

Annexure I: Legislative Impact Assessment (LIA) Report

1. INTRODUCTION

- 1.1. *Type of Legal Measure:* Act
- 1.2. *Lead Ministry/Commission/Agency:* Ministry of Industry, Commerce and Employment
- 1.3. *Date of approval of Legislative Proposal:* 21st April 2025
- 1.4. *Expected Date of Adoption Day/Month/Year:* [To be determined following the completion of this assessment and subsequent drafting]

2. THE BACKGROUND OF THE PROPOSAL:

2.1. *Details of how and why the proposed legislative change has arisen*

The *Labour and Employment Act of Bhutan 2007 (Act)* has been the cornerstone of employment governance in Bhutan for nearly two decades. However, since its enactment, the structure of Bhutan's economy, the nature of work, and the labour market composition have evolved significantly. The Act, though comprehensive at the time of its introduction, has become increasingly misaligned with the realities of modern work, technological transformation, and international labour standards.

Bhutan's transition toward a digital and service-driven economy—alongside demographic shifts, increasing women labour force participation, and the rise of informal, project-based, and digital employment—necessitates a thorough legislative revision. Issues of interpretive ambiguity, outdated institutional references, and fragmented enforcement mechanisms have further weakened implementation consistency. These gaps, coupled with emerging employment forms such as casual, part-time, platform work, contractor-subcontractor demand legislative attention to ensure fairness, flexibility, and clarity.

2.2. Detailed background information

As Bhutan's economy continues to modernize and digital platforms expand, emerging employment models, including gig work and remote work, are becoming increasingly relevant. According to the World Bank's recent publication- *Bhutan Labor Market Assessment Report*¹, a strong labour market is essential for fostering inclusive growth, including ensuring equal access to opportunities, improving gender equality, and enhancing job quality. The rise of digital technologies and e-commerce offers significant opportunities for job creation but also presents new challenges in terms of labour regulations. The Report outlines the urgent need to create quality jobs in the private sector, especially for women, rural workers, and the educated youth, who are facing growing unemployment challenges in the aftermath of the COVID-19 pandemic. It is crucial that the Act is updated to ensure that workers in these evolving employment models, regardless of gender, are provided with fair treatment, adequate protections, proportional benefits, and high-quality jobs. This aligns with the World Bank's call for strengthening the labour market to better accommodate new employment types and support inclusive economic development while ensuring that the workforce is treated equitably and fairly.

Furthermore, challenges in enforcement and the need for improved user-friendliness have been pointed out by stakeholders, including employers, employees, and legal experts. The Ministry has identified several ongoing issues in the implementation and interpretation of the Act, which have made it difficult for all parties involved to fully understand or comply with certain provisions. By addressing these challenges, the Act can continue to protect workers' rights while promoting a thriving, flexible and competitive labour market in Bhutan.

2.3. The detailed description of the issue that the proposal is expected to address:

The proposed amendment is expected to address systemic issues identified through extensive stakeholder consultations, including:

¹Alaref, J., Martinoty, L., Viollaz, M., Bartl, E., Leite, P., & Ndip, A. E. (2024). *Bhutan Labor Market Assessment Report*. World Bank.

- 2.3.1. Legal Ambiguity:** Discrepancies between Dzongkha and English versions create inconsistent enforcement and legal uncertainty [For instance, notice period, overtime payment].
- 2.3.2. Weak Enforcement Linkages:** Effective implementation of the law is hindered by ambiguities, requiring greater attention to ensure that its provisions are both clear and practical for all stakeholders. Legal provisions and sanctioning mechanisms are often lacking or not effective. Lack of integration between labour sanctions and business licensing renders deterrence ineffective.
- 2.3.3. Outdated Provisions, Definitions, and Abbreviations:** Several provisions and terminologies under the current Act are outdated and no longer align with contemporary labour market realities. Certain definitions and abbreviations require revision to reflect modern employment practices, emerging forms of work, and evolving industry standards.
- 2.3.4. Inadequate Coverage of Emerging Employment Models:** The Act does not adequately provide for part-time work, hourly wages, casual work, remote work, the gig economy, contractor-subcontractor and platform work, leaving a growing segment of the workforce without clear protections.
- 2.3.5. Imbalanced Rights and Obligations:** Existing notice period and redundancy clauses lack fairness and clarity for both employers and employees.
- 2.3.6. Occupational Health and Safety (OHS) Gaps:** The need to expand OHS coverage to include psychosocial risks, mental health, and the informal agricultural sector, alongside concerns about the quality and standards of Personal Protective Equipment (PPE).
- 2.3.7. Inefficient Foreign Worker Framework:** Duplicative and fragmented provisions across multiple laws result in administrative overlap.
- 2.3.8. Obsolete Institutional References:** The Act still references defunct structures (MoLHR), creating procedural inconsistencies.
- 2.3.9. Simplifying and streamlining provisions:** Simplifying and streamlining provisions to reduce administrative burdens, promote entrepreneurship and create a more business-friendly environment.

- 2.3.10. Aligning with International Labour Standards:** As an aspiring nation to join the International Labour Organization (ILO) it is beneficial to align the Act with their standards and global best practices to enhance coherence, competitiveness, and compliance with international obligations.
- 2.3.11. Streamline Workplace Dispute Resolution Process:** Review the dispute settlement mechanism provided in the Act and introduce measures to simplify and expedite the resolution of workplace disputes, ensuring fair outcomes for both employees and employers. Create clearer procedures for grievance redressal, promoting a more harmonious work environment.
- 2.3.12. Enhance working conditions and worker protections:** Accountability and liability should be clear in high-risk industries such as provisions to regulate cascading works like sub-contracting in the construction sector.
- 2.3.13. Review of Penalties:** Review the penalties related to felonies to ensure they are proportionate and fair, easing the burden on employers while maintaining compliance standards.

2.4. *The economic, social and environmental effects including unsustainable trends*

2.4.1. Economic Effects:

- a. Increased compliance efficiency through clarified legal thresholds would translate to less dispute, less cost for all stakeholders resulting in harmony of relationship and in turn into more labour productivity. (e.g. ISR mandatory for small categories of enterprises with 5+ workers).
- b. Extending legal coverage to emerging employment forms—such as gig, part-time, casual work, and remote work—enabling labour market flexibility and higher productivity.
- c. Alignment with International labour standards will enhance Bhutan’s international credibility, positioning the country as a fair and competitive destination for ethical investment and trade partnerships.
- d. In line with the principle of proportionality vis-a-vis offence and punishment, remove felony charge by downgrading it for effective implementation. This would change the grounds for faster dispensation of services and accelerate the pace of economic activities. [E.g. Under the Act, the offence under Section 219-221 are classified as a felony but only an administrative fine (Nu. 4,300) under the Immigration Rules and Regulations].
- e. Harmonization with the Immigration Act will minimize redundancy and lower transaction costs for employers.

2.4.2. Social Effects:

- a. Recognition of bereavement and medical escort leave institutionalizes empathy in employment law.
- b. Expansion of workplace harassment definitions strengthens dignity, inclusivity, and mental well-being.
- c. Coverage of mental health under OHS fosters a resilient and strong workforce.
- d. Extending legal recognition to part-time, casual, gig, and remote workers will ensure all categories of workers enjoy minimum standards and social protection, particularly benefiting youth, women, and informal workers.

2.4.3. Environmental Effects:

The recognition of remote and hybrid work arrangements indirectly contributes to reduced commuting and carbon emissions.<sup>[L]
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2.4.4. Labour Productivity Effects:

Efficient labour administration through better standards, systems and structures would enhance overall comfort, faith and happiness which would double and treble the productivity of labour which is a very important component of economic productivity of the nation as a whole. This would ultimately strike a positive note to rein in out-migration.

2.4.5. Unsustainable Trends:

- a. The limited legal coverage of part-time, casual, gig, and platform-based workers perpetuates informality, reducing the tax base and weakening labour productivity. Over time, this creates a dual labour market—one formal, one informal—undermining economic inclusivity and sustainable growth.
- b. Overlapping mandates and obsolete institutional references result in duplication of administrative functions, inflating operational costs and wasting public resources. Such inefficiencies create long-term fiscal stress and a non-performing compliance regime.

