregnant women can be placed in public areas, and marketplaces frequented by women vendors.

### **Section 5: Non-discrimination at the place of work**

**The Constitution of Nepal guarantees a right to equality, including explicitly prohibiting discrimination on the basis of pregnancy.**<sup>85</sup> As per Article 18 of the constitution, “No discrimination shall be made in the application of general laws on grounds of origin, religion, race, caste, tribe, sex, physical condition, condition of health, marital status, pregnancy, economic condition, language or region, ideology or on similar other grounds”. The article further states that “No discrimination shall be made on the ground of gender with regard to remuneration and social security for the same work. The labor law, in compliance of the constitutional provision on equal pay for equal work, prohibits on discrimination in remuneration on the ground of sex.”<sup>86</sup>

**The labor act provides the right to remedy to workers facing discrimination, through complaints in the labor court or relevant government office.** The National Employment Policy 2015 also recognizes the importance of addressing existing inequalities and discrimination faced by women, youth, marginalized communities, while the Right to Employment Act 2015 states that “no person shall make discrimination on the ground of one’s origin, religion, color, caste, ethnicity, sex, language, region, ideology or similar other ground”. The labor law provides the right to remedy in the event of infringement of any right conferred by the law<sup>87</sup>. A plaintiff can either file complaint at the concerned authority within the institution (government offices) if available or lodge a complaint at Labor Court<sup>88</sup>. The Supreme Court is the highest authority to look into such case if the plaintiff is dissatisfied with the verdict of the Labor court.

**However, there are no provisions specifically prohibiting the dismissal of pregnant workers.**<sup>89</sup> As per the World Bank’s Women, Business and the Law 2.0 database, no applicable provisions prohibiting the dismissal of pregnant workers was located in the legal frameworks of the country. Further, proving the existence of discrimination or quantifying the extent of any discrimination is difficult; especially when it is implicit and relies on the discriminated individual coming forward. Societal norms and fear of backlash can make it even harder for women to recognize and report discrimination owing to pregnancy or childbirth.

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<sup>85</sup> Constitution of Nepal, 2015.

<sup>86</sup> Constitution of Nepal 2015, Article 18 (4).

<sup>87</sup> The Labor Act-2017. Chapters 22 & 23.

<sup>88</sup> Formed in pursuant to Section 151 of The Labor Act-2017 and governed by Labor Court Rules.

<sup>89</sup> World Bank, 2024. Women, Business and the Law 2.0 Database. Nepal Snapshot.

## **Section 6: Affordable childcare to facilitate return to work**

**The labor law stipulates that workplaces with more than 50 women should provide for childcare rooms or centers.** As per the Labor Rules, “The workplaces with 50 or above women employees need to arrange for a childcare room/center for children below 3 years. Such room/center could be jointly run by more than one employer with qualified caregiving staff”.<sup>90</sup> Beyond the labor law, the Early Childhood Development (ECD) Strategy 2020 of Nepal states the need for parental leave and childcare facilities as social protections for children<sup>91</sup>, however it does not mention actual programs or schemes in communities. As per a World Bank report on childcare, while data is lacking, indicatively the government of Nepal spends 0.1% or less as a percentage of GDP on preprimary ECD programs.<sup>92</sup>

**Consultations with stakeholders confirm the absence of enforcement mechanisms for this stipulation, and indicate that this provision could have the unintended consequence for firms to limit the number of female workers.** As per consultations with stakeholders,<sup>93</sup> there is an absence of monitoring and enforcement mechanisms of the provision for childcare facilities at workplaces with more than 50 women – thus the law is not seen in practice at workplaces. Further, because of the provision, it is suspected that employers increasingly limit the number of female employees to under 50. Some stakeholders have advocated that the provision of providing childcare centers should not be linked to the gender of the worker – emphasizing that fathers should have an equal responsibility (and availability) for childcare. Thus, they advocate for providing childcare facilities for employees regardless of the employees’ gender, in effect removing any perverse incentive for employers to limit their hiring of women. The WBL Database 2024 further confirms the low legal and implementation frameworks for childcare – with a lack of legally established childcare quality standard in childcare center-settings, and a lack of a public registry/database of childcare providers.<sup>94</sup>

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<sup>90</sup> The Labour Rules- 2018, Section 25.

<sup>91</sup> Nepal Planning Commission. National Strategy for Early Childhood Development 2077-2088. 2020.

<sup>92</sup> World Bank. Better Jobs and Brighter Futures: Investing in Childcare to Build Human Capital. 2021.

<sup>93</sup> List of stakeholders consulted is in Appendix 3.

<sup>94</sup> World Bank, 2024. Women, Business and the Law 2.0 Database. Nepal Snapshot.

## Part 2: De-facto implementation of parental benefits informed by in-person survey of the urban employed in Nepal

Table 2: De Facto Parental Benefits for Employed Parents in urban Nepal, per survey results

Benefit	De facto outcomes - Formal sector	De facto outcomes - Informal sector
Parental leave and income replacement during leave	<p>68 percent of parents took parental leave: 75 percent of mothers and 56 percent of fathers.</p> <p>Parents who took leave did so for an average duration of 54 days. Women took 76 days of leave while men took 11 days of leave. Coverage of salary during leave was similar across genders: parents received about 84 percent of their regular income during the leave.</p>	<p>35 percent of parents took any parental leave: 48 percent of mothers and 15 percent of fathers.</p> <p>Parents who took leave did so for a duration of 79 days (18 days for fathers, 93 days for mothers). Parents relied on savings, borrowing, or spouse's income to replace the lost income during the leave.</p>
Other benefits: child allowance, medical benefits	<p>5% of parents with children born in or after 2019 (when Social Security Fund (SSF) scheme that includes maternity benefits, was launched for formal workers) said they got the child allowance from SSF. 24 % did not get it, though they were enrolled in SSF at the time. 71% of parents whose youngest child was born 2019 or later said they were not enrolled in SSF at the time and therefore didn't receive the benefit. No parents reported getting medical coverage through SSF at the last child's birth (among parents whose children were born the year SSF was launched or after).</p>	<p>6 percent of informal workers received any parental cash benefits, mostly from government schemes.</p> <p>Note - SSF launched a social insurance scheme that includes maternity benefits for informal and self-employed workers in 2023 after this survey was concluded.</p>
Place to breastfeed at work	<p>18 percent of mothers reported having access to a place to breastfeed at work.</p>	<p>35 percent of mothers reported having a place to breastfeed upon return to</p>

		work: 40 percent self-employed vs 25 percent non self-employed.
Childcare	Among employees of firms that had 50 or more workers (this was the largest firm size the survey asked about), only 2.35 percent of parents reported that they had access to childcare centers at work.	Only 5 respondents from the informal sector were from firms of size 50 or more employees firms. All 5 said there was no employer-provided childcare center.
Break time	31 percent of mothers reported that they got a 30-minute break during the day which is mandated in the labor law.	16 percent of mothers reported getting the law-mandated 30 minutes break at work.
Discrimination at return to work	Most parents, both mothers and fathers, did not report feeling discriminated against and paid less at work after having a child -- only 2 percent of the sample reports this experience.	

*Source: Authors calculations using Nepal Parental Benefits Survey 2023.*

**Sample Description**

**To understand the de-facto implementation of the laws on parental benefits and the take-up of other benefits by the state to support new parents, a survey was carried out as part of this study. The in-person survey was done with a sample of 1,000 employed men and women in urban Nepal in 2023.** The sample areas included Kathmandu and other towns/peri urban areas.<sup>95</sup>All urban (metropolitan and sub-metropolitan) districts as per the National Census 2021 were selected as the sampling frame. Using probability proportional to size (PPS), the sample size required for each districts was determined so that more populated districts would contribute to larger proportions of the sample. Based on PPS calculations, the number of wards to be chosen from each district was determined. The requisite number of wards was then randomly selected from each district, and within each ward, 20 individuals were randomly selected as survey respondents to form the final sample.

Formal workers for our sample selection were defined as people who were either a) in a salaried job where the employer and the employee contribute to social security, or b) owning a business which is formally registered with the national business register<sup>96</sup>. Informal workers were defined as those who were either a) employed in a wage/salary job where the employer does not

<sup>95</sup> The full list of cities and towns sampled is: Banke, Bara, Chitwan, Dang, Dhanusa, Kailali, Kaski, Kathmandu, Lalitpur, Makwanpur, Morang, Parsha, Rupandehi, Sunsari.

<sup>96</sup> Known in Nepal as “Office of Company Registrar”

contribute to any kind of social security, or b) self-employed or running a small business/enterprise that is not registered with the national business register.

Specifically, the sample was constructed to consist of the following categories:

- 600 formally employed workers<sup>97</sup>, stratified by gender (75 percent female, 25 percent male) and parent/non-parent status (75 percent parent, 25 percent non-parent)
- 400 informally employed workers, stratified by gender (75 percent female, 25 percent male) and parent/non-parent status (75 percent parent, 25 percent non-parent)

**As the survey only focuses on employed workers at the time of the survey, it is beyond the scope of the analysis to comment on pathways that guide labor force participation decisions or drop-outs from the labor force.** However, to the extent we also survey non-parents (women and men) their responses can help understand the perceived barriers in labor market associated with childbirth. The uniqueness of this study stems from the diverse group of employed worker who are interviewed (formal and informal sector, men and women, and parents and non-parents) to understand awareness, enrolment and use of parental benefits. This sample is however not nationally representative, and interpretation of results need to consider this important caveat. Analysis of the patterns and factors affecting workers to remain out of the labor force or the experiences of unemployed workers is a gap that future work could address.

**By design, 75 percent of the sample is women, 74 percent are parents, and all 1,000 individuals in the sample are employed: 60 percent in the formal sector and the remaining 40 percent in the informal sector.** The average age of the respondent is 31 years, and the median respondent has completed the higher secondary level of schooling (grade 12). 78 percent of the sample is married, with an average of nearly 2 children. The youngest child of the typical respondent is 8 years old – this could indicate that women active in the labor force as per our sample tend to have older children, which might imply a self-selection of mothers with very young children to stay out of the labor force. The average monthly household income is NPR 51,000 per month<sup>98</sup>, and the typical respondent's monthly income from the main job is NPR 22,500 per month (Table 1). This is close to the national average salary of Rs.17,809 per month in 2018 reported in the Labor Force Survey. About 52 percent of formal sector employees in the sample are enrolled and contributing to SSF currently. There are no differences in enrolment by gender.

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<sup>97</sup> According to the Nepal Labor Diagnostics report (2018) the formal sector represents only 7 percent of employment in Nepal which makes our sample far from nationally representative, but the larger share of formal employed workers in our sample was chosen because of the intention of understanding implementation of current laws which are easier to administer and finance for formal sector workers.

<sup>98</sup> Approximately USD 380 as of May 2024.

Table 3: Survey Summary Statistics

Variable	Mean	SD	N
Respondent is female [yes=1]	0.75	0.43	1000
Respondent is a parent [yes=1]	0.74	0.44	1000
Respondent works in formal sector [yes=1]	0.60	0.49	1000
Respondent's age	30.77	6.14	1000
Higher secondary education (HSEB exam) complete [yes=1]	0.51	0.50	1000
Monogamous/married [yes=1]	0.78	0.41	1000
Number of children (conditional on being a parent)	1.71	0.78	743
Age of youngest child (conditional on being a parent)	7.78	5.52	743
Monthly income of entire household	₹ 51,229 (USD 383)	₹ 48,679	999
Monthly income from main job	₹ 22,570 (USD 169)	₹ 34,969	999

Source: Authors calculations using Nepal Parental Benefits Survey 2023.

