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Modeling Minimum Wage Determination in Nepal: The Role of Economic Growth and Inflation

Ishwar Kumar Shrestha [1], **Nabaraj Poudyal** [1], **Eak Raj Kadariya** [2]

[1] *Amrit Campus, Lainchaur, Kathmandu, Tribhuvan University, Nepal*
[2] *Trichandra Multiple Campus, Kathmandu, Tribhuvan University, Nepal*

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ABSTRACT

Background: Minimum wage (MW) is among the most contested labor market instruments, particularly in countries where industrialization is not yet sufficiently matured. In setting MW, the main issue is balancing between worker's welfare and enterprise growth, which actually difficult in developing economies with large informal sectors. In Nepal, MW has periodically revised since 1965, but whether these adjustments reflect macroeconomic conditions or balance worker welfare with industrial growth is still unclear. This study aims to prescribe a reliable statistical model that best describes minimum wage growth in Nepal.

Methods: The study combines quantitative and qualitative approaches. Quantitative component applies descriptive statistics and linear regression to a national data (1965–2025) of gross domestic product (GDP) growth, inflation, and MW growth. The qualitative component synthesizes literatures and policy documents to situate Nepal's experience within global and South/East Asian regional benchmarks.

Results: Between 1965–2025, mean annual GDP growth rate was 3.9%, while inflation and MW growth rates were 7.7% and 8.8%, respectively. GDP growth was positively associated with MW growth and was found significant ($\beta = 1.16$, p = .029), whereas inflation was not (p = .706), and the overall model fit was significant (p = .019). Model diagnostics indicated no problematic multicollinearity (VIF = 2.08), no evidence of heteroskedasticity (p = .357), and no evidence of model misspecification (p = .558); serial correlation was not significant (p = .053). Cumulatively, MW rose 530.4% over the period, versus 234.7% for GDP and 460.0% for inflation, indicating that wages kept up with prices, but only just.

Conclusion: MW growth in Nepal has followed economic growth more than inflation, but weak enforcement and a large informal sector (60–70% of the workforce) limit its impact. Effective wage policy requires periodic, evidence-based, sector-sensitive revisions, alongside stronger enforcement, productivity investment, and broader coverage of informal and rural workers.

Keywords: Minimum wage; Wage policy; Nepal; GDP growth; Inflation

Correspondence: Nabaraj Poudyal, Amrit Campus, Lainchaur, Kathmandu, Tribhuvan University, Nepal.
E-mail: nrpl2001@gmail.com.

INTRODUCTION

The International Labour Organization (ILO) has long framed MW policy as a central instrument of decent work, social protection, and poverty reduction. The ILO Resolution adopted in 2010 underscores the role of MWs in safeguarding vulnerable workers (International Labour Organization, 2014), while the MW Fixing Convention, 1970 (No. 131) requires that wage-setting proceed through evidence-based social dialogue that accounts for both the needs of workers and their families and prevailing economic conditions of the country. The ILO Centenary Declaration for the Future of Work (2019) endorses that dual concern must balance social equity with economic feasibility whether the MWs is statutory or negotiated. Moreover, a MW is formally defined as the minimum remuneration an employer must pay for work performed in a given period, a floor that cannot be reduced by collective agreement or individual contract (International Labour Organization, 2014). More than 90% of ILO member states have adopted some form of MW legislation (Sümer, 2018). MW is one of the most widely used labor-market instruments globally, even as it remains intended primarily for less-skilled and vulnerable workers rather than the workforce as a whole (Ravn and Sørensen, 1999).

Empirical evidence on the effects of MW laws is mixed. Some studies document positive effects on income redistribution and poverty reduction (Jadoon et al., 2021; Bauducco and Janiak, 2018), while others emphasize risks such as unemployment, informalization, and reduced enterprise competitiveness (Kim and Lim, 2018; Paun et al., 2021). A study of Mexico found that MW increases had no adverse employment effects and instead contributed positively to worker incomes (Campos Vázquez et al., 2018), while traditional economics theory continues to predict that higher MWs raise labor costs for unskilled workers and may increase unemployment (Raut, 2019). The balance of these effects appears to depend heavily on a country's labor market structure, institutional capacity, and complementary social policy. This type of dependency that is especially noticeable in developing economies like Nepal, where a large share of employment

is informal or agricultural (Jadoon et al., 2021).