2.5. *The risks inherent in the initial situation*

- 2.5.1. Legal Risk:** Persistent ambiguity in the law leads to inconsistent judicial and administrative decisions, eroding trust in the legal system and the enforceability of contracts.
- 2.5.2. Economic Risk:** An inflexible and outdated labour regime reduces the country's competitiveness, discourages entrepreneurship, and leads to inefficiencies and higher costs in the labour market.
- 2.5.3. Social Risk:** Persistent gaps in worker protections, particularly for vulnerable groups, women, and those in the private sector, can lead to social discontent and increased inequality.^[1]_[SEP]
- 2.5.4. Institutional Risk:** The Department of Labour (DoL) and other relevant agencies face challenges in enforcement and coordination due to unclear mandates and inadequate resources, undermining their effectiveness and authority.

2.6. *The underlying motive forces*

2.6.1. What would happen under a "non-action" scenario?

Without comprehensive amendment, the current challenges will intensify. Legal ambiguities will persist, leading to more disputes and litigation. Bhutan's labour law will fall further behind international standards and evolving economic realities, hindering private sector development and failing to protect workers in new forms of employment. The perception of an unfair or unpredictable business environment will be reinforced, potentially stunting economic growth and social progress.

2.6.2. Affected Stakeholders:

The deficiencies of the current framework affect a wide range of stakeholders:

- a. Employees: Face uncertainty regarding their rights, benefits, and safety at work, with varying levels of protection across sectors.
- b. Employers: Grapple with compliance challenges, administrative burdens, high attrition rates, succession gaps and difficulties in talent retention and recruitment.
- c. Government Agencies: Struggle with enforcement, inter-agency coordination, and policy alignment.
- d. Foreign Workers: Operate within a complex and sometimes unclear regulatory environment.
- e. The Judiciary: Legislative deficiencies and the absence of a dedicated labour tribunal could result in a mounting caseload of complex labour disputes, placing an unsustainable burden on the general court system.

According to the Annual Reports² of the Department of Labour for the last 5 years, the Department of Labour has received an average of 390 labour disputes annually.

2.7. *Previous initiatives and existing Legal Measures.*

Since Act's enactment in 2007, it has not undergone any revision. While supporting regulations have been developed, they are constrained by the framework of the primary legislation. The proposed amendment represents holistic legislative modernization of the Act.

3. MAIN OBJECTIVE OF THE PROPOSAL

3.1. *The comprehensive objective intended to be achieved and the expected impacts, outputs and outcomes:*

The main objective is to comprehensively amend the Act to establish a modern, clear, balanced, and effective legal framework that supports sustainable economic growth, promotes decent work, and is aligned with socio-economic goals, emerging market practices and international labour standards.

3.1.1. Expected Outputs:

- a. A revised and updated Act enacted by Parliament.
- b. Clear, harmonized, and implementable Act and its regulations.
- c. Enhanced institutional mechanisms and capacity for enforcement, monitoring, and dispute resolution.
- d. Integrated compliance framework linking labour enforcement with relevant agencies/ systems.

3.1.2. Expected Outcomes:

- a. Reduced legal ambiguity and more predictable, consistent enforcement of labour laws.

²Department of Labour (2025). Annual Report FY 2024-2025. https://www.moice.gov.bt/wp-content/uploads/2025/07/Annual_Report_FY2024-2025.pdf

Department of Labour (2024). Annual Report FY 2023-2024. <https://www.moice.gov.bt/wp-content/uploads/2024/10/Annual-Report-for-the-Financial-Year-2023-2024.pdf>

Department of Labour (2023). Annual Report FY 2022-2023. https://www.moice.gov.bt/wp-content/uploads/2023/08/Annual_Report_FY2022_2023.pdf

Department of Labour (2022). Annual Report FY 2021-2022.

<https://www.moice.gov.bt/wp-content/uploads/2022/11/Annual-Report-2021-2022.pdf>

Department of Labour (2021). Annual Report FY 2020-2021. <https://www.moice.gov.bt/wp-content/uploads/2022/01/DoL-Annual-Report-2020-2021.pdf>

- b. Improved balance in the rights and obligations of employers and employees, fostering a more cooperative industrial relations climate.
- c. Expanded coverage and protection for all forms of work, including emerging employment models.
- d. Strengthened Occupational Health and Safety standards that encompass physical and mental well-being.
- e. A more streamlined, efficient, and transparent process for managing foreign workers.
- f. Enhanced private sector competitiveness, improved worker retention, and a more resilient labour market.

3.2. *Account of any previously established objectives:*

The Act was established to provide a comprehensive framework for employment relations in Bhutan. While it has served as a critical foundation, its objectives have been undermined by non-implementation in certain areas, interpretive challenges, and an inability to adapt to change. This amendment seeks to realize the original objectives of the Act by addressing its structural and practical deficiencies, thereby making it fully functional and relevant.

3.3. *The rationale for the objective.*

The rationale for revising the Act stems from the pressing need to modernize Bhutan’s labour governance framework to align with evolving socio-economic realities, international standards, and the country’s development priorities. Despite the Act’s original intent to regulate employment relations comprehensively, several gaps have emerged due to legal ambiguities, outdated provisions, and weak enforcement linkages. These limitations have constrained the Act’s effectiveness in ensuring decent work, promoting fair labour practices, and safeguarding both employers’ and workers’ rights.

4. POLICY RATIONALE FOR THE PROPOSAL

4.1. *Clear statement of the issues or problems the proposal is intended to address:*

The proposal seeks to address the core deficiencies of the Act, like systemic issues, including critical ambiguities, a one-size-fits-all approach that fails to differentiate between various enterprise sizes and employment types, an underdeveloped OHS framework, and inadequate provisions for managing a modern, diverse workforce including foreign nationals. These deficiencies have created legal and operational uncertainty, leaving both employers and employees without clear, effective mechanisms to manage their relationships and resolve disputes.

4.2. *Why legislation rather than an administrative arrangement, is required:*

The issues identified under the current Act extend beyond administrative inefficiencies; they stem from structural gaps and legal ambiguities that cannot be remedied through ministerial directives or procedural reforms alone. The inconsistencies between Dzongkha and English versions, outdated definitions, and inadequate coverage of emerging employment models require legislative clarity and legal authority, not administrative discretion. Administrative arrangements can only guide implementation within the scope of existing law, but they cannot create new rights, obligations, or sanctions.

4.3. *A clear explanation of the policy to be implemented: what has to be done and why?:*

The amendment is guided by principles of **fairness, flexibility, inclusivity, and proportionality**. It aims to balance the need for robust worker protection with the operational realities and sustainability of businesses, particularly Cottage and Small Industries (CSI). The policy recognizes the diversity of the modern workforce and the importance of promoting decent work aligned with international best practices, while also being context-specific to Bhutan's development stage.

4.3.1. The **primary objectives of the proposal are to:**

- a. Clarify and simplify legal provisions to drastically reduce ambiguity and inconsistent interpretation.
- b. Expand the scope of coverage to explicitly include and regulate non-traditional employment models. Strengthen OHS protocols to encompass psychosocial well-being and extend protections to vulnerable sectors.
- c. Create a more balanced and efficient grievance redressal and dispute resolution mechanism.
- d. Harmonize the law with other relevant legislation.

4.3.2. The **secondary objectives are to:**

- a. Promote the formalization of the labour market and improve compliance.
- b. Foster a culture of social dialogue and constructive industrial relations.
- c. Enhance gender equity through balanced and feasible parental leave policies.
- d. Support productivity and retention through clearer rules on working time and benefits.

4.3.3. *Examples of Problems the Legislation will Address:*

- a. CSI enterprises are unsure of their obligations towards a part-time remote worker.
- b. Female employees in the private sector receive significantly less maternity leave than the public sector counterpart.
- c. An employer and employee in a dispute over overtime pay, with both citing different interpretations of the same legal clause.

5. OPTIONS TO ACHIEVE THE OBJECTIVES:

5.1. *The basic approach to reach the objective*

The fundamental approach to achieving the objectives of the proposed reform is to modernize and consolidate the Act to ensure it remains relevant, enforceable, and aligned with Bhutan’s evolving socio-economic landscape.

5.2. *Policy instruments that have been considered earlier and the reasons for its failure:*

Several administrative and regulatory measures were previously attempted to address gaps and inefficiencies under the existing Act. However, these measures have proven insufficient or unsustainable due to structural limitations inherent in the current legal framework.