**Most of the sample of workers in the informal sector works in small firms, and there are no major differences among informal workers who are self-employed versus working for others.** About 76 percent of the sample works at small firms with 19 employees or less. There are no statistically significant differences among men and women. 95 percent say their income is predictable and does not fluctuate. There are no major differences in the self-employed and non-self-employed informal. Among the informally employed sample, about 49 percent are self-employed while 51 percent are informally employed and paid salaries or wages. The income of the two groups was not statistically different (household monthly income was NPR 41,000 for self-employed and NPR 44,000 for wage-employed; individual monthly income was NPR 18,700 for self-employed and NPR 18,400 for wage-employed). The key differences among the groups were small in magnitude: self-employed workers worked more hours a week (54 hours versus 50 hours for wage-employed), were more likely to be married, and more likely to have a spouse who works, especially in a formally registered business. Wage-employed informal were more likely to have a spouse in a formal salaried job.

## **Section 1: Parental benefits for formal sector and take-up of mandatory SSF scheme**

### ***Enrolment and use of the SSF maternity scheme***

#### **Only half of formal sector workers in the sample were actively contributing to the SSF scheme.**

All 'formal' sector workers are mandated to contribute to the SSF, but administrative data on SSF as of 2023 suggests that only 33 percent of the formal sector workers in Nepal are part of the scheme. The low formal sector coverage in SSF is confirmed by data from our survey summary statistics. Only 52 percent of formal employees in our sample report being enrolled or actively contributing to SSF<sup>99</sup>. This already suggests that not all formal sector workers would benefit from the suite of parental protections that are offered in Nepal via the SSF.

#### **Main reasons given by formal sector workers in the sample, for not participating in the SSF were lack of awareness (36 percent) and employers not participating in the SSF (20 percent).**

The SSF program was introduced in 2019, with the COVID-19 pandemic stalling implementation, information dissemination. The low reported awareness is therefore somewhat expected but there is a clear need now to fast track communication of the benefits of social insurance and increase awareness, and take-up of the program. The total contribution rates in the SSF is significantly higher than regional averages (which stand at ~10-15% of payroll) and since SSF is a bundled scheme that offers not only parental benefits but also health insurance and pensions, the trade-off formal sector workers and their employers face between affordability in the short run and accrued benefits later in life is an acute one. In particular, the high overall contributions towards pension benefits which the employee cannot access until the age of 60, may be seen as a disincentive by some workers for participating in the scheme.

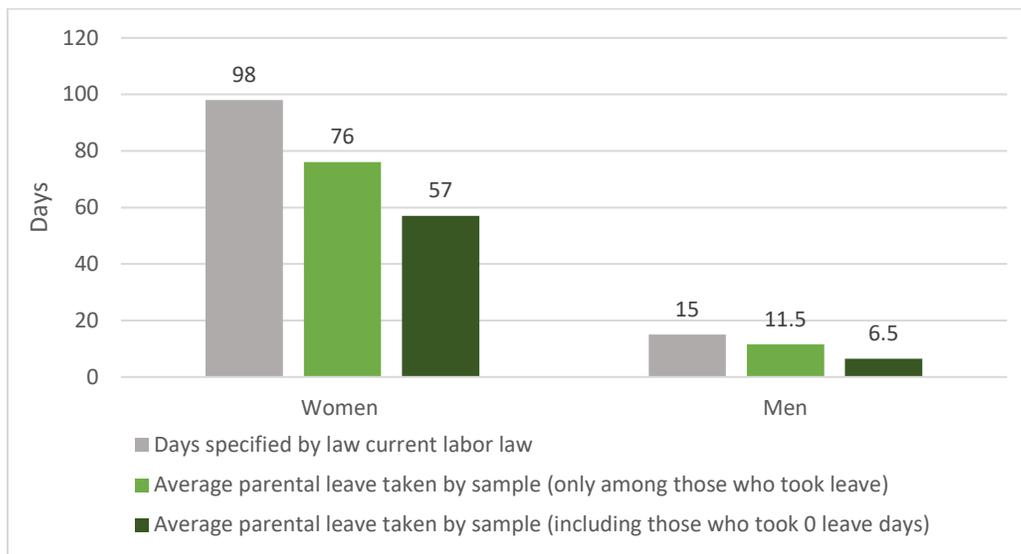
### ***Use of parental leave from work***

**Among parents who were working in the formal sector at the time of the birth of their last child, 7 out of 10 took parental leave, most of them being women.** The survey respondents include individuals who are currently in the formal sector but only 58 percent report being employed during the birth of the last child (92 percent of men, 47 percent of women) of which 68 percent took parental leave. There are strong differences by gender: 75 percent of such mothers took maternity leave compared to 56 percent of fathers who took paternity leave. The vast majority, 80 percent of those who were employed at the birth of last child, were in the same job that they now hold. Most of the remaining 20 percent were salaried employees in a private company.

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<sup>99</sup> The higher percentage of SSF contributors in our sample could be because our survey is not nationally representative and our respondents who come from urban areas of Nepal are likely more aware of SSF and higher earners.

Figure 5: Number of parental leave days taken by formal sector parents in the sample who were working during last child's birth



Source: Authors calculations using Nepal Parental Benefits Survey 2023

**3 in 10 parents working in the formal sector at the time of the child's birth did not take parental leave**, demonstrating that despite good progress, gaps in the most primary parental benefit persist at the formal sector level. Most of these parents stopped working (38 percent of women compared to 4 percent men). The high share of women (53 percent) currently formally employed who were not working at the time of their last child's birth, compared to only 8 percent men, indicates that women may be taking breaks from employment around the birth of their children. This may also signal being compelled to take multiple career breaks for women with multiple children. While this could indicate personal preferences between balancing a family and career, the difference in gender patterns suggests that childcare decisions and societal expectations drive women's work decisions much more than men's.

**Notably, among the currently formally employed parents, a large portion of mothers were not working at the time of the last child's birth.** 53 percent of currently formally employed mothers were not working at the time of their last child's birth, compared to 8 percent of currently employed fathers in the formal sector. Further, even among parents who were employed at the time of the last child's birth, many mothers stopped working. Among the parents who were working at the time of the last child's birth but did not take parental leave, 38 percent of mothers stopped working – compared to 4 percent of fathers. This demonstrates that childbirth and childrearing affect mothers' entry and exit into employment. A parental leave of a sufficient duration, implemented consistently across sectors and firms, can help mothers to have more steady employment and labor market participation. Further, parental leave for fathers of a

sufficient duration can help working fathers to spend more time involved in childrearing and especially around the crucial time of childbirth.

**Parents who took leave took 54 days on average and received about 84 percent of their regular income during the leave.** Women took 76 days of leave (more than the 60 days to be covered fully by employers) while men took 11 days of leave (close to the 15 days covered fully by employers). Most parents received income replacement during their leave -- 84 percent of the monthly income was provided on average. This indicates that employers on average are honoring the leave provisions with pay for the days mandated in the law. There are no statistically significant differences among men and women on the percentage of income that was replaced on average. 85 percent of parents report that the process for applying for leave was smooth. Nearly 70 percent of the parents who took leave received the income replacement through the bank account, and 18 percent received it in cash.

*Table 4: Parental leave and workplace provisions for parents currently in the formal sector who were working at the time of last child's birth*

<b>Indicator</b>	<b>MALE</b>	<b>FEMALE</b>	<b>Difference</b>
Took parental leave when last child was born	56%	75%	19***
Length (days) for those who took leave	11.45	76.08	64.64***
Length (days) for full sample including those who took 0 leaves	6.45	57.18	50.74***
Received income replacement during leave	88%	85%	3
Percentage of total income received during leave (for all parents who took leave)	86.21%	82.75%	3.45
Got time during workday to breastfeed		54%	
Employer provided area to breastfeed		17%	
Received 30-min break during day		31%	

*Source: Authors calculations using Nepal Parental Benefits Survey 2023. Note: one, two and three stars indicate that the differences are statistically significant at the 90%, 95% and 99% level of significance respectively.*

#### ***Child benefit and other cash allowances (apart from paid leave)***

**Only 5 percent of parents with children born in or after 2019 reported that they got the child allowance from SSF.** 24 percent of parents did not get it, though they were enrolled in SSF at the time. 71 percent of parents whose youngest child was born 2019 or later (2019 was the year SSF maternity scheme was rolled out) said they were not enrolled in SSF at the time and therefore didn't receive the benefit. No parents reported getting medical coverage through SSF at the last child's birth (among parents whose children were born the year SSF was launched or after). The

low coverage of SSF among workers may be explained by the fact that it is a very recent scheme with implementation challenges encountered due to COVID-19 pandemic very soon after the scheme’s launch. Further, benefits of SSF are only provided to members making active contributions for a stipulated amount of time, which could further explain the low payouts from the scheme, in addition to the low take-up in the very early years of the scheme.

**About 16 percent of parents received cash benefits from sources other than the SSF**, which included other local government schemes, province government schemes, the Safe Motherhood Program, and employers. The average cash benefit from these non-SSF sources was NPR 5385 (approximately USD 40<sup>100</sup>). These results suggest that some current ‘formal’ (as defined in our sample) sector workers were eligible for non-contributory benefits by the State at the time of their last child’s birth<sup>101</sup>.

**97 percent of formally employed parents received medical care during childbirth, and this care was funded entirely by the respondent, their spouse, or other family members.** The average amount paid for medical care around childbirth was NPR 32459 (approx. USD 240)<sup>102</sup>.

*Table 5: Cash benefits and medical costs for parents currently in the formal sector who were working at the time of last child’s birth*

<b>Indicator</b>	<b>Mean</b>
Received child allowance from SSF	3%
Didn't receive child allowance despite SSF enrollment	18%
Didn't receive child allowance, no SSF enrollment	77%
Does not remember if received child allowance	2%
Received any other cash benefits for pregnancy and birth	16%
Of those who received any non-SSF benefit:	
Cash benefit from employer	12%
Cash benefit from Safe Motherhood Program	22%
Cash benefit from other federal government scheme	5%
Cash benefit from province government scheme	24%
Cash benefit from local government scheme	32%
Cash benefit from community self help groups	5%
Total amount of the cash benefit, besides SSF (NPR)	5385.37

<sup>100</sup> As of exchange rates in 2024.

<sup>101</sup> Note this may not necessarily mean poor targeting as these parents could be working in the informal economy or be vulnerable at the time of child birth.

<sup>102</sup> As of exchange rates in 2024.

Received medical care during childbirth	97%
Paid for care: myself	54%
Paid for care: spouse	64%
Paid for care: other family members	26%

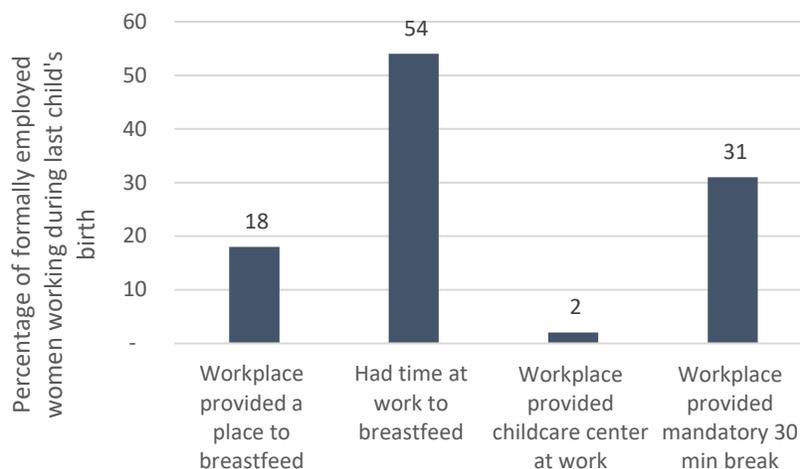
Source: Authors calculations using Nepal Parental Benefits Survey 2023.