MW systems also vary widely by region and level of development. High-income economies typically operate institutionalized, often automatically indexed, wage-setting mechanisms: France and Germany index MWs to price levels, and the United Kingdom's National Living Wage adjusts annually to the cost of living (Paun et al., 2021; Low Pay Commission, 2020). In East Asia, Japan and South Korea combine relatively high MWs with strong enforcement and closer alignment to productivity (Ravn and Sørensen, 1999), and China's provincial wage floors, introduced in the 1990s have been associated with improved income distribution without clear evidence of net job losses (Fang and Lin, 2015).

However, South Asian countries present a more fragmented picture. India has a complex, multi-tiered system of over 1,200 states and sector-specific MWs rates (International Labour Organization, 2014). Likewise, Bangladesh sets wages through sectoral negotiation, most visibly in garments sector (Kabeer et al., 2020). Nepal applies a uniform national MW across sectors but continues to face constraints in enforcement capacity and monitoring (Raut, 2019). Regionally, legal MWs in several Asian economies are estimated to fall well below living-wage benchmarks, ranging from 21% in Bangladesh to 46% in China, leaving large segments of the working population in a state of "working poverty" (Labour Behind the Label, 2021).

Nepal introduced its first legal MW in 1965 (B.S. 2022). The wage-fixing system in Nepal has since evolved from a skill-differentiated structure up to 2010. Since from 2010 onward, a unified wage applied across skill categories, together with a dearness allowance and daily and hourly equivalents. After the Labor Act of 1992 and Industrial Enterprises Act of 1992 formalized wage-setting mechanism has been enacted. The Labor Act of 2017, following the establishment of a federal republic, consolidated provisions on MWs, overtime, and worker protections within a tripartite mechanism; involving government, trade unions, and employers. Even after these reforms there are still remain gaps balancing between employment generation, enterprises growth and worker's welfare. Wage adjustments have often uncorrelated between inflation and the true cost of living particularly in urban centers (Raut, 2019). On the other hand, labor inspection capacity is limited, with reportedly fewer than 50 inspectors nationwide (Ministry of Labour, Employment and Social Security, 2021), which lack monitoring of the proper implementation of MWs. Over 60% of Nepal's workforce remains in informal employment that lies largely outside the reach of legal wage protection (National Statistics Office, 2020).

The study addresses these gaps by documenting the levels, trends, and predictors of Nepal's MW over six decades. Empirically testing the association between MW growth and two core macroeconomic fundamentals: GDP growth and inflation. This address Nepal's experience within global, regional, and sectoral MW practices applied. The objective is to determine whether Nepal's current wage-setting practice is adequately evidence-based and to derive policy recommendations that are rights-based, evidence-driven, and sector-sensitive.

METHODS

Research Design

This study adopts a mixed-method design that integrates quantitative and qualitative approaches. The quantitative component uses descriptive and comparative statistical analysis of MW trends together with linear regression to test the association between MW growth and macroeconomic fundamentals. The qualitative component synthesizes secondary literature, government reports, and international labor-policy documents to interpret the institutional and enforcement realities that shape the numerical results.

Data Sources

The study used multiple secondary data sources to strengthen reliability through triangulation. The main data sources for quantitative analysis were drawn from the National Statistics Office (NSO), the Ministry of Labor, Employment and Social Security (MoLESS), the Ministry of Finance (MoF), and the World Bank Group. For qualitative assessment: policy documents, country reports, including MW Fixation Committee recommendations and government gazettes; ILO conventions; and comparative peer-reviewed literature on wage-setting mechanisms in South Asia and beyond were used.

Study Variables

The dependent variable for this study is the minimum wage (MW) rate, measured on a ratio scale as the nominal average monthly MW level officially announced by MoLESS periodically. The explanatory variables are the annual percentage growth rates of GDP and inflation. In addition, cumulative percentage change is calculated for each series (MW, GDP, and inflation) relative to a 1965 base year.