5.3. *The options available and the rationale for all the options:*

As per the approval of the legislative proposal from the Cabinet, the Ministry of Industry, Commerce and Employment (MoICE) vide letter No. C-3/47(6)/2025/519 dated April 21, 2025 was directed to conduct a comprehensive amendment of the Act.

Option 1: Comprehensive Amendment and Re-enactment of the Act (Preferred Option)^[SEP]

Rationale and Assessment: This option allows for a holistic review and modernization of the entire legal framework. It enables the systematic incorporation of stakeholder feedback, addresses the root causes of implementation challenges, creates a coherent and streamlined law, and establishes a foundation that can adapt to future changes in the world of work.^[SEP]

Conclusion: This is the preferred and only viable option to achieve the stated objectives effectively.

5.4. *Designs and stringency levels that have been considered;*

- 5.4.1. Stakeholder-Centric Design:** Conducting extensive consultations with employers, employees, associations, and government agencies.
- 5.4.2. Evidence-Based Design:** Relying on data from dispute resolutions, economic reports, and comparative analysis of international best practices.
- 5.4.3. Implementing-Agency Centric:** Relying on accounts of challenges faced by implementing agency
- 5.4.4. Future-Oriented Design:** Actively drafting provisions to be technology-neutral and adaptable to new work models.

5.5. *The options that have been discarded at an early stage:*

NA

6. IMPACTS EXPECTED FROM THE DIFFERENT OPTIONS IDENTIFIED:

6.1. *The expected positive and negative impacts of the option selected:*

Comprehensive Amendment and Re-enactment of the LEA:

6.1.1. Economic impact:

Positive: Improved business confidence and investment; better talent retention reducing recruitment costs; a more efficient and predictable labour market; reduced transaction costs for dispute resolution. Increased labour force participation rate directly contributes to increased productivity gains for the country

Negative: Potential short-term compliance costs for businesses adapting to new regulations; possible increased wage bills if leave benefits are standardized upwards.

6.1.2. Social impact:

Positive: Enhanced and more equitable worker protections; greater social cohesion through clear and fair dispute resolution; improved workplace safety and well-being; strengthened gender equity.

Negative: Requires careful design of extended benefits (e.g., maternity leave) to avoid creating disincentives for hiring women; potential for initial resistance to change from all sides.

6.1.3. Environmental impact:

Positive: Potential for positive indirect effects through provisions that enable remote work, platform work, gig, reducing transport-related pollution.

Negative: No negative impacts have been identified.

6.1.4. Administrative costs:

Moderate: Costs are associated with the legislative re-drafting process, nationwide stakeholder sensitization campaigns, and comprehensive training programmes for DoL officials, the judiciary, and employers.

6.1.5. Budget impact:

Initial budgetary outlay is required for the legislative process, capacity building, and potential upgrades and introduction of administrative systems like the Bhutan Labour Market Information System (BLMIS) and Labour Tribunal. These are investments that are expected to yield long-term gains through a more stable, productive, and compliant labour environment, ultimately broadening the tax base.

6.1.6. Creation of a new institution:

Establishment of a Labour Tribunal; a specialized, quasi-judicial body empowered to hear, adjudicate, and enforce decisions on disputes arising under the Act. The amendment will also strengthen the mandate and clarify the functions of existing bodies, primarily the DoL and enhanced coordination mechanisms with other relevant agencies.

6.1.7. *Potential conflicts and inconsistencies between economic, social and environmental impacts that may lead to trade-offs and related policy decisions:*

The main policy trade-off involves balancing enhanced worker benefits with private sector affordability. For instance, extending maternity leave to six months in the private sector promotes gender equity and child welfare but may be perceived as a significant cost burden for employers. This necessitates exploring graduated implementation or supportive fiscal incentives. Similarly, streamlining foreign worker access must be balanced with the primary policy of employing Bhutanese nationals, requiring robust mechanisms to prove non-availability of local skills.

7. JUSTIFICATION OF THE PREFERRED OPTION

7.1. *The recommended option and the rationale and reasons:*

Following the Cabinet’s approval of the legislative proposal, the MoICE was directed to undertake a comprehensive amendment of the LEA. The preferred policy approach is the comprehensive amendment and re-enactment of the Act, which allows for a holistic review and modernization of the existing legal framework. This approach ensures the systematic incorporation of stakeholder feedback, addresses core implementation and compliance

challenges, and eliminates inconsistencies that have accumulated over time. It further enables the alignment of the Act with evolving labour market realities, emerging forms of work, and international labour standards. Through this reform, the Act will be made coherent, adaptive, and future-ready, capable of responding to dynamic socio-economic shifts while promoting decent work and sustainable economic growth. Accordingly, the comprehensive amendment and re-enactment of the Act stands as the preferred and only viable policy option to achieve the stated objectives effectively.

7.2. *Have any accompanying measures to maximize positive impacts and minimize negative impacts been taken?*

The preferred option of a comprehensive amendment is the only approach that systematically and coherently addresses the deep-rooted deficiencies of the current LEA 2007. It is overwhelmingly justified by the stakeholder feedback, which highlights multifaceted and interconnected challenges that cannot be resolved through minor tweaks or administrative measures alone. An amended Act would provide a clean slate to incorporate modern concepts, ensure internal consistency, and create a forward-looking law capable of supporting Bhutan's economy. The transitional costs are far outweighed by the long-term benefits of legal certainty, economic efficiency, and social equity.

8. POWERS AND FUNCTIONS, DECISION MAKERS, DELEGATES AND REVIEW OF DECISIONS

8.1. *Clarity of power and function:*

Under the amended framework, the MoICE shall retain the overarching authority to the Administrator and enforce the Act through its DoL and Department of Employment and Entrepreneurship (DoEE) and its regional offices. The Act will clearly define powers and functions across institutional levels to ensure transparency, accountability, and efficiency in decision-making. Key powers and functions shall include:

8.1.1. Policy Formulation and Oversight: The Ministry shall be responsible for formulating labour and employment policies, setting national labour standards, and ensuring alignment with international obligations.

8.1.2. Regulatory and Enforcement Functions: The DoL shall enforce compliance through inspections, investigations, and issuance of improvement or prohibition notices under the authority of the Chief Labour Administrator.

8.1.3. Occupational Health and Safety (OHS): The OHS Unit under LPD shall develop standards, conduct workplace risk assessments, and ensure

enforcement of safety regulations, including psychosocial and mental health protections.

8.1.4. Dispute Resolution: Labour Officials and Labour Tribunals shall exercise quasi-judicial powers to mediate, adjudicate, or recommend settlement of workplace disputes in accordance with prescribed procedures.

8.1.5. Foreign Worker Management: The Ministry shall regulate the recruitment, registration, and monitoring of foreign workers, ensuring fair and transparent labour mobility mechanisms.

8.1.6. Monitoring and Evaluation: Periodic review and reporting mechanisms will ensure accountability, policy coherence, and data-driven decision-making across all sectors.

8.2. Decision-makers and delegates:

Decision-making authority will be stratified and clearly defined within the Act to minimize ambiguity and ensure consistent enforcement:

Level	Decision Maker	Key Decisions / Responsibilities
Policy Level	Minister, MoICE	Approval of national labour policy, regulations, and strategic enforcement priorities.
Administrative Level	Secretary, MoICE	Oversight of departmental compliance, coordination among divisions, and inter-agency collaboration.
Regulatory Level	Chief Labour Administrator (CLA)/ Delegated CLA	Overall administration of the Act, supervision of Labour Officers, approval of enforcement actions, and final review of major compliance cases.
Operational Level	Labour Officers / Inspectors	Execution of inspections, issuance of compliance orders, enforcement of improvement/prohibition notices, and reporting of violations.
Judicial / Quasi-Judicial Level	Labour Tribunals and Appellate Authorities	Adjudication of labour disputes, appeals, and determination of rights and liabilities under the Act.

This layered structure ensures **checks and balances** between administrative, regulatory, and adjudicatory functions.

8.3. Decision criteria:

To promote administrative efficiency and decentralization, the Act shall provide for delegation of powers from the Minister and Chief Labour Administrator to designated officials, subject to clear procedural safeguards.