### Other benefits and protections

**Breastfeeding and break during the day:** Only 18 percent of mothers who are currently in the formal sector and were working at the time of their last child's birth reported having access to a place to breastfeed at work. About 54 percent reported they got time during the workday to breastfeed, and 31 percent of formally employed mothers reported that they got a 30-minute break during the day which is mandated in the labor law. This provision is difficult to monitor, measure, and enforce.

**Childcare:** Only 2.35 percent of formally employed workers who were in firms with 50 or more employees reported that they had access to childcare centers at work. The Nepal law mandates that any workplaces with more than 49 women need to provide free childcare centers. However, our study finds that this legal provision is not enforced on the ground. Qualitative consultations with stakeholders indicated that implementation of this provision is extremely low, with some reports that the provision may create incentives for employers to limit their number of women employees to less than 49.

Figure 6: Prevalence of other parental benefits among formally employed workers during last child's birth



Source: Authors calculations using Nepal Parental Benefits Survey 2023.

**The survey findings from the sub-sample of those currently employed in the formal sector provides four key insights:** (a) unless active coverage in SSF improves, the de-facto implementation of legislated paternity benefits will remain limited; (b) the number of leave days taken by parents indicate that employers honor the 60 day leave for women and 15 days for men policy, suggesting that the law had a useful signaling effect; (c) formal employment is not able to guarantee an inclusive set of benefits and protections besides the paid leave for the minimum duration, and other mandated benefits like employer-provided childcare centers and breastfeeding areas are not enforced, (d) not all mothers are necessarily working in the formal sector or in full time jobs during childbirth and thus for an economy like Nepal, the government needs to focus on ways to provide protection to women not working in the formal sector during the child rearing ages.

## **Section 2: Parental benefits for informal sector and willingness to contribute to voluntary insurance**

**Informal workers without a full-time labor contract were not covered by the SSF scheme at the time of surveying.** The voluntary social security scheme to which informal sector workers can contribute, was launched in August 2023<sup>103</sup>, after the end of the survey. It is therefore not surprising that parents in the informal sector have low parental benefits and protections: only 35 percent of all parents (48 percent of mothers and 15 percent of fathers), took parental leave at the birth of the last child – compared to 68 percent of formally employed parents. Since these workers lack an employer who is obligated to finance their salary during the leave period, these group of parents relied on savings or borrowing to replace the lost income during the leave. Only 6 percent of parents in the informal sector received any cash benefits for medical and childbirth expenses at the birth of the last child; and there is virtually no access to childcare provided by the ‘employer’ they work for. About 31 percent of mothers had access to breastfeeding at work, driven by self-employed workers. The low percentage of individuals taking any leave likely because of the lack of income support during this period or fear of losing jobs, combined with the limited options for receiving cash benefits from the government, underscores a strong need for programs that can help smooth consumption during this period for the informal sector, allowing parents to spend time caring for their newborn and for mothers to recover from the childbirth and focus on exclusive breastfeeding.

### ***Leave and income-replacement during leave***

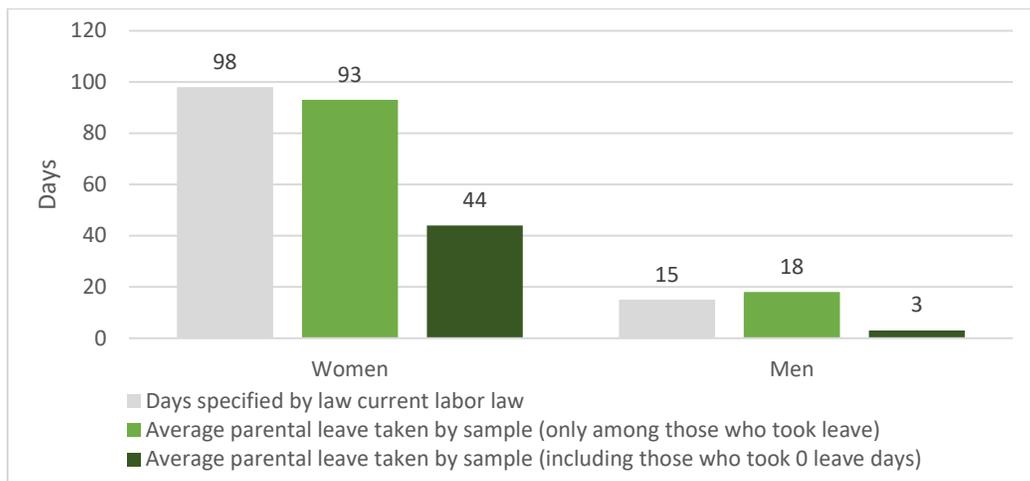
**Among parents in the informal sector sample who were working at the time of the last child’s birth, only 35 percent took any parental leave.** 56 percent of the informal workers in our sample

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<sup>103</sup><https://theannapurnaexpress.com/story/45440/#:~:text=As%20per%20the%20procedure%2C%20a,percent%20of%20the%20minimum%20wage.>

were working at the time of the pregnancy and birth of their youngest child.<sup>104</sup> Only 35 percent of these parents took any parental leave at the time of the last child’s birth – compared to 68 percent of formally employed parents. Thus, informally employed parents were half as likely as formally employed parents to take parental leave. There are strong differences by gender: 48 percent of mothers took maternity leave compared to 15 percent of fathers taking paternity leave. On average, these parents took 79 days of leave (18 days on average for fathers, 93 days for mothers).

*Figure 7: Number of parental leave days taken by informal sector parents in the sample who were working during last child’s birth*



*Source: Authors calculations using Nepal Parental Benefits Survey 2023.*

**Since informal workers lack an employer who is obligated to finance their salary during the leave period, these parents relied on savings, borrowing, or spouse’s income to replace the lost income during the leave.** As informal workers are not covered for formal leave or income-replacement from employers during leave, most supported themselves during the parental leave period by relying on savings (67 percent), spouse’s earnings (61 percent), borrowing money (28 percent) and taking help from their social network (21 percent). The means of replacing lost income through parental leave were also markedly different by gender. 90 percent of fathers who took leave reported dipping into their savings, compared to 62 percent of mothers, and 50 percent of fathers borrowed compared to 23 percent mothers. On the other hand, 74 percent of mothers who took leave reported that they relied on spouse’s income during the leave time, compared to 0 percent fathers. Both mothers and fathers reported taking help from family or

<sup>104</sup> Among these who were working, 67 percent were in the same job as they are now, while most of the remaining were paid employees in a private company. The labor trends of workers who were not working at time of the last child’s birth but are working now, are covered in the next section.

friends (21 percent).<sup>105</sup> All fathers and 70 percent of mothers were able to return to their job after the leave period, and a low percentage (20 percent of fathers and 15 percent of mothers) reported taking any measures to ensure job security during the leave period.

**The finding that 28 percent of informally employed parents who took leave had to borrow money, demonstrates the strong need for parental protections in the informal labor markets.** While small sample sizes restrict more detailed sub-group analysis, the results indicate that those who borrowed money were less educated (more likely to not have completed primary school) than those parents who took leave but did not borrow (Appendix 2).

*Table 6: Parental leave, income support and return to work for informally employed parents who were working at the last child's birth.*

<i>Indicator</i>	<i>MALE</i>	<i>FEMAL E</i>	<i>Differenc e</i>
	Mean	Mean	Mean difference
Took parental leave when last child was born	0.15	0.48	-0.33***
Length (days) for those who took leave	17.60	92.49	-74.89***
Length (days) for full sample including those who took 0 leaves	2.63	44.36	-41.73***
For parents who took leave -			
Used savings to support yourself during this time of leave away from work	0.90	0.62	0.28*
Spouse was working to support your HH during this time of leave away from work	0.00	0.74	-0.74***
Borrowed money to support yourself during this time of leave away from work	0.50	0.23	0.27*
Got help from family/friends to support yourself during this time of leave away from work	0.20	0.21	-0.01
Was able to return to work after this time off/leave	1.00	0.70	0.30**
While on leave, took any measures to ensure job security?	0.20	0.15	0.05
Was easy to return to work	1.00	0.77	0.23*

<sup>105</sup> While the sample size is small as only 35% of informal sample parents who were working during the last child's birth took parental leave, all differences reported between genders are statistically significant.

Source: Authors calculations using Nepal Parental Benefits Survey 2023. Note: one, two and three stars indicate that the differences are statistically significant at the 90%, 95% and 99% level of significance respectively.

**The survey results suggest that parents from the informal sector who took leave are more likely to be employees of private companies and work fewer hours a week compared to those who did not take such leave at the birth of their last child** (Table 5). Parents who took leave, were more likely to be female, slightly younger, slightly less likely to be married, worked fewer hours a week on average, and were more likely paid employees in a private company. In addition, those who took parental leave were more likely to have spouses with salaried (formal or informal) jobs, and less likely to have spouses working in businesses (formal or informal). Informal workers who are currently in Kathmandu were also less likely to take parental leave at the birth of the last child, than parents now based outside Kathmandu.

**In the absence of paid leave, parents in informal sector reduce work hours or leave their job to care for their child, suggesting that the lack of systematic ways to support parents can result in human capital and productivity losses.** About 37 percent of all informal sector parents reported that they, or other adults in the household, reduced their working hours to take care of the child. Another 19 percent reported that they or other adults in the household left a job to take care of children.

Table 7: Comparison of parents in informal sector who took parental leave and those who did not.

	(1)	(2)	(1)-(2)	
	Did not take leave	Took leave	Pairwise t-test	
Variable	Mean/(SD)	Mean/(SD)	Mean difference	N
Female	0.47 (0.50)	0.82 (0.38)	-0.35***	165
Age	34.12 (4.84)	31.05 (5.77)	3.07***	165
Married	0.99 (0.10)	0.95 (0.23)	0.04*	165
How many hours did you work last week doing your (main) job?	55.50 (18.40)	48.60 (19.15)	6.90**	165
PAID EMPLOYEE FOR A PRIVATE COMPANY	0.15 (0.36)	0.33 (0.48)	-0.19***	165

PAID EMPLOYEE FOR THE GOVERNMENT OR PUBLIC SECTOR	0.00	0.00	.n	.n
	(0.00)	(0.00)		
OWNER OF OWN BUSINESS WITH NO OTHER EMPLOYEES	0.58	0.46	0.13	165
	(0.50)	(0.50)		
OWNER OF OWN BUSINESS WHICH ALSO HIRES OTHER EMPLOYEES	0.14	0.07	0.07	165
	(0.35)	(0.26)		
PAID EMPLOYEE IN BUSINESS OPERATED BY A HOUSEHOLD/FAMIL	0.01	0.02	-0.01	165
	(0.10)	(0.13)		
PAID APPRENTICE	0.04	0.00	0.04	165
	(0.19)	(0.00)		
FAMILY FARM GROWING CROPS, RAISING LIVESTOCK, OR FISHIN	0.01	0.00	0.01	165
	(0.10)	(0.00)		
DAILY WAGE WORKER	0.06	0.12	-0.07	165
	(0.23)	(0.33)		
	(0.14)	(0.00)		
Worplace with 19 employees or less	0.96	0.91	0.05	165
	(0.19)	(0.29)		
In a month, how much in total did your entire hh receive as sources of income?	43962.96	44842.11	-879.14	165
	(37935.24)	(32689.44)		
In a typical month, how much income do you earn from your main job?	24453.70	19394.74	5058.97	165
	(27380.46)	(15095.16)		
Income is consistent	0.88	0.93	-0.05	165
<b>Education:</b>	(0.33)	(0.26)		
Less than basic (8th grade)	0.34	0.26	0.08	165
	(0.48)	(0.44)		
Basic complete	0.40	0.47	-0.08	165
	(0.49)	(0.50)		
Higher secondary (HSEB exam) complete	0.26	0.26	-0.00	165
	(0.44)	(0.44)		
Tertiary education	0.08	0.14	-0.06	165