Analytical Approach

The analysis was conducted in three steps. First, descriptive statistics (means and standard deviations) summarized MW, inflation, and GDP growth trends over 1965–2025, applying the following equations;

$$\%\Delta GDP = \frac{GDP_{t+1} - GDP_t}{GDP_t} \times 100 \tag{1}$$

$$\%\Delta Inf = \frac{Inf_{t+1} - Inf_t}{Inf_t} \times 100 \tag{2}$$

$$\%\Delta MW = \frac{MW_{t+1} - MW_t}{MW_t} \times 100 \tag{3}$$

Where, $\%\Delta$ represents the percentage change, t represents the specific period of time for the given data.

In addition, pairwise Pearson correlations among GDP growth, inflation, and MW growth are also computed using the following formula, given in equation (4);

$$r_{xy} = \frac{\sum_{i=1}^{n}(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum_{i=1}^{n}(x_i - \bar{x})^2 \sum_{i=1}^{n}(y_i - \bar{y})^2}} \tag{4}$$

Second, multiple linear regression was employed with annual MW growth as the dependent variable and GDP growth and inflation as predictors, given by the following equation (5):

$$MW_{Gr} = \beta_0 + \beta_1(GD_{Gr}) + \beta_2(Inf_{Gr}) + \epsilon \qquad (5)$$

Where β_0 represents the model intercept, β_1 and β_2 are regression parameters, and ϵ is the error term of the model.

Model Fit and Diagnostics Test

Model fit was assessed via the F-test and R^2, and individual predictors via two-tailed significance tests at $\alpha = 0.05$. Pairwise Pearson correlations among GDP growth, inflation, and MW growth were also computed.

Diagnostic tests examined multicollinearity by variance inflation factor (VIF), heteroskedasticity, model misspecification, and serial correlation to confirm the model that met the standard regression assumptions.

t-test was used to test the individual coefficient of the model. The hypotheses are;

$$H_0 : \ \beta_j = 0, \qquad j = 1, 2$$

, j = 1, 2 (No predictor has statistically significant relation on wage growth).

$$H_1 : \ \beta_j \neq 0$$

(At least one predictor has a statistically significant relation on wage growth).

The t-test is given by;

$$t_j = \frac{\hat{\beta}_j}{SE(\hat{\beta}_j)} \qquad (6)$$

In linear regression, confidence intervals for the coefficients are typically constructed using the t statistics, and are given by:

$$\hat{\beta}_0 \pm t_{1-\alpha/2} SE(\beta_0) \qquad \text{and} \qquad \hat{\beta}_j \pm t_{1-\alpha/2} SE(\beta_j)$$

And, the corresponding 95%CI for coefficient is given by;

$$95\%\, CI(\beta_j) = \left(\hat{\beta}_j - t_{1-\alpha/2} SE(\hat{\beta}_j),\ \hat{\beta}_j + t_{1-\alpha/2} SE(\hat{\beta_j})\right)$$

The overall significance is tested by F-test, given by;

$$F = \frac{SSR/k}{SSE/(n-k-1)} \qquad (7)$$

Where, k is the number of predictors and n be the total number of observations.

Here,

$$R^2 = 1 - \frac{SSE}{SST}$$

$$SSE = \sum_{i=1}^{n} (y_i - \hat{y}_i)^2$$

$$SST = \sum_{i=1}^{n} (y_i - \bar{y})^2$$

And,

$$VIF = \frac{1}{1 - R^2} \qquad (8)$$

Software Used

Data entry, cleaning, and preliminary organization were carried out in Microsoft Excel, which was also used to generate descriptive charts and visualize trends in the data. Statistical analysis, including model estimation and diagnostic testing, was performed using Stata 18.0.

RESULTS

Comparative Growth of GDP, Inflation, and MW

The annual as well as cumulative percentage changes in GDP, inflation, and the MW with reference to the based year considered for 1965 year are presented in Table 1. It illustrates both the level and trend of each series over time. Cumulatively, the MW increased by approximately 530.4% between 1965 and 2025, compared with a cumulative increase of about 234.7% in real GDP and 460.0% in inflation over the same period. Annual MW growth was also the most unstable of the three series (mean 8.8%, SD 14.04%), reflecting the irregular, multi-year nature of Nepal's wage-revision cycle rather than smooth annual adjustment. This pattern indicates that while the overall trend in MW has risen sharply relative to GDP and inflation, its year-to-year level has fluctuated considerably rather than following a stable growth path.

Source: MoF, NSO, World Bank Group (World Development Indicators) and MoLESS.