8.3.1. Ministerial Delegation: The Minister may, through notification, delegate specified powers (excluding rule-making authority) to the Secretary or CLA for administrative and enforcement purposes.

8.3.2. Departmental Delegation: The CLA may delegate inspection and enforcement powers to Labour Officers within defined territorial or sectoral jurisdictions.

8.3.3. Functional Delegation: Specialized officers may be delegated specific tasks relating to occupational health, dispute resolution, or data verification under written authorization.

8.3.4. Accountability Mechanism: All delegated powers shall be subject to audit, periodic review, and written reporting to ensure transparency and prevent abuse of discretion.

8.3.5. Delegation will be rule-based rather than discretionary, ensuring that authority flows through an accountable administrative hierarchy.

8.3.6. Review of decisions: If decisions affecting people's rights or obligations are to be made administratively (e.g. by the head of an agency), a process for review of the decision is usually required. Legislation would usually specify:

- a. the period within which a person may apply for review of the decision
- b. how an application is to be made
- c. whether the decision is reviewed using the same material on which the original decision was based, or also on new material
- d. what type of decision may be made on review (e.g. confirm, set aside and substitute another decision, set aside and return to the original decision maker)
- e. whether there is an entitlement to reasons for a decision.

If rights of review are not specified in the Act, the legislation may not have sufficient regard to the Fundamental rights that rights, liberties and

obligations should be dependent on administrative power only if the power is sufficiently defined and subject to appropriate review.

To ensure fairness, transparency, and accountability, the amended Act shall institutionalize a multi-tier review and appeal mechanism:

- **Internal Administrative Review:** Any person aggrieved by a decision of a Labour Officer (e.g., prohibition notice, improvement notice) may appeal to the Chief Labour Administrator within a prescribed timeframe.
- **Independent Tribunal Review:** Decisions of the CLA or Ministry may be appealed to the Labour Tribunal, which functions as an independent quasi-judicial body ensuring impartial adjudication.
- **Judicial Review:** Parties dissatisfied with the Tribunal's decision may seek judicial review by the High Court in accordance with the Civil and Criminal Procedure Code.
- **Review of Regulations:** The Ministry shall periodically review subsidiary regulations and guidelines to ensure consistency with the parent Act and evolving labour market realities.

This system of progressive review ensures procedural fairness, prevents administrative overreach, and strengthens public confidence in the labour governance framework.

9. STAKEHOLDER CONSULTATION

9.1. *Which interested parties were consulted, when in the process, and for what purpose?*

Stakeholder consultations were held throughout September 2025 with employers, employees and government agencies in Thimphu and Phuentsholing for regional and industrial representation. Further, an online survey was made available for the general public to share feedback on the amendment of the Act. The purpose of the stakeholder consultations and feedback survey was to gather institutional and practical feedback on the proposed amendment of the Labour and Employment Act; gathering ground-level evidence on implementation challenges, identifying specific gaps in the current law, and collecting concrete recommendations for the amendment.

Consultations included stakeholders from:

- **Employers:** Representatives from banks (BNB, BOB DPNB), insurance corporations (RICBL, NPPF, BIL), telecommunications (Bhutan Telecom,

TashiCell), state-owned enterprises (DHI, Druk Green), and private businesses.

- **Employees:** Workers from the financial, corporate, insurance, manufacturing, services, and hospitality sectors.
- **Government Agencies:** A dedicated session involving key entities such as the Office of the Attorney General (OAG), Ministry of Home Affairs (MoHA), Ministry of Agriculture and Livestock (MoAL), National Commission for Women and Children (NCWC), Royal Civil Service Commission (RCSC), Ministry of Energy and Natural Resources (MoENR), Ministry of Education and Skills Development (MoESD), Ministry of Infrastructure and Transport (MoIT)
- **NGO/CSO:** Ability Bhutan Society (ABS), Handicrafts Association of Bhutan (HAB)

9.2. *What were the results of the consultation?*

The consultations provided validation and input that the Act requires clarity and inclusivity on different aspects of employment. Stakeholders also acknowledged the importance and intent of the current act in the governance of employment in the country. The consultations revealed a strong consensus on the need for fundamental reform. The key findings include:

- 9.2.1.** Widespread recognition of ambiguities in the current Act, causing significant enforcement and interpretation difficulties for employers, employees, and regulators alike.
- 9.2.2.** Concerns regarding high attrition, the administrative burden of Internal Service Rules (ISR), the need for balanced dispute resolution, and cumbersome foreign worker processes.
- 9.2.3.** Cross-cutting issues such as the need to review notice periods, maternity and childcare standards, employee retention, leave provisions, worker associations, regulating different employment models to accord social protection, occupational health and safety standards and provisions, and distinction between the Act and the Contract Act were highlighted by multiple stakeholder groups.
- 9.2.4.** Government agencies emphasized the critical need for legislative harmonization, clearer jurisdictional mandates, and capacity building for enforcement.

10. CONCLUSION

In conclusion, the proposed amendment will transform the Act into a modern, coherent, and enforceable legal instrument, harmonizing rights with responsibilities and positioning Bhutan's labour market for national growth and digital transformation.

Annexure I: Key Amendment Areas & Their Impacts

Thematic Area: Legislative Drafting and Enforcement

Issues	Required Amendment	Impact
Ambiguities between Dzongkha and English versions hinder consistent interpretation.	Language clarity between Dzongkha and English translations	<ul style="list-style-type: none"> ● Legal Impact: Harmonized bilingual text eliminates interpretive discrepancies and strengthens enforceability in both judicial and administrative contexts. ● Administrative Impact: Enhances uniform understanding among Labour Officers, employers, and legal practitioners. ● Social Impact: Empowers employees—especially those more fluent in Dzongkha—to understand their rights and obligations. <p>Overall Outcome: Improved legal certainty, enhanced compliance, and reduced interpretational conflict in enforcement proceedings.</p>
Current notice requirements lack balance and clarity, leading to disputes and inconsistent applications.	Balanced notice period provisions for Employers and Employees	<ul style="list-style-type: none"> ● Legal Impact: Refining language ensures equity in contractual disengagement while maintaining flexibility. ● Operational Impact: Creates predictable timelines for termination or resignation, minimizing business disruptions. ● Labour Relations Impact: Reinforces the perception of fairness in employment transitions. <p>Overall Outcome: Equitable treatment of both parties and strengthened procedural transparency in separations.</p>
Bereavement & Medical Escort Leave are not defined.	Define these leaves as paid, and clearly specify eligible family members, duration, and required documentation.	<ul style="list-style-type: none"> ● Social Impact: Institutionalizes empathy in employment law, supporting workers during critical family events. ● Organizational Impact: Reduces stress-driven absenteeism, improves morale, and boosts retention. ● Economic Impact: The short-term productivity trade-off

Issues	Required Amendment	Impact
		<p>is outweighed by long-term gains in loyalty and performance.</p> <p>Overall Outcome: Compassionate, resilient workforce and improved employer branding grounded in humane policy design.</p>
<p>Current LEA definitions do not reflect modern employment patterns.</p>	<p>Expanding scope to cover different forms of employment (Full-Time, Part-Time, Casual, Concurrent)</p>	<ul style="list-style-type: none"> ● Legal Impact: Formalizing definitions provides legal clarity and extends protection to all worker types. ● Administrative Impact: Facilitates accurate wage, leave, and benefits calculations. ● Economic Impact: Encourages formalization of diverse work arrangements while safeguarding decent work standards. <p>Overall Outcome: A future-ready, inclusive labour framework adaptable to Bhutan’s evolving economic structure.n.</p>
<p>The Act does not currently address digital platform work (e.g., ride-hailing, food delivery, online freelancing), leading to ambiguity in the employment status, benefits, and protection of digital workers.</p>	<p>Include a dedicated section under “Types of Employment” or “Employment Relationships” defining digital employment and setting criteria to determine employment status</p>	<ul style="list-style-type: none"> ● Legal Impact: Clarifies employment status and ensures digital workers’ access to core protections (minimum wage, safety, insurance). ● Administrative Impact: Enables systematic regulation of the growing digital labour market. ● Economic Impact: Encourages fair competition between traditional and digital employers. ● Social Impact: Protects emerging categories of youth and freelancers entering the gig economy. <p>Overall Outcome: The amendment builds a future-ready legal framework for Bhutan’s evolving digital economy, balancing innovation with decent work safeguards.</p>
<p>Unclear application of LEA provisions to Gyalsung & Desuung</p>	<p>Need clarity on application of Act to Desuung, and Gyalsung; and OHS Chapter to Civil Servants.</p>	<ul style="list-style-type: none"> ● Legal Impact: Clarification establishes either inclusion under, or exemption from, core labour protections. ● Governance Impact: Enhances coordination between national service mandates and labour administration. ● Social Impact: Promotes consistency, accountability, and equity across all categories of service and employment.