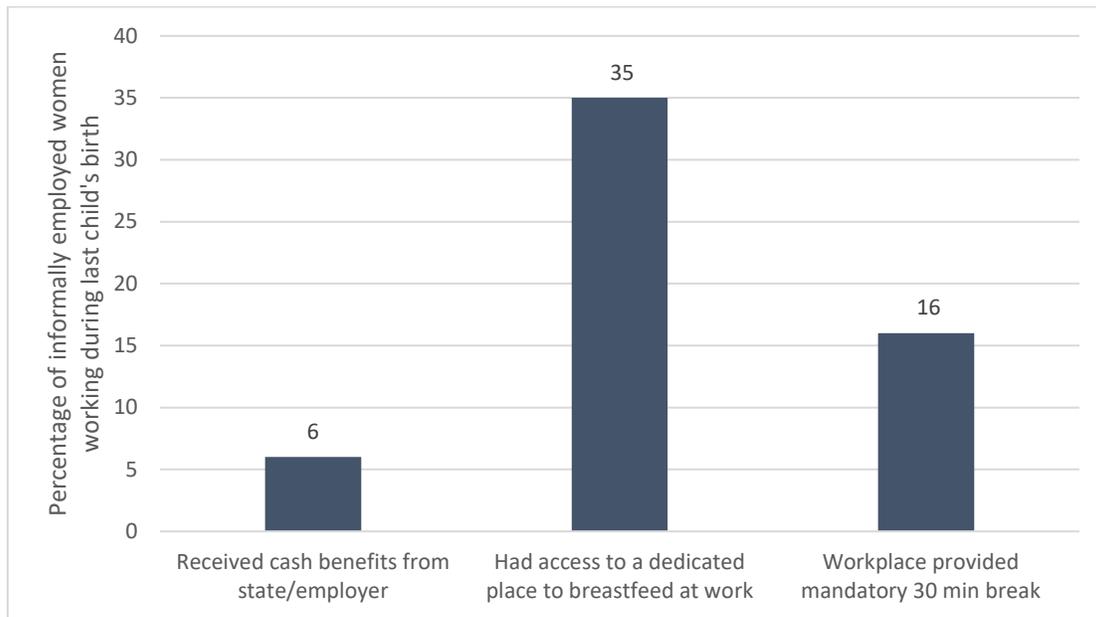
	(0.28)	(0.35)		
Postgraduate education (some or complete)	0.01	0.04	-0.03	165
	(0.10)	(0.19)		
Working in Kathmandu	0.40	0.16	0.24***	165
	(0.49)	(0.37)		
Does your spouse work in a formal salaried job?	0.08	0.20	-0.12**	161
	(0.28)	(0.41)		
Does your spouse own a business which is formally registered?	0.21	0.02	0.19***	161
	(0.41)	(0.14)		
Is your spouse self-employed in a small business that is not registered?	0.29	0.17	0.12*	161
	(0.46)	(0.38)		
Does your spouse work in a informal salaried job?	0.15	0.37	-0.22***	161
	(0.36)	(0.49)		

*Source: Authors' calculations using Nepal Parental Benefits Survey 2023. Note: one, two and three stars indicate that the differences are statistically significant at the 90%, 95% and 99% level of significance respectively.*

**Cash benefits:** only 6 percent of informal workers received any parental cash benefits at the birth of the last child. The need for cash benefits support is more pronounced for the informal sector, as they do not get leave-replacement income from the employer. The acute need for income support after childbirth and detrimental welfare impact of not having access to it, is underscored by the finding that about 28 percent of informal sector parents who took leave, had to borrow money to pay for childbirth and medical expenses. The expenses for childbirth and medical bills were NPR 18,045 which represents a sizeable proportion of the monthly income of informal workers. Of the few informal sector parents that received cash benefits, most reported the source to be the government (local or federal), and the median amount received was low at NPR 2,000 (USD 15)<sup>106</sup>.

<sup>106</sup> The sample size for this estimate is very small and the estimate is thus only anecdotally indicative.

Figure 8: Prevalence of other parental benefits among informally employed workers during last child's birth



Source: Authors' calculations using Nepal Parental Benefits Survey 2023.

**Breastfeeding:** About 35 percent of the informally employed mothers reported having a place to breastfeed upon return to work. Self-employed informal workers had better access to breastfeeding: they were 15 percentage points more likely to have a space to breastfeed (40 percent vs 25 percent non self-employed). The informal sector reports stronger access to breastfeeding at work than formal workers, however, this result is driven by self-employed informal workers.

**Childcare:** only a handful of survey respondents (5 survey respondents) were in informal workplaces with 50 or more workers. All such survey respondents reported not having access to a childcare center at the workplace.

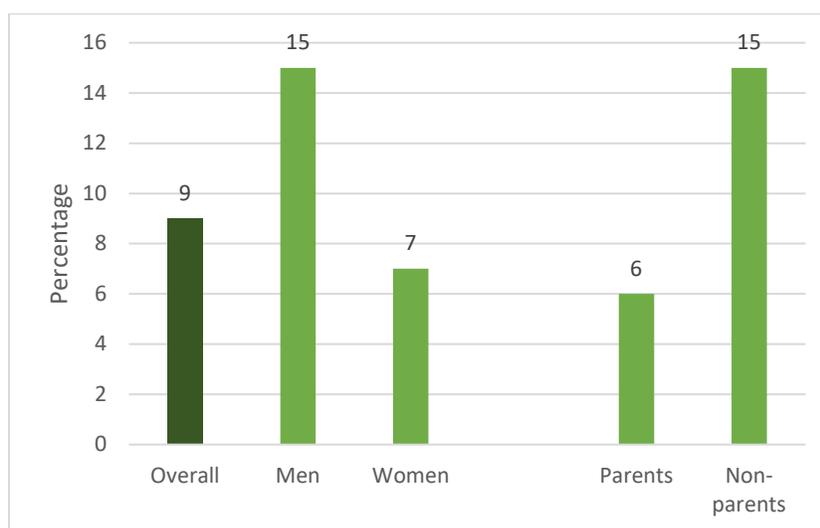
**Resting/break during the day:** 16 percent of mothers reported getting the law-mandated 30 minutes break at work after returning to work as a new mother.

**Awareness and demand for upcoming Social Insurance Scheme for Informal Workers**

At the time of surveying, the government had announced the rollout of the Social Security Fund's voluntary social insurance scheme for informal workers and self-employed. The scheme included a similar set of benefits as that of the formal sector (see Appendix 1 for details) with two key differences (a) total contributions in the scheme are a proportion (20.37%) of the minimum basic salary which is a fixed amount and would grow over time in line with Govt regulations. Since it is administratively difficult to observe or verify income of informal sector workers, voluntary

scheme internationally base contributions on minimum salary or on poverty line (as is the case in voluntary scheme of Vietnam, administered by VSS<sup>107</sup>) and allow individuals to contribute higher amounts if they so desire: and (b) the overall contribution rate is lower in voluntary scheme (20.37%) relative to the compulsory scheme (31%) with the biggest difference being in lower contributions going towards pensions for the voluntary scheme. The voluntary scheme was launched a few months after completion of the survey, in August 2023. Therefore, the results below provide timely, program-relevant insights for the scale up and implementation of the voluntary SSF scheme for informal and self-employed workers.

*Figure 9: Awareness of new SSF scheme among informal workers.*



*Source: Authors calculations using Nepal Parental Benefits Survey 2023.*

**Awareness of the voluntary scheme in our sample was low, which is expected given the timing of the survey.** Only 9 percent of informal workers were aware of the upcoming informal SSF scheme for workers, and useful to remember that our sample is from urban areas. Only 7 percent of women were aware of the upcoming scheme, compared to 15 percent men. There were no differences in awareness among self-employed informal workers and other informal workers. It will be important for the scheme to address the low awareness rates overall and consider outreach strategies that would increase access to information among women.

**Digital methods for spreading awareness and during enrollment phase can be promising.** A significant share of respondents would prefer digital modalities for the purposes of spreading awareness of the scheme and some would also like the option to enroll digitally. About 59 percent recommended Facebook/WhatsApp for spreading awareness of the scheme, followed

<sup>107</sup><https://documents1.worldbank.org/curated/en/099000105132210101/pdf/P1742580d88ccc0f1093e10fc126c222f5c.pdf>

by 21 percent asking for a community leader campaign. For enrollment, 33 percent of informal workers said they would prefer to enroll in person at the government office, 31 percent would prefer to enroll using their mobile phone online, and 13 percent would prefer to enroll online through a government portal. The average age of the sample is 30 years, and the digital preferences of this group are strong.

Figure 10: Best way to inform about the new SSF scheme

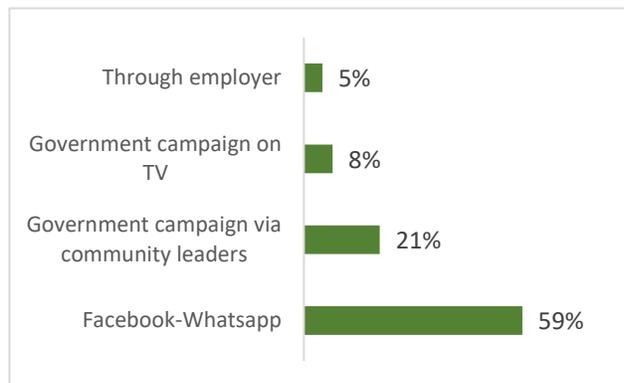
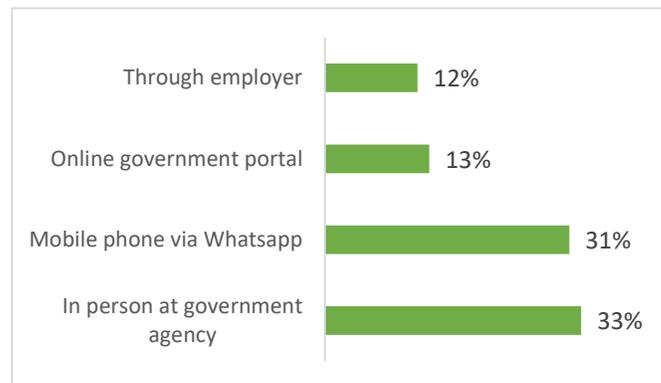


Figure 11: Best way to enroll into the new SSF scheme.



Source: Authors calculations using Nepal Parental Benefits Survey 2023.

**There is a willingness to pay for the social security scheme among informal workers and if proposed government matching for the voluntary scheme is implemented, then the amount most workers report as willing to pay is close to the scheme requirement.** The survey exercise described the overall benefits of the upcoming informal worker social security scheme, with a special focus on the maternity coverage. When asked about whether they would be willing to contribute NPR 1000 (USD 7.5) monthly for a scheme with such benefits, 47 percent of the workers responded yes per month. There were no statistically significant differences in willingness to pay by gender. The required contribution to the voluntary scheme is ~NPR 1,900 per month (i.e. 20.37% of INR 9385) for the full bundled scheme, which includes old-age pensions, health insurance and accidental insurance. The government at the time of writing of this report had plans to pay part of the contributions (9.37% of INR 9385) as an incentive for informal wage workers. If implemented, this would mean that the burden of paying contributions on the informal wage workers would only be (11% of NPR 9385) NPR 1032. This would be close to the reported willingness to pay by a sizeable 47% of workers in informal sector. Of the remaining 53% workers who would not pay as much as Rs 1000 per month, most reported they would be willing to pay Rs 100 per month for the scheme. This signals that there is willingness to pay across all categories of informal sector workers, even though the ability to pay varies. Coincidentally the share of individual’s contributions that would go towards maternity benefit is close to NPR 100 each month with the rest going for other benefits (see appendix 1). This suggest that for the

voluntary scheme SSF might also consider offering a more modest package of short-term benefits only and gradually add on the contributions for the defined contribution pension scheme. This would attract an even larger group of informal sector workers as the contributions would be more affordable.