MW, Inflation and GDP

Figure 1 compare the trends in MW, GDP growth, and inflation from 1965 to 2025, with linear trend lines fitted to each series. The MW line shows the steepest upward trajectory, consistent with its highest mean annual growth rate (8.8%) and cumulative increase (530.4%) over the period, compared with GDP (3.9% annual; 234.7% cumulative) and inflation (7.7% annual; 460.0% cumulative). The wider fluctuations in the MW series, reflected in its high standard deviation, indicate that wage revisions occurred irregularly rather than through consistent annual adjustments.

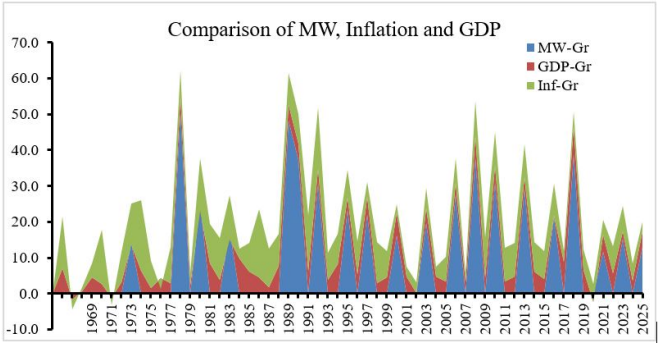


Figure 1. Yearly percentage change in GDP, Inflation and MW during 1965 - 2025

Table 1. Percentage change (%Δ) and cumulative percentage change in GDP, inflation, and MW in Nepal, 1965–2023 (Base year 1965 = 0).

Year	%Δ GDP	%Δ Inf.	%Δ MW	Cum. %Δ GDP	Cum. %Δ Inf.	Cum. %Δ MW
1965	0	0	0	0	0	0
1973	14.6	49.9	14.2	14.6	49.9	14.2
1978	19.6	41.5	50.4	34.2	91.4	64.6
1980	0.05	18.2	25.4	34.25	109.6	90.0
1983)	9.1	35.2	18.1	43.35	144.8	108.1
1989	34.1	58.5	48.3	77.45	203.3	156.4
1990	4.6	8.2	37.3	82.09	211.5	193.7
1992	10.5	32.7	30.6	92.59	244.2	224.3
1995	15.5	23.5	23.3	108.09	267.7	247.6
1997	10.4	13.2	22.0	118.49	280.9	269.6
2000	13.6	21.1	16.3	132.09	302.0	285.9
2003	8.9	11.4	19.7	140.99	313.4	305.6
2006	11.5	16.6	27.4	152.49	330.0	333.0
2008	9.5	12.2	37.8	161.99	342.2	370.8
2010	9.3	20.4	30.8	171.29	362.6	401.6
2013	11.6	27.7	29.0	182.89	390.3	430.6
2016	10.4	25.0	21.3	193.29	415.3	451.9
2018	16.6	7.7	38.7	209.89	423.0	490.6
2021	9.1	14.8	11.5	218.99	437.8	502.1
2023	7.6	14.8	15.3	226.56	452.6	517.4
2025	8.1	7.4	13.0	234.67	460.0	530.4

Association of MW, Inflation and GDP

The pairwise correlations coefficient showed a strong association with statistically significant association between GDP growth and inflation (r = 0.72, p = .0002). Likewise, the MW growth was also showed the strong association and significantly correlated with GDP growth (r = 0.59, p = .0045). However, the correlation between MW and inflation was weaker and not statistically significant (r = 0.37, p = .0687). Table 4 illustrated the results of pairwise matrix of Pearson correlation coefficients.

Table 2. Correlation matrix of annual GDP growth, inflation, and MW growth.

Variables	GDP Growth	Inflation	MW
GDP	1.00	—	—
Inflation	0.72*		
	0.0002	1.00	—
MW	0.59*	0.37	
	0.0045	0.0687	1.00

Cumulative Change in MW, Inflation and GDP

Figure 2 shows the cumulative percentage change in MW, inflation, and GDP from 1965 to 2025. Legal MW rose by approximately 530.4% over the period, exceeding the cumulative increases in inflation (460.0%) and GDP (234.7%), showing that wages grew slightly faster than prices over the long run.