Issues	Required Amendment	Impact
		Overall Outcome: Legal clarity and institutional alignment between labour protection and national service programs.
Felonies for gratuity, variation of permit.	Maintain felony classification for gratuity non-payment. Undertake a detailed assessment of the intersection between work permit and OHS regulations.	<ul style="list-style-type: none"> ● Retaining felony status for gratuity non-payment reinforces gratuity as a statutory right, strengthening legal deterrence and worker protection. ● Conducting a detailed review of OHS and Work Permit offences will introduce a proportional and evidence-based enforcement framework—distinguishing between criminal conduct and administrative breaches. ● A balanced penalty framework minimizes regulatory burden for compliant firms while reinforcing accountability for negligent or exploitative employers.
The issue is the mismatch between the current ISR compliance requirement and the workforce capacity of small-scale enterprises.	Maintain the mandatory requirement for Internal Service Rules (ISR) for medium and large enterprises, but amend the provision for small enterprises so that ISR becomes mandatory only for those employing five (5) or more workers.	<ul style="list-style-type: none"> ● Clarifies legal applicability thresholds, ensuring proportional compliance obligations across enterprise sizes. ● Prevents technical non-compliance by small category firms with 1–2 workers who cannot fulfill the minimum three-employee signatory requirement for ISR validation.
Unnecessary inclusion of “national minimum wage fixation” authority in the Act, despite the fact that the Department of Labour exercises limited or indirect control over wage determination, which is actually guided by Cabinet or a higher-level Tripartite Committee decision.	The fixation and revision of the national minimum wage shall be determined by the Government through a Tripartite mechanism or other national policy processes. The Department of Labour shall be responsible for the implementation, enforcement, and monitoring of compliance with the declared national minimum wage.	<ul style="list-style-type: none"> ● Retaining this clause within the Act provides no additional legal value and may instead complicate regulatory coherence. ● Clarifies the mandate of the Department of Labour as one of implementation, enforcement, and monitoring, rather than fixation or declaration.
Remove non-relevant functions	“The Ministry shall coordinate with	<ul style="list-style-type: none"> ● Updates the Act to reflect the current institutional

Issues	Required Amendment	Impact
of the labour administration	relevant competent authorities responsible for vocational education, skills development, and occupational standards to ensure alignment between labour market needs, skills supply, and employment policies.”	<p>mandates following government transformation.</p> <ul style="list-style-type: none"> Enhances inter-ministerial coordination between MoICE and MoESD, ensuring synergy between employment policies and training supply. <p>Overall Outcome: Amending Section 11 will modernize the Labour and Employment Act by removing obsolete references and defining a clear coordination mandate for the Ministry.</p>
Current LEA language restricts harassment protection to sexual misconduct, excluding psychological, verbal, or discriminatory harassment.	Expand the definition of workplace harassment to include all forms of harassment (e.g., bullying, psychological harassment) without limitation to only sexual harassment.	<ul style="list-style-type: none"> Legal Impact: Expanding scope aligns Bhutan with international human rights standards. Social Impact: Cultivates a respectful, inclusive workplace culture. Organizational Impact: Reduces conflicts, absenteeism, and legal risks related to hostile work environments. <p>Overall Outcome: Comprehensive protection of worker dignity and psychological well-being.</p>
Outdated institutional references affect legal accuracy and administrative continuity.	Change to MoICE from MoLHR	<ul style="list-style-type: none"> Administrative Impact: Ensures legal documents and delegated powers align with current ministry structure (MoICE)..
The current clause lacks procedural safeguards to verify authenticity and necessity of redundancy proposals.	Redundancy clause – inclusion of chief labour administrator’s notification and endorsement	<ul style="list-style-type: none"> Legal Impact: Introducing CLA notification/approval ensures transparency and prevents abuse of redundancy provisions. Social Impact: Protects workers from arbitrary or pretextual termination. Governance Impact: Promotes responsible restructuring and due diligence in workforce downsizing. <p>Overall Outcome: Balanced framework promoting both organizational flexibility and worker protection through administrative oversight.</p>
Administrative penalties under the Act are often standalone	Introduce a provision mandating linkages between labour administrative	<ul style="list-style-type: none"> Legal Impact: Strengthens the enforceability of administrative decisions by connecting them to broader

Issues	Required Amendment	Impact
<p>actions, disconnected from other government regulatory systems such as licensing, foreign worker permits, or business clearances. This limits deterrence, as non-compliant employers can continue operating, renewing licenses, or receiving government incentives without resolving labour violations.</p>	<p>actions/sanctions and other government regulatory systems.</p>	<p>regulatory consequences.</p> <ul style="list-style-type: none"> ● Administrative Impact: Enhances inter-agency coordination and efficiency in sanction execution. ● Economic Impact: Creates strong compliance incentives — non-compliance directly affects licensing, foreign worker access, and eligibility for incentives. ● Governance Impact: Institutionalizes an integrated compliance model, ensuring coherence across government systems. <p>Overall Outcome: This reform transforms labour compliance from a standalone enforcement activity into a cross-government accountability mechanism, significantly enhancing deterrence and governance efficiency.</p>

Thematic Area: Foreign Worker Recruitment & Management

Issues	Required Amendment	Impact
<p>There are duplicative provisions between the Labour and Employment Act of Bhutan (LEA) and the Immigration Rules and Regulations (IRR) Ex: Under the LEA, the offence is classified as a felony but only an administrative fine (Nu. 4,300) under the IRR.</p>	<p>Harmonization of Penal Provisions</p>	<ul style="list-style-type: none"> ● Employers will have a single, predictable reference for compliance, reducing legal exposure and compliance costs. ● Aligning offence classifications prevents conflicting interpretations and ensures uniform application of justice across all cases.
<p>Fragmented Foreign Worker Provisions: The foreign worker management framework is currently scattered</p>	<p>Undertake a full harmonization exercise between the LEA, the Immigration Act, and</p>	<ul style="list-style-type: none"> ● Clarifies Jurisdiction: Foreign worker management responsibilities will be clearly defined, preventing overlap between Labour and Immigration authorities.

Issues	Required Amendment	Impact
across multiple instruments — the LEA and the Immigration Act. This has led to overlapping jurisdiction between the Department of Labour and the Department of Immigration	associated Regulations.	

Thematic Area: Occupational Health and Safety (OHS)

Issues	Required Amendment	Impact
<p>OHS provisions are not explicitly stated to cover all sectors (agriculture and civil service)</p>	<p>Explicitly state that its OHS provisions apply to all sectors, including agriculture and civil servants</p>	<ul style="list-style-type: none"> ● Establishes universal legal coverage for OHS across all forms of employment. ● Enables integrated inspection and reporting mechanisms across sectors. <p>Overall Outcome: Holistic OHS coverage that ensures every worker, in every sector, enjoys minimum safety and health protection.</p>
<p>The current Labour and Employment Act (LEA) provides for compensation in cases of work-related accidents and injuries, but it does not explicitly cover occupational or work-related diseases under the “Compensation and Benefits” chapter.</p>	<p>Amend the “Compensation and Benefits” Chapter of the LEA to explicitly include compensation for occupational diseases, in addition to work-related injuries.</p>	<ul style="list-style-type: none"> ● Legal: Closes a statutory gap by extending compensation rights to workers suffering from occupational diseases, not just acute injuries. ● Economic: Clarifies employer liabilities, helping enterprises to budget for workplace health insurance or compensation contingencies. ● Social: Extends justice and social protection to workers suffering from chronic or long-latency occupational illnesses.
<p>The Act does not explicitly recognize mental health and psychosocial well-being as part of occupational health obligations — despite growing evidence that psychological distress, burnout, harassment, and work-related stress are significant contributors to lost productivity, absenteeism, and long-term disability.</p>	<p>Inclusion of mental health and Psychosocial Well-Being in Occupational Health</p>	<ul style="list-style-type: none"> ● Legal: Establishes a statutory basis for addressing mental health-related workplace risks, making them enforceable under the LEA. ● Administrative: Encourages the Ministry to develop psychosocial risk assessment tools, training modules, and workplace well-being standards. ● Economic: Improves productivity by addressing the underlying causes of absenteeism, presenteeism, and staff turnover linked to stress and burnout. ● Social: Promotes a human-centered work culture, consistent with Gross National Happiness (GNH) principles of holistic well-being. <p>Overall Outcome: The amendment establishes mental health and psychosocial well-being as legally enforceable dimensions of</p>