**Workers with higher incomes, less income fluctuations, and working part time in private companies, were willing to pay higher amounts into the social insurance.** Those willing to pay the NPR 1000 a month were more likely to be employees of private companies, had higher monthly incomes (Roughly INR 49,000 compared to INR 38,000 for those willing to pay less), and were more likely to have consistent income that does not fluctuate over time (95 percent compared to 88 percent among those willing to pay less). They were also more likely to be working in Kathmandu than other areas. (Table 6). This diversity in willingness to pay among informal sector workers is a unique characteristic to consider when implementing outreach and mobilization campaigns. As noted in Guven & Jain et al (2022), some workers in the informal economy might be able to contribute to voluntary schemes while others might need fiscal subsidies to enable them to contribute to these schemes.

*Table 8: Comparison of informal workers willing to pay 100 or 1,000 rupees a month for a social security scheme*

	(1)	(2)	(3)		(2)-(3)
	All Sample	Willing to pay 100 rupees/month	Willing to pay 1,000 rupees/month		Pairwise T-test
Variable	Mean/(SD)	Mean/(SD)	Mean/(SD)	N	Mean difference
Respondent is female	0.75 (0.43)	0.77 (0.42)	0.73 (0.45)	400	0.05
Respondent is a parent	0.74 (0.44)	0.74 (0.44)	0.74 (0.44)	400	-0.00
Respondent's age	30.35 (6.46)	30.53 (6.79)	30.14 (6.09)	400	0.38
Monogamous/married	0.78 (0.41)	0.75 (0.43)	0.81 (0.39)	400	-0.06

Number of children	1.86 (0.89)	1.95 (0.97)	1.77 (0.78)	295	0.18*
Hours worked last week doing main job	52.45 (18.28)	52.18 (19.15)	52.75 (17.28)	400	-0.57
Paid employee, private company	0.28 (0.45)	0.24 (0.43)	0.33 (0.47)	400	-0.09*
Self-employed	0.49 (0.50)	0.47 (0.50)	0.50 (0.50)	400	-0.03
Business owner, with more employees	0.08 (0.27)	0.09 (0.29)	0.07 (0.26)	400	0.02
Paid employee, family business	0.02 (0.14)	0.02 (0.15)	0.02 (0.13)	400	0.01
Paid apprentice	0.03 (0.18)	0.04 (0.20)	0.02 (0.15)	400	0.02
Farm worker	0.01 (0.07)	0.00 (0.07)	0.01 (0.07)	400	-0.00
Works at a small firm (<19 workers)	0.93 (0.26)	0.91 (0.29)	0.95 (0.23)	400	-0.04
Monthly income of entire household	42567.50 (37172.23)	36765.26 (26050.05)	49176.47 (45915.14)	400	-12411.21***
Monthly income from main job	18598.75 (17802.27)	16288.73 (14685.78)	21229.95 (20517.19)	400	-4941.21***
Income is consistent or changes slightly over time	0.91	0.88	0.95	400	-0.07**

	(0.29)	(0.33)	(0.23)		
Higher secondary (HSEB exam) complete	0.36 (0.48)	0.32 (0.47)	0.40 (0.49)	400	-0.08
Tertiary education	0.01 (0.12)	0.01 (0.10)	0.02 (0.15)	400	-0.01
Works in Kathmandu	0.26 (0.44)	0.22 (0.42)	0.31 (0.46)	400	-0.09**
Spouse works	0.83 (0.37)	0.81 (0.39)	0.86 (0.35)	312	-0.04

*Source: Authors' calculations using Nepal Parental Benefits Survey 2023. Note: one, two and three stars indicate that the differences are statistically significant at the 90%, 95% and 99% level of significance respectively.*

**When asked if they prefer a bundled scheme like the upcoming SSF scheme or one with only specific benefits and thus lower premiums, the response was divided.** While 58 percent prefer the bundled scheme, 38 percent prefer to pay less for a single benefit. Among workers who would prefer a single-benefit scheme, most reported wanting coverage for old age pension (44 percent), and health insurance (39 percent)<sup>108</sup>. Only 12 percent workers reported wanting maternity benefits if they could only choose one benefit. This response could be a function of the fact that the average age of the respondents was ~31 years by which time in Nepal most individuals have completed their families. These responses suggests that while the bundled design and lifecycle approach of the program is sound, proactive efforts would be needed to encourage informal workers to participate in the program.

### **Section 3: Labor market dynamics for mothers and fathers in Nepal**

**Prior to the birth of the last child, a large proportion of mothers were not working, while almost all fathers were working; this trend is seen in both formal and informal sectors.** Among parents who are currently formally employed in the sample, 92 percent of men and 47 percent of women

<sup>108</sup> Nepal also has a National Health Insurance plan that was rolled out in all 77 districts but it has low enrolment – only 21% of population enrolled by June 2022 against target of 100%; annual drop-out rate is 25% which is very high. Further beneficiaries seem to bypass local health facilities to seek more high-quality care in facilities of urban areas, resulting in overcrowding in those areas. Source: <https://health-policy-systems.biomedcentral.com/articles/10.1186/s12961-022-00952-w>

It seems that the NHIP is the more broad-based plan to provide basic health services free of cost; but for the 'missing middle' of non-poor non-formal non-covered citizens, the SSF health insurance is an added bonus.

were in a paying job before birth of the last child. Conversely, 4 percent of the men were engaged in household and family care, compared to 37 percent of women. Similarly in the informal sample, 97 percent of men were in a paying job prior to birth of the child, compared to 43 percent of the women. 3 percent men were engaged in family and household responsibilities full-time compared to 40 percent women. There were no statistically significant differences in what parents were doing before childbirth (working or not) by informal-formal sector. The differences were all driven by gender.

Figure 12: What parents were doing before the birth of their youngest child.

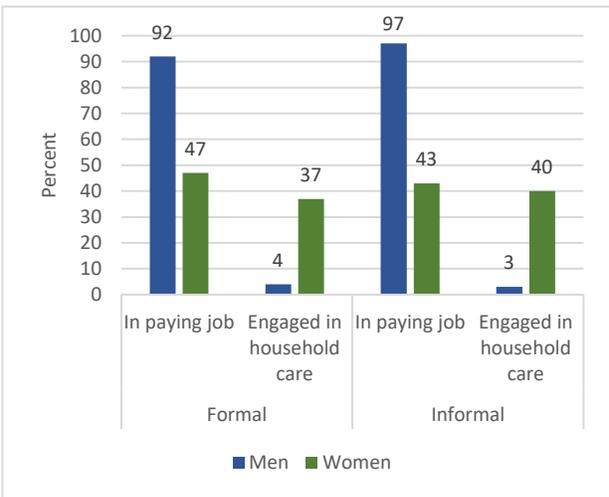
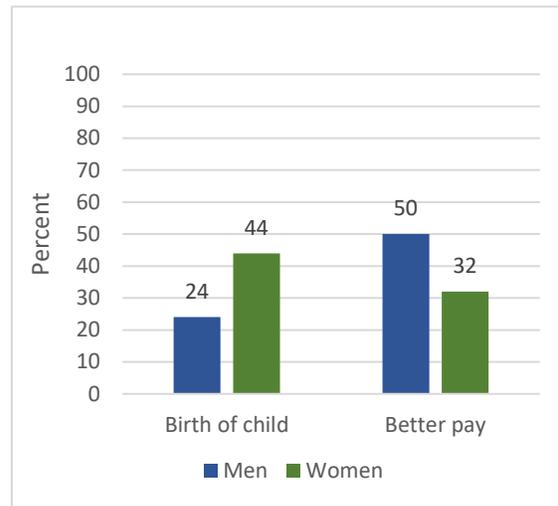


Figure 13: Reasons for switching jobs (among parents who switched).



Source: Authors calculations using Nepal Parental Benefits Survey 2023.

**Working mothers in our sample were more likely to make job decisions based on the birth of the child, while fathers were more likely to change jobs for better pay.** Among parents who were working before the birth of the last child, most held the same job as they do now (70 percent of informally employed males, 79 percent formally employed males, 65 percent of informally employed women and 75 percent of formally employed women). Among those who changed jobs after birth of the child, women were much more likely than men to state that the reason for changing jobs was related to the birth of the child (44 percent of women compared to 24 percent of men, statistically significant). Men were more likely to switch jobs to get better pay (50 percent men compared to 32 percent women, statistically significant).

**Among fathers, only 6 percent were not working before birth of the last child; however, 55 percent women were not working before the birth of the last child but are now working (Table 7).** This suggests that women’s labor market participation is more influenced by birth of children, than men’s. However, since the sample only interviews currently employed parents, it is beyond

the scope of this study to report on the percentage of women and men who might have dropped out of the labor force upon the birth of the child.

*Table 9: Employment status of parents, at birth of last child and currently.*

<b>Transition paths:</b>	<b>% Male</b>	<b>% Female</b>
Was working, is working now in the same job	71%	32%
Was working, is working now a different job	23%	13%
Was not working, is working now	6%	55%
	100%	100%

Among the parents who started working after their youngest child was born, the majority of which are women, 82 percent said they needed additional income after birth of the child, compared to only 9 percent who needed additional income for other reasons. Further, 62 percent reported they desired to work and 31 percent found a good opportunity.<sup>109</sup>

**Fathers spend more time a week on paid work, while mothers spend more time working in unpaid childcare work.** Male parents did paid work on average 7 more hours a week than female parents (56 hours for fathers compared to 49 hours for mothers per week). Conversely, mothers reported spending 54 hours a week on childcare, compared to 24 hours a week reported by fathers. Fathers report that their spouses spent about 49 hours per week on childcare, and mothers report that their spouses spent about 18 hours per week. While our study has a very small sample size for the childcare hours variable, the difference is statistically significant at the 99 percent confidence level. Further, this finding corroborates a large literature on how women spend substantially more time on unpaid child and home care than men.

**Mothers are less likely to be paid employees of a private company, and more likely to be self-employed, than women without children.** About 60 percent of the mothers in the sample are in paid employment, compared to 78 percent of non-parent women. Further, 28 percent of mothers are self-employed compared to 15 percent of women who do not have children. Finally, 6 percent of mothers owned businesses with more than 1 employee compared to 2 percent non-parent women. This indicates that women may be shifting out of paid employee positions in private companies, into self-employment which could provide more flexibility with child-care roles. There are no statistically significant differences in the monthly income of mothers and non-parent women, which could indicate that income may not be the chief factor for switching roles.

<sup>109</sup> These were multiple choice questions so each reason corresponds to a percentage of parents who agreed with that statement.

Figure 14: Differences in type of job among parents and non-parents (females).