Determinants of MW Growth: A Linear Regression Analysis

The overall model was statistically significant as the MW growth on GDP growth and inflation was statistically significant, F (2, 18) = 4.95, p = .019. The total variation explained by the predictors in MW was approximately 35.5% (R^2 = .355). Table 3 illustrates that the GDP growth was a significant positive predictor of MW growth

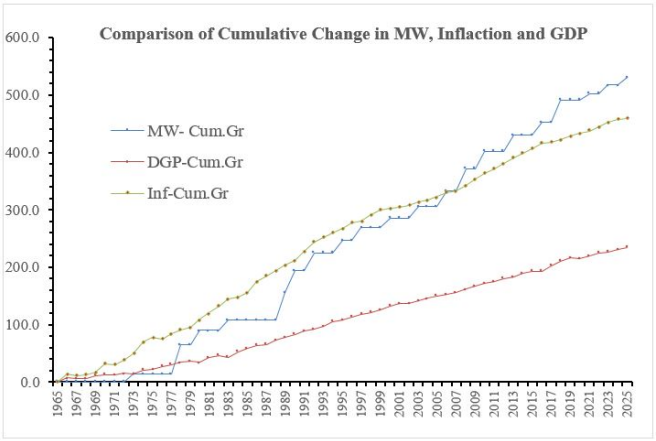


Figure 2. Cumulative percentage change in GDP, Inflation and MW during 1965 - 2025

(β = 1.11, p = .033). It indicated that 1%-point increase in GDP growth was associated with roughly a 1.11%-point increase in MW growth.

In contrast, inflation was not a statistically significant predictor (β = - 0.04, p = .86). It showed over this period, Nepal's MW wage revisions tracked underlying economic growth more closely than they tracked price levels.

Table 3. Regression coefficients predicting annual MW growth from GDP growth and inflation

Variable	Coeff.	SE	t	p	95% CI
GDP	1.1125	0.482	2.31	0.033	(0.099, 2.126)
Inflation	-0.0414	0.231	-0.18	0.860	(-0.527, 0.444)
Constant	13.7327	4.547	3.02	0.007	(4.181, 23.285)
F(2,18)	4.95			0.0194	
R^2	0.3547				
Adj. R^2	0.2830				

Diagnostics

Multicollinearity was used to assess the variance inflation factor (VIF). Both GDP growth and inflation had VIF values of 2.08 (mean VIF = 2.08), indicating no evidence of problematic multicollinearity among the explanatory variables.

For heteroskedasticity, thee Breusch-Pagan/Cook-Weisberg test was used, which indicated no evidence of heteroskedasticity in the regression model ($p = .357$), supporting the assumption of constant error variance.

Augmented Dickey-Fuller (ADF) test was used to assess the stationarity of the time series and serial correlation. The Breusch-Godfrey test indicated no statistically significant first-order serial correlation at the 5% ($p = .053$).

In case of model specification, there was no statistically significant evidence of model misspecification ($p = .558$). The RESET test did not indicate that the model required additional nonlinear terms based on the fitted values, suggesting that the specified linear functional form was adequate.

Assessment of Q-Q Plot

The Q-Q plot of the regression residuals showed that almost all points approximately followed the 45-degree reference line. It indicated that the residuals were found to be approximately normally distributed, supporting normality of assumption of the model.

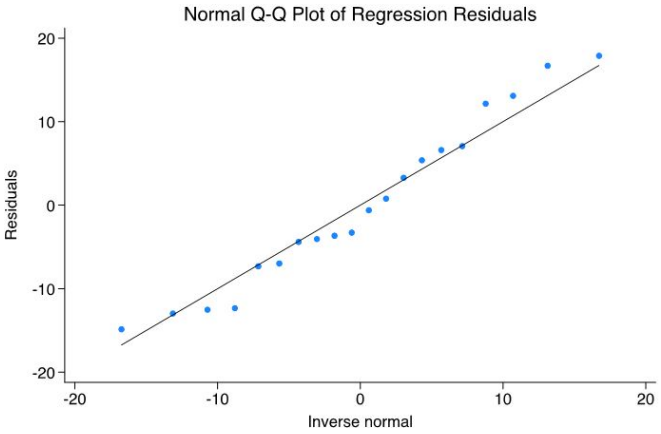


Figure 3. Normality assumption assessment of the regression model.