Issues	Required Amendment	Impact
		occupational health
<p>The LEA currently imposes duties on those who design, manufacture, import, or supply machinery or chemicals for workplace use — but does not include Personal Protective Equipment (PPEs) within this scope.</p>	<p>Amend the clause on suppliers to include not just machineries and chemicals, but also Personal Protective Equipment (PPEs).</p>	<ul style="list-style-type: none"> ● Legal: Expands statutory accountability to include suppliers of PPEs, creating a full supply-chain responsibility framework. ● Administrative: Enables the Labour Department to inspect, approve, or restrict substandard PPE imports. ● Social: Improves frontline worker protection, particularly in high-risk sectors such as construction and mining. <p>Overall Outcome: Establishes a supply-side accountability chain for workplace safety equipment, ensuring workers receive reliable protection.</p>
<p>Clauses 141 to 144 of the LEA currently categorize several OHS-related offences as felonies, irrespective of the severity, intent, or harm caused.</p>	<p>Retain felony classification for severe offences; Downgrade minor infractions to administrative penalties or fines; and</p>	<ul style="list-style-type: none"> ● Legal: Aligns the Act with the principle of proportional justice, ensuring penalties reflect the gravity of the offence. ● Administrative: Enables inspectors to take timely administrative action for low-harm offences without lengthy prosecutions. <p>Overall Outcome: A risk-based, proportionate enforcement framework that strengthens accountability while promoting cooperation, fairness, and compliance efficiency.</p>

Thematic Area: Social Protection & Benefits

Issues	Required Amendment	Impact
<p>The Act stipulates that Chapter 5 (Contracts of Employment) applies to employment for a duration of one year or more.</p>	<p>Amend Chapter 5 to state that its provisions apply to all types and durations of employment, unless explicitly exempted under specific regulations.</p>	<ul style="list-style-type: none"> ● Legal: Extends the scope of legal protection to all workers, regardless of contract length or form. ● Social: Short-term, seasonal, and casual workers gain access to the same fundamental rights as permanent employees <p>Overall Outcome: Amending Chapter 5 to apply to all types and durations of employment closes a fundamental legal gap, extending statutory protection to every worker.</p>
<p>The current legal cap of nine public holidays has been deemed restrictive relative to regional norms and Bhutan’s cultural and religious diversity</p>	<p>Review the current limitation to allow a moderate increase in the number of paid public holidays — ensuring alignment with cultural practices and balancing social and economic interests.</p>	<ul style="list-style-type: none"> ● Social Impact: Promotes work-life balance, community engagement, and national well-being. ● Economic Impact: Potential short-term productivity loss offset by improved morale, reduced burnout, and higher retention. ● Legal Impact: Establishes flexibility for Government notification of holidays by region or sector. <p>Outcome: Balanced policy recognizing social cohesion and well-being as contributors to sustainable productivity.</p>
<p>While the LEA provides for maternity leave, current duration and benefits may not adequately reflect the real childcare burdens or international standards. However, extending leave imposes direct cost burdens on employers, potentially reducing female hiring incentives.</p>	<p>review maternity leave provisions to explore extension of duration and/or childcare benefits, complemented by shared-cost mechanisms — such as government subsidies, childcare tax credits, workplace crèche incentives, or compliance rewards</p>	<ul style="list-style-type: none"> ● Social Impact: Improves maternal and child health, enhances female labour force participation, and supports gender equality. ● Economic Impact: Shared-cost models distribute the burden equitably, improving employer acceptance. <p>Outcome: A fair, sustainable maternity and childcare regime balancing family welfare with business viability.</p>
<p>The current grievance framework under the Act relies</p>	<p>Amend the Labour and Employment Act to provide for the establishment of</p>	<ul style="list-style-type: none"> ● Legal Impact: Strengthens due process and access to justice for both employers and employees.

Issues	Required Amendment	Impact
<p>on LPD and LRD adjudication, with unresolved cases sent to civil courts. This results in significant delays as labour disputes compete with general court backlogs.</p>	<p>a Labour Tribunal — a specialized, quasi-judicial body empowered to hear, adjudicate, and enforce decisions on disputes arising under the Act..</p>	<ul style="list-style-type: none"> ● Administrative Impact: Reduces backlog in general courts and enhances enforcement efficiency. ● Social Impact: Enhances worker confidence in grievance redress mechanisms. <p>Outcome: Robust enforcement architecture ensuring that labour rights are actionable and justice is timely.</p>
<p>The Act permits worker associations only at the enterprise level.</p>	<p>“Workers shall have the right to form or join associations at the enterprise, sectoral, regional, or national level for the purpose of promoting and protecting their occupational interests, subject to registration under this Act.”</p>	<ul style="list-style-type: none"> ● Legal: Expands the legal right to association, aligning the LEA with the Article 7 (12): Constitution of The Kingdom of Bhutan ● Administrative: Enables the Department of Labour to interface with fewer, stronger, and more representative associations, improving efficiency in consultation and dispute resolution. ● Social: Empowers workers in small enterprises and informal sectors to collectively advocate for better working conditions and fair treatment. ● Economic: Facilitates collective industry dialogue, enabling predictable and negotiated outcomes on wages, productivity, and working conditions. ● Institutional: Strengthens Bhutan’s capacity for sector-based tripartism, an essential feature of mature labour systems. <p>Overall Outcome: This will democratize representation, strengthen social dialogue, and build a fairer, more participatory labour relations system in Bhutan</p>
<p>The current non-discrimination clause in the LEA prohibits discrimination on grounds of race, sex, language, religion, or politics, but does not explicitly mention health conditions, disability, or other status.</p>	<p>“No person shall be discriminated against in any employment matter on the grounds of race, sex, language, religion, political opinion, health status, disability, or any other status.”</p>	<ul style="list-style-type: none"> ● Legal Impact: Aligns with Bhutan’s Constitution (Article 7) and international human rights commitments. ● Social Impact: Promotes workplace inclusivity and equal opportunity. ● Economic Impact: Expands labour force participation of persons with disabilities and health conditions. <p>Outcome: Stronger, more inclusive legal protection framework that</p>

Issues	Required Amendment	Impact
		ensures equality, dignity, and fairness for all employees.

Thematic Area: Childcare & Maternity

Issues	Required Amendment	Impact
The current LEA and its regulations do not explicitly recognize flexible working arrangements (e.g., part-time, remote work, compressed hours, hybrid schedules) as legitimate forms of employment.	Amend the types of employment and working hours provisions in the LEA to explicitly recognize and define flexi-working arrangements, including part-time, remote, hybrid, and compressed-hour schedules.	<ul style="list-style-type: none"> ● Legal Impact: Brings legal clarity to flexible employment relationships; ensures labour rights are upheld regardless of work modality. ● Economic Impact: Enhances productivity, workforce inclusion (especially for women, caregivers, and persons with disabilities). ● Social Impact: Promotes work-life balance and mental well-being. <p>Overall Outcome: A modern labour law framework that supports innovation and flexibility while safeguarding worker protection and decent work principles.</p>
Child Labour to be covered under forms of employment . The goal is to end child labour, not to regulate it.	Amend the “Forms of Employment” section to explicitly state that child labour is a prohibited form of employment, consistent with the principle that the objective is elimination, not regulation.	<ul style="list-style-type: none"> ● Social Impact: Reinforces Bhutan’s commitment to protecting children’s rights and promoting education. ● Governance Impact: Clarifies legal intent for enforcement authorities and social partners. ● Economic Impact: Supports responsible business conduct and enhances Bhutan’s global reputation for ethical labour standards. <p>Overall Outcome: The amendment ensures zero tolerance for child labour and aligns national law and international obligations.</p>