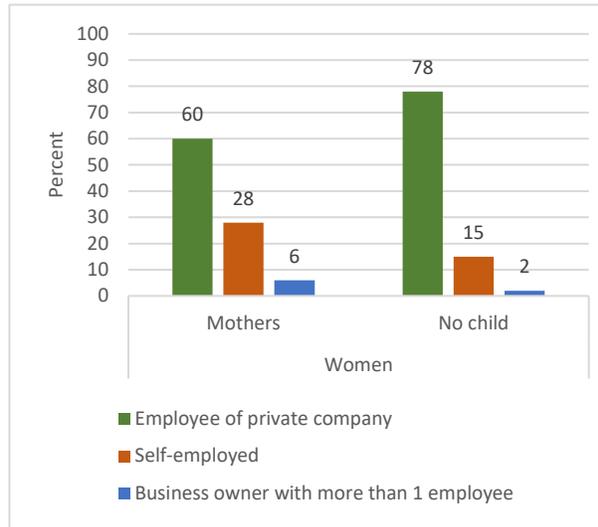
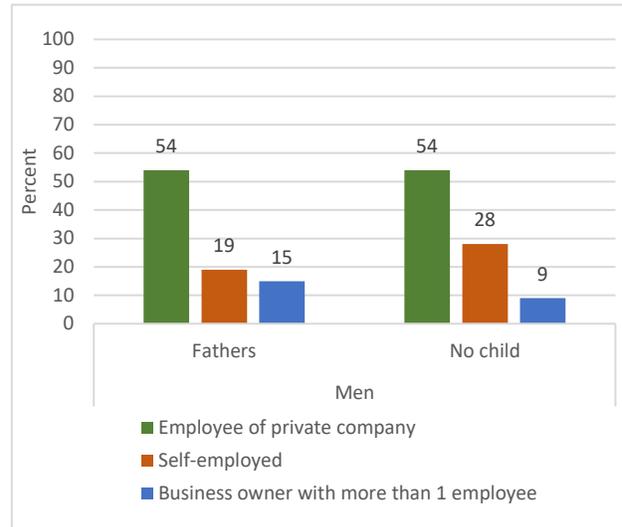


Figure 15: Differences in type of job among parent and non-parents (males).



Source: Authors’ calculations using Nepal Parental Benefits Survey 2023.

**Fathers and men without children are equally likely to be paid employees of private companies: about 54 percent.** However, fathers are less likely to be self-employed (19 percent compared to 28 percent of men without children) and more likely to own a business with more employees (15 percent compared to 9 percent non-parent men). While the differences among men are not statistically significant, they are large and may be underpowered due to a smaller sample of men than women in our study. The income of fathers is significantly higher than that of non-fathers (NPR 32,700 per month compared to NPR 24,600 for men without children; statistically significant). Together, these results indicate that as men become fathers, their job outcomes strengthen in the form of greater income and possibly growing from self-employment to owning a business with more workers.

**Section 4: Parental leave trends since the new labor rules, attitudes and beliefs on childcare and parental benefits**

*Trends in parental leave before and after 2018 labor laws*

**Laws governing Nepal’s parental leave policy changed in 2018, when the passage of the new Labor Rules 2018 increased maternity leave from 52 days to 98 days, and introduced 15 days of paternity leave.** Thus, we analyze parental leave patterns among parents with children born before 2018 and after (Table 8). Four key trends were observed for parents currently employed in the formal sector. First, parents were much more likely to be working during the last child’s birth if the child was born in 2018 or later: 42 percent of parents were working during the last

child’s birth if the child was born before 2018; 78 percent of parents were working during the last child’s birth if the child was born in or after 2018. The change in labor laws in 2018 may be a factor in this outcome, however there can be many other factors, including changing norms and economic opportunities over the years, which can reflect this outcome, and which are beyond the scope of this analysis. Second, parents with children born in 2018 or later were 10 percentage points more likely to take parental leave (72 percent compared to 62 percent of parents whose children were born before 2018). In particular, fathers were much more likely to take paternity leave after 2018: 64 percent compared to 39 percent of fathers with children born before 2018. Third, parents with children born in 2018 or later took shorter parental leaves, which seems to be driven by mothers, despite the increase of the maternity leave allowance in 2018. Fourth, mothers were more likely to get income during the leave after 2018: 90 percent, compared to 78 percent of mothers with children born before 2018.

**Among currently informally employed parents who were working during the last child’s birth, they were much more likely to take parental leave after 2018, with this result driven by mothers.** Further, the number of leave days taken fell slightly for mothers after 2018, and increased for fathers, though these differences are not statistically significant, possibly due to small sample sizes. The results for parents in both the formal and informal sector indicate a shift towards more parents taking parental leave, and especially fathers taking some paternity leave, since 2018 (Table 9). While some of these outcomes could be driven by factors other than the labor rules of 2018, such as economic climate and evolving norms, the trends in increasing uptake of parental leave over the years nonetheless underscore the importance of law and policy in labor market outcomes, and their interplay with social norms and individual attitudes and behaviors.

*Table 10: Parental leave trends before and after 2018 for parents currently in the formal sector (New Labor Rules were passed in 2018).*

	Overall			N
	(1) Child born before 2018	(2) Child born in or after 2018	(1)-(2) Pairwise t- test Mean difference	
Working during birth of last child?	0.42 (0.49)	0.78 (0.41)	-0.37***	448
Did you take any maternity/ paternity leave when your youngest child was born?	0.62	0.72	-0.10*	260

How long was the leave?	(0.49) 65.22 (48.87)	(0.45) 48.82 (37.14)	16.40**	176
Was the duration of leave sufficient in your view?	0.64 (0.48)	0.54 (0.50)	0.10	176
Did you receive income during the leave?	0.81 (0.39)	0.88 (0.32)	-0.07	176
What percentage of your monthly income did you receive during the leave?	79.69 (39.56)	86.29 (33.03)	-6.61	176
<b>Women (mothers)</b>				
	(1) Child born before 2018 Mean/(SD)	(2) Child born in or after 2018 Mean/(SD)	(1)-(2) Pairwise t- test Mean difference	N
Working during birth of last child?	0.33 (0.47)	0.69 (0.46)	-0.36***	336
Did you take any maternity/ paternity leave when your youngest child was born?	0.72 (0.45)	0.78 (0.42)	-0.06	157
How long was the leave?	79.41 (44.67)	73.55 (26.81)	5.86	118
Was the duration of leave sufficient in your view?	0.63 (0.49)	0.49 (0.50)	0.13	118
Did you receive income during the leave?	0.78 (0.42)	0.90 (0.31)	-0.11*	118
What percentage of your monthly income did you receive during the leave?	76.47 (41.66)	87.54 (31.79)	-11.07	118

<b>Men (fathers)</b>				
	(1)	(2)	(1)-(2)	
	Child born before 2018	Child born in or after 2018	Pairwise t- test Mean difference	N
Working during birth of last child?	0.89 (0.31)	0.93 (0.25)	-0.04	112
Did you take any maternity/ paternity leave when your youngest child was born?	0.39 (0.50)	0.64 (0.48)	-0.25**	103
How long was the leave?	9.54 (3.53)	12.00 (9.13)	-2.46	58
Was the duration of leave sufficient in your view?	0.69 (0.48)	0.60 (0.50)	0.09	58
Did you receive income during the leave?	0.92 (0.28)	0.87 (0.34)	0.06	58
What percentage of your monthly income did you receive during the leave?	92.31 (27.74)	84.44 (35.07)	7.86	58

Source: Authors calculations using Nepal Parental Benefits Survey 2023. Note: one, two and three stars indicate that the differences are statistically significant at the 90%, 95% and 99% level of significance respectively

Table 11: Parental leave trends before and after 2018 for parents currently in the informal sector (New Labor Rules were passed in 2018).

<b>Overall</b>			
	(1)	(2)	(1)-(2)
	Child born before 2018	Child born in or after 2018	Pairwise t- test

Variable	Mean/(SD)	Mean/(SD)	Mean difference	N
Did you take leave around the time your youngest child's birth?	0.30 (0.46)	0.41 (0.49)	-0.11	165
How long was the time off?	88.11 (90.10)	71.47 (54.30)	16.64	57
<b>Mothers</b>				
	(1) Child born before 2018	(2) Child born in or after 2018	(1)-(2) Pairwise t-test Mean difference	N
Variable	Mean/(SD)	Mean/(SD)		
Did you take leave around the time your youngest child's birth?	0.40 (0.49)	0.59 (0.50)	-0.18*	98
How long was the time off?	101.30 (91.36)	84.04 (53.37)	17.26	47
<b>Fathers</b>				
	(1) Child born before 2018	(2) Child born in or after 2018	(1)-(2) Pairwise t-test Mean difference	N
Variable	Mean/(SD)	Mean/(SD)		
Did you take leave around the time your youngest child's birth?	0.12 (0.33)	0.18 (0.39)	-0.06	67
How long was the time off?	12.25 (11.87)	21.17 (14.36)	-8.92	10

*Source: Authors calculations using Nepal Parental Benefits Survey 2023. Note: one, two and three stars indicate that the differences are statistically significant at the 90%, 95% and 99% level of significance respectively*

*Attitudes and awareness on parental leave, childcare and labor market outcomes*

**Almost all respondents believe that government and employers should provide parental benefits to workers.** 98 percent of the sample believe that the government and employers should provide parental benefits (Table 10). 71 percent believe parental benefits can improve parent's mental health, 59 percent believe that these benefits can improve parents' job

opportunities. Only 34 percent believe that parental benefits can improve the parenting experience. There were no statistically significant differences by gender in these perceptions.

**About 7 in 10 people in the sample were aware of 98 days’ maternity leave provisioned in the labor law, and 6 in 10 were aware of the law’s provisions on paternity leave; women were less likely than men to think that the mandated leave amounts are sufficient.** Regarding overall awareness of the law in the sample, 68 percent were aware of Nepal's labor law that says women should get 98 days maternity leave, with no statistical differences among men and women. About 59 percent of the sample were aware of the provision that fathers are entitled to 15 days, with women being more likely than men to know about this provision (61 percent women and 54 percent of men were aware). Regarding the sufficiency of the leave offered by the labor law, 68 percent of the sample felt that the 98 days of maternity leave are sufficient; women were less likely than men to believe the leave is sufficient (66 percent of women compared to 76 percent of men). Among those who felt that the 98 days are insufficient, an average of 161 days of leave was reported as being sufficient. Regarding paternity leave, 58 percent of the sample felt that the 15 days for fathers are sufficient; again, women were less likely to believe that these days are sufficient, than men (56 percent women compared to 65 percent of men). Those who felt that the paternity leave is insufficient recommended an average of 36 days instead.

*Table 12: Perceptions about parental benefits*

Variable	Overall	(1) Male	(2) Female	(1)-(2) Pairwise t-test	N
	Mean/(SD)	Mean/(SE)	Mean/(SE)	Mean difference	
Thinks the government and employers should provide parental benefits	0.98 (0.15)	0.99 (0.01)	0.97 (0.01)	0.01	1000
Parental benefits can improve parent's mental health	0.71 (0.45)	0.73 (0.03)	0.70 (0.02)	0.03	1000
Parental benefits can improve the parenting experience	0.34 (0.47)	0.35 (0.03)	0.34 (0.02)	0.01	1000
Parental benefits can improve parent's job opportunities	0.59 (0.49)	0.58 (0.03)	0.60 (0.02)	-0.02	1000

Aware of Nepal's labor law that says women should get 98 days maternity leave	0.68 (0.47)	0.63 (0.03)	0.69 (0.02)	-0.06	1000
Believes 98 days is an appropriate amount	0.68 (0.47)	0.76 (0.03)	0.66 (0.02)	0.10***	1000
Aware of Nepal's labor law that says men should get 15 days of paternity leave	0.59 (0.49)	0.54 (0.03)	0.61 (0.02)	-0.07*	1000
Believes 15 days is an appropriate amount	0.58 (0.49)	0.65 (0.03)	0.56 (0.02)	0.09***	1000

*Source: Authors calculations using Nepal Parental Benefits Survey 2023. Note: one, two and three stars indicate that the differences are statistically significant at the 90%, 95% and 99% level of significance respectively.*

**Attitudes and beliefs around women having a more primary role in childcare are strong.** About 40 percent of the sample believes that the mother is the main parent responsible for childcare, with strong differences by gender: 29 percent of men but 42 percent women expressed this belief (Table 11). Men were more likely to report that both parents are responsible for childcare (57 percent of men compared to 49 percent women). Only 1 percent of the sample reported that fathers are the main parent responsible for childcare. Thus, in this sample of urban working adults, social norms and beliefs around women having a more primary role in childcare are strong. Further, women are more likely to hold the belief that mothers are primarily responsible for childcare, than men.