Structural and Sectoral Assessment

Beyond the quantitative analysis and the statistical results, the policy and documentary and other relevant documents identified several structural patterns. For instance, the productivity-wage preference is found a mismatch evident. Even the wages have risen periodically, productivity growth in labor-intensive sectors such as manufacturing and construction has found lagged. It has been raising concerns about the sustainability of wage increases for small and medium-sized enterprises (SMEs) operating on a thin margin (World Bank, 2026). On the other hand, MW coverages are more profoundly concentrated in urban, formal sectors, large and medium industries (International Labour Organization, 2025). But rather less underscored in agriculture, SMEs, cottage and micro enterprises, which employs a large share of Nepal's workforce (Rastriya Shramik Mahasangh Nepal, 2024). Informal activities such as domestic work, transport, roadside restaurants and cottage industry are largely fall outside statutory protection. Moreover, informal employment, estimated at 60–70% of the workforce (National Statistics Office, 2020), remains the single largest constraint on the effectiveness of MW policy, a pattern that mirrors informality challenges documented elsewhere in South Asia (Rani et al., 2013).

These structural gaps also point to considerable variation across sectors, which a uniform statutory rate does not fully accommodate. The ILO's own minimum wage guidance recognizes differentiated minimum wage systems set by sector, occupation, or geography as an accepted policy option rather than a departure from good practice, provided any differentiation is based on objective grounds (International Labour Organization, 2017). Regional precedent exists for this approach: Bangladesh, for instance, maintains a dedicated wage board for its Ready-Made Garment sector, distinct from its national minimum wage mechanism (International Labour Organization, 2023). Such precedent suggests that sector-specific wage floors are institutionally feasible within South Asia, and could be similarly explored for Nepal's high-informality sectors such as agriculture, domestic work, and cottage industry, where the current uniform rate has proven difficult to enforce (Rastriya Shramik Mahasangh Nepal, 2024).

Most importantly, gender disparities still persist in the labor market. Although the MW law applies equally to men and women, women are disproportionately represented in lower-paying and informal (Rastriya Shramik Mahasangh Nepal, 2024). Nepal's Labor Act (2017) legally binds employers to pay equal for equal work irrespective of gender and sex. The legal framework prohibits wage discrimination on the grounds of sex, however enforcement of this provision found weak, particularly in the informal sectors and rural economy.

DISCUSSION

The findings of the study suggest that Nepal's MW revisions have been driven more by real economic growth than by inflation control. A finding that is broadly consistent with the observation that wage-fixing in Nepal follows periodic, negotiated revisions through the MW Fixation Committee rather than automatic indexation to prices, unlike systems such as France's SMIC (Paun et al., 2021) or the United Kingdom's National Living Wage (Low Pay Commission, 2020). The relatively weak and non-significant relationship with inflation is consistent with prior findings that Nepal's wage adjustments often lag behind the rising cost of living, reducing real wages between revisions (Raut, 2019). At the same time, the strong cumulative growth of the MW relative to GDP indicates that, in aggregate nominal terms, legal wage floors have not been left behind by the broader economy. However, the central challenge instead lies in translating nominal gains into consistent enforcement and broad

coverage.

The tension between nominal wage growth and its practical reach is compounded by concerns over productivity. The theoretical expectation that wage increases correspond with rising productivity is not fully supported in Nepal's case. The mismatch between wage growth and productivity gains observed in Nepal diverges from what "efficiency wage theory" would predict (Shapiro and Stiglitz, 1984; Katz, 1986). The productivity-wage mismatch identified in Nepal's industrial sector raises the risk that wage increases outpacing productivity growth could encourage layoffs, increased automation, or a shift of employment into informality among cost-constrained SMEs. This challenging situation, prevailing in Nepal is consistent with international evidence showing that MW effects are highly context-dependent (Bhorat et al., 2017), which may challenge industrial growth and employment generation.

This risk repeats a lot of debates in the job markets. For instance, Paun et al. (2021) found a negative employment effects of MW increases in EU panel data, Campos Vázquez et al. (2018) find no such adverse effect in Mexico, and Fang and Lin (2015) similarly find limited employment loss in China. The divergence across these studies underscores that outcomes depend on complementary factors, mainly productivity investment, enforcement strength, and the size of the informal sector rather than on MW levels alone.