Annexure II: Verbatim (Stakeholder Consultations)

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
Opening Remarks made by Chief LRD, welcoming and thanking all the participants, agenda presentation.	Lead Task Force				Employer Thimphu
<p>With the evolving nature of employment models and changing socio-economic conditions, there is a pressing need to amend the Labour and Employment Act (LEA) 2007. The Legislative Impact Assessment (LIA) serves as the first phase of this amendment process, aiming to identify gaps and challenges through a consultative and inclusive approach. The assessment will inform the actual legislative revisions by anticipating practical implications and ensuring that proposed changes are grounded in real-world experiences.</p> <p>Representation from the private and corporate sectors is especially vital, given their firsthand knowledge of how existing legal frameworks operate in practice. Their concerns, suggestions, and insights are essential to shaping forward-looking labour regulations that are both applicable and effective. The process emphasizes the importance of participatory lawmaking and seeks to ensure that future labour legislation reflects the realities of Bhutan's dynamic workforce.</p>	Lead Task Force		Introduction		Employer Thimphu
<p>Presentation focused on the timeliness of the LEA amendment and the introduction of associated regulations. The presentation highlighted emerging employment models, technological advancements, ambiguities in key provisions, enforcement challenges, and the need for alignment with international standards as the primary issues driving the amendment. Accordingly, the objectives of the amendment are directly tied to these challenges: to expand coverage to new forms of employment, simplify legal provisions, reduce uncertainty, enhance workplace protections and dispute resolution mechanisms, align with international labour standards, and ensure proportionate and effective penalties.</p> <p>Social impacts were discussed in terms of promoting equity and protecting vulnerable groups. Economic impacts include reducing the compliance burden on employers, encouraging private sector participation, and fostering job creation through more conducive work environments. Environmental and safety impacts focus on strengthening workplace safety standards and addressing the influence of climate change on employment models and the sustainability of workplaces, with the goal of increasing worker productivity.</p> <p>Anticipated outcomes include greater legal protection and coverage for employees, safer workplaces, clearer legal</p>			Legislative Rationale, Legislative Impact Proposal and anticipated impacts	Presentation on the Legislative Impact Assessment based on Legislative Impact Proposal	Employer Thimphu

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
provisions, streamlined compliance processes, reduced ambiguity for employers, improved enforcement and governance for regulators, formalization of jobs, and overall economic growth.					
Question was raised on whether the issues identified were based on a formal study, survey, or shared experiences from employees.			Sources of issues	It was clarified that the need for amendment was felt in response to emerging models of employment in the global economy. Additionally, concerns arose due to ambiguities in the interpretation of the Act's Dzongkha and English texts, which have led to challenges for the Department of Labour (DoL) in resolving labor disputes. The need was further reinforced by the existence of subsequent laws that are not aligned with the current Act, necessitating harmonization with ratified conventions of the International Labour Organization (ILO). It was emphasized that detailed drafting and amendment of specific provisions will be informed by the outcomes of this series of stakeholder meetings, which aim to identify precisely what needs to be amended.	Employer Thimphu
Question was raised on whether other relevant agencies were being consulted as part of the amendment process.			Stakeholder inclusion	It was clarified that stakeholder consultations are being initiated with the participation of employers from the private and corporate sectors, as a starting point for broader engagement.	Employer Thimphu
Suggestion was made that the amendment should be drafted in Dzongkha first and then translated into English, especially in light of recurring issues with interpretation between the two versions			Language and translation	It was explained that the standard practice has been to draft in English first, followed by translation into Dzongkha.	Employer Thimphu
The Chief of LRD opened the meeting by welcoming and thanking all participants, and presenting the agenda for the consultation.	Lead Task Force	—	Introduction	—	Employee Thimphu
The need for amendment was introduced in response to evolving employment models. The LIA is positioned as the first phase, aiming to identify gaps and challenges through a consultative lawmaking process.	Lead Task Force	—	Legislative Rationale	—	Employee Thimphu
The presentation emphasized ambiguities in key provisions, enforcement challenges, and the need for alignment with international standards. The proposed objectives include expanding coverage, simplifying legal provisions, enhancing protections, and improving enforcement mechanisms.	Lead Task Force	—	Legislative Impact Proposal	Importance of stakeholder participation and assess potential impacts of provisions.	Employee Thimphu
It was suggested that for minor amendments to Internal Service Rules (ISRs), the requirement for 90% employee approval should not be necessary—unless the changes result in reduced benefits or altered terms of service. Additionally, the process of registering ISRs in the BLMIS system was described as cumbersome, particularly when the rules are directly derived from existing legislative or regulatory provisions.	RICBL	Insurance		Task force members acknowledged the concern and clarified that while procedural and administrative requirements could be streamlined, ISRs serve as a key point of reference for workplace governance. As such, they must be endorsed by the majority of employees to ensure transparency, accountability, and alignment with organizational values and legal standards.	Employee Thimphu
			Stakeholder Inclusion	Feedback and recommendation presentation focused on prompting feedback from the stakeholders in terms of the various challenges and gaps that are in the current act and regulations, what needs to be	Employee Thimphu

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
				included and inclusive, practicality of the laws during implementation.	
Employees expressed a preference for a one-month notice period, citing the need for flexibility when pursuing better opportunities and career growth. It was noted that such mobility contributes to a dynamic and skilled workforce. However, employers may require longer notice periods to allow adequate time for recruitment and operational adjustments. Additionally, while the notice period itself was not seen as problematic, concerns were raised regarding the financial burden of payment in lieu of notice.	—	Mixed	Notice periods	A holistic approach needs to be taken in assessing the impact of any recommended provisions. Balancing the needs of employers and employees is important.	Employee Thimphu
It was noted that rules formulated by employers are often not employee-friendly. Rather than promoting retention, such rules tend to foster resentment, creating bottlenecks for employees and hindering their career growth. The current provision of a one-month notice period was considered feasible and appropriate for prevailing practices.	DHI	Corporate	Notice Periods	—	Employee Thimphu
Similarly, another participant pointed out the need for differentiated provisions based on employee levels—such as entry-level, management, and others.	RICBL	Insurance	Notice periods	—	Employee Thimphu
Gratuity and Provident Fund (PF) payments must be made within a month, with adequate time allowed for administrative processing. The same consideration applies in cases of termination?			Compensation and benefits	It was explained that all benefits are cleared only upon completion of due process. While non-payment of gratuity is categorized as a felony, each case must be assessed based on its specific circumstances.	Employee Thimphu
Clarification was sought on the distinction between the Act and the Regulations.			Legislations	It was explained that the Act is the document that accords rule-making authority, while the detailed rules are outlined in the Regulations. Regulations prescribe the procedures required to achieve the standards set forth in the Act.	Employee Thimphu
The private sector does not currently allow medical escort leave, although other types of leave are provided. It was suggested that a provision for medical escort leave would support employees during difficult times, reducing the need to use paid or other leave types. Another comment proposed increasing the number of public holidays beyond nine, as there are more than nine public holidays in a year. Nursing mothers should be granted additional leave, and the current provision of breaks every four hours was described as unclear. A fixed duration—such as one hour—was suggested as more feasible and convenient. There was widespread support for increasing maternity leave to at least six months, particularly in the interest of female employees and their health. Additional support was expressed for introducing bereavement leave in the private and corporate sectors. However, it was also highlighted that small and cottage industries may face challenges in implementing such provisions. A phased or graduated approach, possibly based on sampling or business classification by size and number of employees, was recommended.		Mixed	Leave Provisions	The Department of Labour (DoL) clarified that while these recommendations are positive, it is also important to consider potential unintended consequences—such as reduced female employment or employment shifts resulting from such provisions. Differential capabilities of private and corporate sectors to support these provisions must be taken into account. While such provisions positively impact maternal health and child development, their practicality and social benefits must be carefully assessed and proposed. Access to finance for private and corporate employees was also noted as a relevant factor in evaluating feasibility.	Employee Thimphu