**Most parents do not report discrimination and lower pay at work upon becoming parents, but report working more hours after having children and some mothers report having reduced job opportunities.** Among parents in the sample, nearly 60 percent believe that they work more hours after having a child, with no differences by gender (Table 11). Further, most parents, both mothers and fathers, did not report feeling discriminated against and paid less at work after having a child -- only 2 percent of the sample reports this experience. Nearly 7 in 10 parents believe they have a good balance of work and childcare responsibilities, with no differences among fathers and mothers. However, about 13 percent of the parents believe their job opportunities have been reduced after having a child – driven by mothers, 16 percent of whom report this compared to only 3 percent of fathers.

Table 13: Perceptions about childcare and its impact on job outcomes

Variable	Overall Mean/(SD)	(1) Male Mean/(SE)	(2) Female Mean/(SE)	(1)-(2) Pairwise t-test Mean difference	N
<b>Full sample:</b>					
Mother is main responsible for childcare	0.39 (0.49)	0.29 (0.03)	0.42 (0.02)	-0.12***	1000
Father is main responsible for childcare	0.01 (0.12)	0.02 (0.01)	0.01 (0.00)	0.01	1000
Both are main responsible for childcare	0.51 (0.50)	0.57 (0.03)	0.49 (0.02)	0.08**	1000
Both and rest of family is main responsible for childcare	0.09 (0.29)	0.12 (0.02)	0.08 (0.01)	0.03	1000
<b>Parents:</b>					
Believes is working more time at job after having their child	0.57 (0.50)	0.56 (0.04)	0.57 (0.02)	-0.00	743
Believes is being discriminated and paid less after having their child	0.02	0.02	0.02	-0.01	743

	(0.15)	(0.01)	(0.01)		
Believes job opportunities have been reduced after having their child	0.13 (0.34)	0.03 (0.01)	0.16 (0.02)	-0.13***	743
Believes their job and childcare work are well-balanced	0.68 (0.47)	0.68 (0.03)	0.68 (0.02)	0.00	743
<b>Non-parents:</b>					
Plans to have a child in the next years	0.70 (0.46)	0.74 (0.05)	0.69 (0.03)	0.04	257
If yes, respondent will be responsible for most of the childcare	0.41 (0.49)	0.10 (0.04)	0.53 (0.04)	-0.43***	181
If yes, spouse will be responsible for most of the childcare	0.56 (0.50)	0.88 (0.05)	0.44 (0.04)	0.44***	181
If yes, respondent would like to work after having a child	0.94 (0.23)	1.00 (0.00)	0.92 (0.02)	0.08**	181
Believes they will work at their job more hours after having a child	0.46 (0.50)	0.72 (0.06)	0.36 (0.04)	0.36***	181
Believes they will be discriminated against and paid less if they have a child	0.02 (0.15)	0.02 (0.02)	0.02 (0.01)	-0.00	181
Believes they will not be able to get a salary raise after having a child	0.10 (0.31)	0.08 (0.04)	0.11 (0.03)	-0.03	181

*Source: Authors calculations using Nepal Parental Benefits Survey 2023. Note: one, two and three stars indicate that the differences are statistically significant at the 90%, 95% and 99% level of significance respectively.*

**Among non-parents, women are much more likely to expect to be the primary childcare giver after having a child, and much less likely to expect to work more hours at the job after the child is born.** Among non-parents in the sample who plan to have a child in the coming years, most women felt they would be responsible for most of the childcare (53 percent compared to 10 percent men), while most men said their spouse would be mainly responsible (88 percent men compared to 44 percent women; Table 11). These results echo the general belief reflected by the sample that mothers are primarily responsible for childcare. Further, men are more likely than women to believe they will work more hours at the job after the child is born (72 percent men compared to 36 percent women), though respondents of both genders want to continue working after having a child (100 percent men and 92 percent women). This is borne out by the outcomes of current mothers and fathers in our sample, where fathers spend more time a week working, while mothers spend more time on childcare (). Very similarly to parents, most non-parents also do not anticipate facing discrimination and paid less at work after having a child (only 2 percent report feeling so).

**The beliefs and expectations about childcare among study respondents and the actual labor market experiences of parents in the sample have clear parallels, and both reflect the belief that mothers are more responsible for childcare while fathers focus more on jobs.** In our sample of urban working adults, individual attitudes and beliefs around women having a more primary role in childcare are strong. Further, women are more likely to hold the belief that mothers are primarily responsible for childcare, than men. Among non-parents, women are much more likely to expect to be the primary childcare giver after having a child, and much less likely to expect to work more hours at the job after the child is born, than men. These beliefs and expectations have clear parallels in the actual experience of current parents in our sample: prior to the birth of the last child, a large proportion of mothers were not working, while almost all fathers were working. Working mothers in our sample were more likely to make job decisions based on the birth of the child, while fathers were more likely to change jobs for better pay. Fathers spend more time a week working, while mothers spend more time on childcare. Mothers are less likely to be paid employees of a private company, and more likely to be self-employed, than women without children. Women were less likely than men to think that the maternity and paternity leave amounts mandated by the law are sufficient.

## Conclusions and recommendations

The study contributes to the literature around parental benefits by documenting the de-jure and presenting the de-facto coverage of currently available parental benefits in Nepal using quantitative survey results supplemented by consultations. The survey questions cover all six elements of the Parental Benefits Framework, and the sample includes working men/women, parents/non-parents and those in formal and informal employment. In doing so, the study underscores the need for legislated benefits and program design to consider the unique characteristics of largely informal economies with deep rooted social expectations on the role of women in caregiving. Select findings are timely for Nepal given the recently launched voluntary scheme by the SSF that includes parental benefits for informal sector workers as a short-term benefit. Lastly, the survey documents the labor market choices of parents after childbirth and inquiries about their current quality of life. Future work in this area should probe these labor market dynamics further and consider a nationally representative survey sample that includes women who dropped out of the labor force after childbirth or engage in unpaid activities.

Below is a summary of key findings and related recommendations:

### 1. **Awareness and compliance of the legislated parental benefits for the formal sector workers needs to be improved:**

The formal sector workers in urban Nepal in our sample had relatively low awareness and usage of the Social Security Fund's maternity benefits scheme, which is by law, a mandatory scheme for these workers. About 52 percent of formal sector employees in the sample are enrolled and contributing to SSF currently. Only 25 percent of eligible parents<sup>110</sup> reported being enrolled in the SSF at the birth of their last child. Main reasons given for not participating in the SSF are lack of awareness of the scheme (36 percent of formal workers) and employers not participating in the SSF (20 percent).

Seven in ten parents who were in formal employment at the birth of their last child took any parental leave, most of them being woman. Parents who took leave took 54 days on average and received 84 percent of their regular income during the leave. This is lower than what the legislation calls for i.e. 90 days of leave (first 60 days paid by firm and the remaining by the SSF) and a 100% income replacement. Provision of other legislated benefits was poor. Only 18 percent of mothers reported having access to a place to breastfeed at work and 31 percent said they got a 30 mins break during the day. Only 2.35% of parents in firms of size 50 or more had access to childcare centers at work, as required by the law.

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<sup>110</sup> This counts only parents whose last child was born after the introduction of the SSF maternity benefits in 2019.

**Recommendation:** These results suggest that more can be done to ensure that formal sector workers who are legislated to contribute to the mandatory scheme, do so. This must include efforts to improve compliance but also a broader discussion on the affordability of the high contribution rate (31% of payroll currently) which is a ‘cost on formality.’ It would also be important to develop a monitoring system to assess if non-monetary legislated benefits like the workplace protections, breastfeeding facilities, childcare options, are provided by firms to their workers. Nudges and spot checks by government authorities as well as awareness of rights amongst workers, could encourage firms to provide these benefits consistently.

**2. New voluntary scheme by the SSF can provide income replacement on childbirth to those in the informal sector but affordability must be considered:**

At the time of surveying, no scheme for informal workers existed, but the government had announced the rollout of the Social Security Fund’s social insurance scheme for informal workers and self-employed. The scheme included a similar set of benefits as that of the formal sector: a bundled package of benefits on old age, health, accident and parental benefits (partial income-replacement after childbirth, and pregnancy related allowances). Awareness of this upcoming scheme in our sample was low. Only 9 percent of informal workers were aware of the upcoming informal SSF scheme for workers. Only 7 percent of women were aware of the upcoming scheme, compared to 15 percent men.

The survey exercise described the benefits of contributing to the new scheme, highlighting the maternity design. Results suggest a strong willingness to pay for the voluntary scheme among informal workers. When asked about how much they would be willing to contribute monthly for such a scheme, 47 percent of the workers reported being willing to pay NPR 1000 per month. This is close to the required contribution from the workers of NPR 1,032. Of the remaining 53 percent of workers, most reported they would be willing to pay NPR 100 per month for the scheme.

**Recommendation:** In the absence of legislated benefits for the informal sector 28% of those from the informal sector who took parental leave had to borrow money, while others had to reduce work hours, stop working or dip into saving. The introduction of the voluntary scheme by the SSF is therefore an important instrument that can provide assured income to contributing parents in the informal sector. Awareness of this scheme will need to be focused on, especially among women. Digital methods (facebook/whatsapp) for spreading awareness of the scheme and enrollment via mobile phone or through government online portals should be adopted in areas with stronger digital penetration such as peri-urban and urban areas covered by our study sample. Moreover, the responses to the willingness to pay for the voluntary scheme suggest that some are willing to pay close to the required contributions for

the bundled scheme, but others would need a higher government matching contributions or a modest bundle of benefits with lower contributions.

### **3. Social norms, belief systems, and in some instances financial need, influences women's labor market choices after childbirth:**

The survey findings from Nepal align with global trends that show women tailoring their labor market participation around child and household care responsibilities, a challenge men are less likely to face. Most respondents, notably women, hold the belief that mothers are primarily responsible for childcare. For those women respondents who chose to join the workplace after childbirth, the main motivation is the 'additional cost of childcare'. The birth of the child makes men more likely to change jobs for better pay. The prevailing social norms around childcare along with the financial need that new mothers face puts them at the risk of shouldering a dual burden at home and work. This is confirmed by the study's findings. Mothers in the sample, all of whom are employed, reported spending 54 hours a week on childcare, compared to 24 hours a week reported by fathers in the study. Mothers are less likely to be paid employees of a private company, and more likely to be self-employed, than women without children in the sample. Women were also less likely than men to think that the maternity and paternity leave amounts mandated by the law are sufficient.

**Recommendation:** These results highlight the need for expanding the legal and policy landscape to include rights and responsibilities of fathers towards care of the newborn. In Nepal, fathers are only offered 15 days of paid leave, fully financed by the employer. The days of leave for paternity benefits should be increased and be accompanied by efforts to change societal norms around caring responsibilities for newborn. Further, childcare provisions in law and policy could be strengthened. For example, the establishment of childcare quality standards, investing in a database of childcare providers, and providing community-based childcare options for parents where other options may not exist, could be important initial investments for strengthening childcare provision.<sup>111</sup> Finally, grassroots initiatives that work on addressing gender bias in individual attitudes and social norms<sup>112</sup>, should be consulted to better implement existing laws and schemes.

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<sup>111</sup> World Bank, 2024. Women, Business and the Law 2.0 Database. Nepal Snapshot.

<sup>112</sup> Such as those led by MenEngage Alliance: <https://menengage.org/stories/menengage-nepal-south-asia-partners-co-host-regional-dialogue-on-engaging-men-and-boys-in-gender-equality/>

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## Appendix 1: Social Security Fund Maternity Protection Schemes

The following table details the key modalities of contributions, benefits, conditions and payout processes of the Social Security Fund and the Maternity Protection Scheme.