Although these risks, increases in MW found to have contributed to reductions in extreme poverty, evidence linking MWs to poverty alleviation (Jadoon et al., 2021). However, in Nepal the gains or increase in MWs have been unevenly distributed among rural and informal workers. Particularly, women have found comparatively little benefit, widening the gap between formal and informal, as well as urban and rural labor markets.

Regionally, Nepal's periodic national wage-setting approach contrasts with India's fragmented, multi-tiered system (International Labour Organization, 2014) and Bangladesh's sector-specific negotiated wages (Kabeer et al., 2020), however, shares of enforcement gap are persistent similar in both countries. Compared with East Asian economies such as Japan, South Korea, and China; where wage floors are more closely tied to productivity and supported by stronger monitoring capacity (Fang and Lin, 2015; Baek et al., 2021), Nepal's MWs neither tied with productivity nor remains to meet purchasing-power-parity terms even though the national minimum wage has periodically adjusted since 1965.

Taken together, the quantitative and comparative findings of the study point to enforcement capacity as the binding constraint on the effectiveness of Nepal's MW policy. The legal wage floor does not reach a large share of Nepal's workforce in practice, given that the informal sector comprises roughly 60–70% of employment (National Statistics Office, 2020). This finding aligns with the broader South Asian pattern in which legal MWs exist but compliance, particularly in agriculture and small-scale enterprise, remains weak (Rani et al., 2013). This underscores that although the MW has kept pace with GDP growth and has been only weakly linked to inflation, its real impact ultimately hinges less on how the wage floor is set and more on whether it is enforced across the workforce it is meant to protect.

LIMITATIONS

The study has several limitations because it relies only on secondary, publicly available data. It may restrict to capture informal labor-market dynamics directly. Some of the important predictors relating to individual workforce capacity such as their sociodemographic, skills and geographical context are not specifically incorporated. Variation in wage-reporting standards across countries constrains cross-national comparability. The absence of household-level data limits causal inference between minimum wage changes and poverty outcomes in Nepal. Therefore, the regression results reported here should be interpreted as descriptive associations rather than causal effects. Moreover, sectoral enforcement data for Nepal are scarce, requiring reliance on proxy indicators, which may bias and also insufficient for informal-sector employment shares.

CONCLUSION

Nepal's MW has risen substantially in nominal terms since its introduction in 1965, and its growth is significantly and positively associated with GDP growth, though not with inflation. These results indicate that Nepal's wage-setting practice has been reasonably responsive to real economic conditions but has not found consistently protected worker's purchasing power against rising prices. More fundamentally, the effectiveness of Nepal's MW policy is constrained less by the adequacy of statutory rates than by structural gaps in coverage and enforcement. A large informal sector, weak labor inspection, sectoral disparities, and persistent gender inequities limit the reach of wage protections to a subset of the workforce, primarily in urban, formal industry.

The findings point to investment in workforce skills enhancement and productivity so that enterprises, particularly SMEs, can sustainably absorb wage increases without resorting to layoffs or informalization.

Wage protections should also be extended to informal and rural workers, with MWs differentiated by sector and geographic setting. Separate wage floors could be more implementable for agriculture, informal sectors, and rural labor markets. Such differentiation would better reflect variation in living costs, productivity, and labor-market conditions across county complemented by expanded social security coverage.

MW enforcement should be strengthened through expanded labor-inspection capacity, alongside legally binding penalties for non-compliance. Likewise, wage-setting should be guided by a mechanism grounded in well-accepted theoretical frameworks and objective growth indicators, rather than ad hoc bargaining resembling a "fish market" style of negotiation, to ensure a more transparent and evidence-based process.

Taken together, these recommendations point toward a rights-based, evidence-driven, and sector-sensitive ap-

proach to MW determination. This framing positions the MW not merely as a statutory figure but as an instrument of social protection and inclusive economic growth, consistent with the ILO's decent work and living wage framework.

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ETHICAL CONSIDERATION

This study relies exclusively on secondary data obtained from publicly available and properly cited sources (MoF, MoLESS, NSO, and the World Bank Group); therefore, no primary data collection involving human participants was undertaken, and no additional ethical approval was required.

Conflict of Interest: None
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