	<b>Formal workers</b>	<b>Informal workers</b>	<b>Self Employed workers</b>
Launch date	May 2019	August 2023	August 2023
Enrolling	Online enrolment process of the worker to be led by the employer. In case the employer doesn't initiate the enrollment process within the time set by SSF, the employee can do it on his/her own after the deadline.	Enrolment form and supporting documents to be submitted by the worker.  Can be submitted to SSF, other agencies referred to by SSF or online system.	Enrolment form and supporting documents to be submitted by the worker.  Can be submitted to SSF, other agencies referred to by SSF or online system.
Contribution to entire SSF (which includes maternity as one from a bundle of schemes)	Worker pays 11% of basic salary <sup>113</sup> Employer adds 20% of basic salary Total 31% of basic salary contributed per month	Worker contributes 11% of minimum basic salary <sup>114</sup> + 9.37% added by the government Total 20.37% of minimum basic wage contributed per month  It is to be decided whether the 9.37% contribution will come from local, provincial or national government. This will be determined during the rollout.	Worker contributes 31% of minimum basic salary <sup>115</sup>

<sup>113</sup> These percentages are calculated against the basic salary for the sector as determined by government.

<sup>114</sup> The minimum basic salary is defined by the government as Rs. 9385 per month.

Amount of SSF contribution is allocated to maternity scheme v.s other social insurance	<p>The total 31% of the basic salary that is contributed, is allocated as below into the maternity (and other) schemes:</p> <ul style="list-style-type: none"> <li>• 1 percent for medical treatment, health and maternity protection scheme.</li> <li>• 1.40 percent for accident and disability protection scheme.</li> <li>• 0.27 percent for dependent family protection scheme.</li> <li>• 28.33 for elderly protection scheme.</li> </ul>	<p>The total 20.37% of the minimum basic salary that is contributed, is allocated as below into the maternity (and other) schemes:</p> <ul style="list-style-type: none"> <li>• 10.37 percent for medical treatment, health and maternity protection, accident and disability protection, and dependent family protection scheme.</li> <li>• Remaining 10 percent for elderly protection scheme</li> </ul>	<p>The total 31% of the minimum basic salary that is contributed, is allocated as below into the maternity (and other) schemes:</p> <ul style="list-style-type: none"> <li>• 1 percent for medical treatment, health and maternity protection scheme.</li> <li>• 1.40 percent for accident and disability protection scheme.</li> <li>• 0.27 percent for dependent family protection scheme.</li> <li>• 28.33 for elderly protection scheme.</li> </ul>
Conditions of payout of maternity scheme	Contribution should be given for at least 3 months in the last 12 months	Contribution should be given for at least 9 months in the last 12 months	Contribution should be given for at least 9 months in the last 12 months
Benefits of maternity scheme for female contributors	<p>Employer gives 60 days of paid leave at 100% of the basic salary.</p> <p>SSF gives 38 days of remuneration at 60% of basic salary.</p> <p>1 month of nationally determined minimum salary paid as child allowance – per child. This is paid at a flat rate</p>	<p>SSF pays 98 days of remuneration at 60% of minimum basic salary, i.e. 60% of Rs 9,385 per month.</p> <p>1 month of minimum basic salary paid as child allowance – per child. This is paid at a flat rate of Rs 9,385 per month.</p>	<p>SSF pays 98 days of remuneration at 60% of minimum basic salary, i.e. 60% of Rs 9,385 per month.</p> <p>1 month of basic salary paid as child allowance – per child. This is paid at a flat rate of Rs 9,385 per month.</p>

	<p>of Rs 15,000 per month.</p> <p>Up to Rs 1 lakh per year in hospital fees and doctor visits, including antenatal care, delivery, infant treatment, with 20% copayment form the contributor.</p> <p>Up to Rs 25,000 per annum for out-of-hospital care</p>	<p>Up to Rs 1 lakh per year in hospital fees and doctor visits, including antenatal care, delivery, infant treatment, with 20% copayment form the contributor.</p> <p>Up to Rs 25,000 for out-of-hospital care</p>	<p>Up to Rs 1 lakh per year in hospital fees and doctor visits, including antenatal care, delivery, infant treatment, with 20% copayment form the contributor.</p> <p>Up to Rs 25,000 for out-of-hospital care</p>
Benefits of maternity scheme for male contributors	<p>1 month of nationally determined minimum salary paid as child allowance – per child. This is paid at a flat rate of Rs 15,000 per month.</p> <p>Up to Rs 1 lakh per year in hospital fees and doctor visits for wife, including antenatal care, delivery, infant treatment</p> <p>Up to Rs 25,000 for out-of-hospital care of wife</p>	<p>1 month of minimum basic salary paid as child allowance – per child. This is paid at a flat rate of Rs 9,385 per month.</p> <p>Up to Rs 1 lakh per year in hospital fees and doctor visits of wife, including antenatal care, delivery, infant treatment</p> <p>Up to Rs 25,000 for out-of-hospital care of wife</p>	<p>1 month of minimum basic salary paid as child allowance – per child. This is paid at a flat rate of Rs 9,385 per month.</p> <p>Up to Rs 1 lakh per year in hospital fees and doctor visits of wife, including antenatal care, delivery, infant treatment</p> <p>Up to Rs 25,000 for out-of-hospital care</p>
Modality of benefit payouts of maternity scheme	<p>For leave and child allowances :</p> <p>Individual can apply directly using the online contributor portal. By using</p>	<p>For leave and child allowances :</p> <p>Individual can apply directly using an online contributor portal. By using username,</p>	<p>For leave and child allowances :</p> <p>Individual can apply directly using the online contributor portal. By using</p>

username, password, upload birth certificate, marriage certificate. Directly paid into bank account of beneficiary. Individuals can also seek support to file for benefits at designated support desks at SSF branch offices.	password, upload birth certificate, marriage certificate. Directly paid into bank account of beneficiary. Individuals can also seek support to file for benefits at designated support desks at SSF branch offices.	username, password, upload birth certificate, marriage certificate. Directly paid into bank account of beneficiary. Individuals can also seek support to file for benefits at designated support desks at SSF branch offices.
For hospital expenses: the social security card is to be shown to the hospital staff, and hospital staff would claim the payment from the SSF.	For hospital expenses: the social security card is to be shown to the hospital staff, and hospital staff would claim the payment from the SSF.	For hospital expenses: the social security card is to be shown to the hospital staff, and hospital staff would claim the payment from the SSF.

Source: Social Security Regulations-2018, Social Security Schemes Operation Procedures-2018, Employer and Employee Registration Procedures-2018, Informal and Self-Employed Worker

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Enrollment Operation Procedures-2022, and Consultation with representative from the SSF.

**Appendix 2: Additional data tables**

Appendix Table 1: Comparison of informal worker parents who borrowed to replace income during parental leave, versus didn't borrow.

	(1)	(2)	(1)-(2)	
	Did not borrow money	Borrowed money	Pairwise t-test	
Variable	Mean/(SD)	Mean/(SD)	Mean difference	N
Female	0.88	0.69	0.19*	57
	(0.33)	(0.48)		
Age	30.80	31.69	-0.88	57

	(5.13)	(7.33)		
Married	0.95	0.94	0.01	57
	(0.22)	(0.25)		
How many hours did you work last week doing your (main) job?	48.39	49.13	-0.73	57
	(18.49)	(21.39)		
PAID EMPLOYEE FOR A PRIVATE COMPANY	0.32	0.38	-0.06	57
	(0.47)	(0.50)		
PAID EMPLOYEE FOR THE GOVERNMENT OR PUBLIC SECTOR	0.00	0.00	.n	.n
	(0.00)	(0.00)		
OWNER OF OWN BUSINESS WITH NO OTHER EMPLOYEES	0.46	0.44	0.03	57
	(0.50)	(0.51)		
OWNER OF OWN BUSINESS WHICH ALSO HIRES OTHER EMPLOYEES	0.10	0.00	0.10	57
	(0.30)	(0.00)		
PAID EMPLOYEE IN BUSINESS OPERATED BY A HOUSEHOLD/FAMIL	0.02	0.00	0.02	57
	(0.16)	(0.00)		
PAID APPRENTICE	0.00	0.00	.n	.n
	(0.00)	(0.00)		
FAMILY FARM GROWING CROPS, RAISING LIVESTOCK, OR FISHIN	0.00	0.00	.n	.n
	(0.00)	(0.00)		
DAILY WAGE WORKER	0.10	0.19	-0.09	57
	(0.30)	(0.40)		
	(0.00)	(0.00)		
Worplace with 19 employees or less	0.90	0.94	-0.04	57
	(0.30)	(0.25)		
In a month, how much in total did your entire hh receive as sources of income?	48487.80	35500.00	12987.80	57
	(37043.98)	(14165.69)		
In a typical month, how much income do you earn from your main job?	20646.34	16187.50	4458.84	57
	(17286.64)	(6209.87)		
Income is consistent	0.93	0.94	-0.01	57

<b>Education:</b>	(0.26)	(0.25)		
Less than basic (8th grade)	0.20	0.44	-0.24*	57
	(0.40)	(0.51)		
Basic complete	0.51	0.38	0.14	57
	(0.51)	(0.50)		
Higher secondary (HSEB exam) complete	0.29	0.19	0.11	57
	(0.46)	(0.40)		
Tertiary education	0.17	0.06	0.11	57
	(0.38)	(0.25)		
Postgraduate education (some or complete)	0.05	0.00	0.05	57
	(0.22)	(0.00)		
Working in Kathmandu	0.17	0.13	0.05	57
	(0.38)	(0.34)		

### Appendix 3: Stakeholders consulted during desk review

The following is a list of stakeholders whom the study team consulted to better understand the legal and policy landscape of parental benefits during the study's desk review phase of Nepal's laws and programs.

1	Scheme Implementation & Promotion Branch, Social Security Fund, Ministry of Labour, Employment and Social Services
2	Labour Relations Council, General Federation of Nepalese Trade Unions
3	Forum for Women, Law and Development
4	International Labour Organization, Nepal Office

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## ABSTRACT

Women constitute nearly half of the young working age-population in Nepal but are less likely than men to participate in the labor force. When employed, they work largely in informal, or subsistence work characterized by inadequate social protection and are subject to lower wages relative to men. A key factor behind these outcomes is that childcare responsibilities fall primarily on women with little or inadequate support at work, in the family, or more broadly at a societal level. A holistic and inclusive parental benefits framework which includes all parents (men and women), and all working individuals irrespective of type of employment (formal, informal, part time), is required to bridge the gap between childcare responsibilities and employment for women. The design and implementation of such benefits in developing economies must be cognizant to the trade-offs arising from source of financing (payroll or general revenue); and extent of cost-sharing. This study examines the laws, policies and schemes governing parental benefits in Nepal to outline de-jure coverage. It then presents the results of a survey with 1000 workers in urban Nepal that identify de-facto coverage of these benefits and enquires about labor market choices of mothers and fathers. Four key messages emerge. First, the formal sector workforce, which is less than 10 percent of the employed in Nepal has legislated coverage of the key parental benefits, but suffers from gaps in awareness, and compliance. Second, workers in the informal sector currently lack parental benefits, 28 percent of whom have to borrow money around childbirth while others stop work, reduce hours or dip into savings. Third, there is a willingness to contribute among informal sector workers, to the recently launched social insurance scheme that includes maternity benefits. Finally, women in Nepal are more likely to shift in and out of employment based on childbirth and childrearing constraints, while men are less likely to use childcare as a factor in work decisions, signaling the need for policies to be complemented with a sustainable social norm change.

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