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
Working days and working hours should be reviewed in light of international practices, particularly regarding flexible working arrangements and employer compliance in requiring employees to work on weekends.		Mixed	Overtime Enforcement/Working hours.	While there may be potential to increase leave provisions, the practicality of implementing such changes across all sectors remains questionable.	Employee Thimphu
Different forms of leave are available in BNB, and it was suggested that establishing similar leave provisions and setting a benchmark for leave entitlements could be explored.	BNB	Financial	Leave Provisions	Applicability across sectors, as well as the fair distribution of profits, must be considered when evaluating such provisions.	Employee Thimphu
Engineers are often required to work overtime, yet overtime payment is only applicable to employees below the supervisory level. While it is understood that managers and above may not be entitled to such benefits, concern was raised that field engineers—despite not holding managerial roles—are excluded from overtime compensation.	—	NHDCL	Overtime Payment for technical professionals	It was clarified that the nature of work at the managerial level is more controllable, with the potential to create additional tasks by lowering productivity. In contrast, employees below managerial and supervisory levels do not have such flexibility or associated risks. As per international standards, roles are categorized as exempt and non-exempt, which guides the applicability of overtime provisions.	Employee Thimphu
Policy initiatives such as financial wage subsidies or tax credits were suggested to support maternity leave provisions in small industries, helping to mitigate potential negative impacts. It was also noted that such measures could contribute to increasing fertility rates, especially as the country faces challenges with replacement rates. An example was cited from the United States, where six weeks of paid maternity leave is provided, followed by access to child care facilities. In contrast, Bhutanese day care centers only accept children aged two years and above.	—	Mixed	Maternity	It was highlighted that these are valuable suggestions. If the need is felt, appropriate policies would be required to support the implementation of such provisions. The importance of establishing social safety nets was also emphasized.	Employee Thimphu
It was pointed out that while the Act mentions the placement of returning mothers in the same or a similar position, it does not address how they will be reintegrated into the workplace. A suggestion was made to consider including reintegration measures as part of the Act. Another employee supplemented that the clause primarily serves to prevent displacement rather than to support integration or broader employee protection. Additionally, concerns were raised about nursing flexibility being limited to one month after maternity leave, with only one hour allotted—potentially insufficient given travel distances. One participant noted that one hour could be manageable if combined with the lunch break, though it might also be misused. Overall, the restriction of breastfeeding flexibility to just one month was viewed as limiting.		Mixed	Maternity leave	It was explained that the clause is intended to ensure position protection and prevent displacement of employees.	Employee Thimphu
Suggestions were made regarding notice periods and payment in lieu, particularly in cases where contracts impose an unnecessary burden on employees upon resignation. It was noted that the Act refers to such provisions as a menace of penalty, where employees are not willingly party to the contract. Reference was made to Section 18 of the Contract Act, indicating that such contracts could be voidable as they are optionable to only one party. It was suggested that relevant text be added to clarify how this applies under contract law, especially in			Resignation, contract periods.	Current practices and contract implementation should be based on service rules endorsed by the Department of Labour (DoL). Where the primary relationship is employer–employee, the Labour Act will prevail; for business arrangements, the Contract Act will apply. The Labour Act does not permit bonding, as it is neither legally nor ethically acceptable.	Employee Thimphu

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
cases involving young workers seeking better opportunities and facing disadvantage.					
in cases of signing contracts, usually employers are in the right in such cases. But in current practice it was expressed that in cases of signing contracts, employers are usually in the right. However, under current practices, rights have been accorded to employees through the Labor Law, which prohibits demanding payment for services not yet provided. While this protects employees, it also places an administrative burden on employers. The view was shared on how the Labor Law could support concerns of both employers and employees, right has been accorded for employees under Labor Law and payment cannot be demanded for services not provided as of yet but in this case employers lose on administrative burden How Labor Law can support both employers and employees concerns.	BDBL	Financial	Retention		Employee Thimphu
PPE provisions related to workplace safety must be job-specific. It was noted that employer-provided PPEs are often not effective.			OHS gap	It was clarified that every employee has the right to a safe workplace, and it is the employer's duty to ensure workplace safety.	Employee Thimphu
Clarity was sought regarding the jurisdiction of grievance redressal procedures—specifically, whether Internal Service Rules (ISR) or the Labour and Employment Act (LEA) 2007 would take precedence.			Grievance Redressal	It was clarified that whichever provision offers greater benefit to the employees will prevail.	Employee Thimphu
Concern was expressed that the National Workforce Wage is too low, making it difficult to recruit workers and maintain acceptable standards.			Wages	A clarification was provided distinguishing between the National Minimum Wage and the National Workforce Wage.	Employee Thimphu
It was noted that Zhabto Leymey could be considered forced labour under international standards, whereas the Labour and Employment Act (LEA) 2007 specifies that such work does not fall under the definition of forced labour.	HAB	CSO	Compulsory and forced labor	Clarification was provided that agencies such as the Ministry of Home Affairs have expressed reservations, citing the lack of manpower for public work in rural areas. Determining the relevance of this issue would require extensive consultations. Additionally, it was suggested that defining the nature of employment relationships is essential for labour laws to be appropriately applied.	Employee Thimphu
Clarification was sought on whether working students during school breaks constitutes a contravention, or if such work should be permitted.			Child Labour	It was clarified that permissible forms of child labour allow students to work during school breaks, provided it does not interfere with their education or health. It was further noted that relevant child rights conventions have been ratified.	Employee Thimphu
It was noted that while the Act prohibits discrimination based on color, race, sex, pregnancy, and other grounds, it does not explicitly include health or medical conditions. Concern was raised particularly regarding discrimination against individuals with health conditions such as being HIV positive, especially during recruitment.	HAB	CSO	Discrimination	It was acknowledged that this omission exists. The social stigma surrounding such conditions—exacerbated by mass media messaging—was also highlighted. Under employment laws, discrimination based on health conditions would be considered unlawful. The terminology addressing this issue has been effectively coined, and further inclusion may be warranted.	Employee Thimphu
Questions were raised regarding the exclusion of farming from Occupational Health and Safety (OHS) coverage. Stakeholders emphasized that major changes are needed in the OHS strategy to effectively include farming, the informal sector, and the public sector.	HAB	CSO	OHS	It was noted that the current application of OHS standards is limited. Specific concerns included the use of pesticides in farming and the need for commercial farming to be governed by OHS standards. The workplace—especially in agricultural settings—was identified as a source of contaminants and hazards. It was acknowledged that a more integrated approach involving relevant stakeholders is	Employee Thimphu

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
				necessary to expand OHS coverage. Strengthening the strategy to include sectors currently excluded, such as farming, is essential for comprehensive workplace safety.	
Section 90 outlines two categories for redundancy, but the way the clause is currently framed may allow room for unfair dismissal. The emphasis placed on the employer's justification for redundancy raises concerns about the need for greater objectivity in its application.			Redundancy	The Department of Labour (DoL) clarified that in assessing redundancy cases, they examine the nature of the redundancy and require evidence that it is justified. To prevent unfair dismissal, proper procedures—such as offering alternative positions—are considered. While the Act may lack broad clarity, current practice ensures procedural safeguards. It was further explained that deliberately breaking contracts or disrupting continuity of employment to avoid providing benefits is not legally permissible.	Employee Thimphu
Welcoming participants by Chief LRD, Opening note by RD Phuentsholing and presentation of Legislative Impact Proposal	DoL, RoICE		Legislative Proposals and Regulations		Employer Pling
Foreign workers engaged as care workers or baby-sitters from across the border are discriminated based on their ethnicity. Request for relaxation, economic impact is justified given that parental burden is eased with the provision of availability of such workers. Tight regulations would have to put in place to monitor and supervise these provisions.			Foreign Workers, Immigration	It was explained although this was not under the mandate of the Department of Labour and more of the Department of Immigration. A discussion was already held with DoI, whereby reservations was expressed. It was also informed that this would be discussed during the stakeholder consultations scheduled with the government agencies.	Employer Pling
Grievance redressal during employers and employee dispute favours employees, if provisions could be added to balance the support for both employers and employees, it would be favourable for employers.	Private employer		Grievance Redressal, Dispute Resolution	Acknowledged the issue and informed this would be looked at during amendment.	Employer Pling
Stakeholders emphasized that labor rules should strive to balance power between employers and employees, noting that managers are also employees. There were concerns about the difficulty in recruiting domestic workers, leading to reliance on foreign workers—who are often seen as unreliable—and the processing system being tedious. Suggestions were made to streamline the Internal Service Rules (ISR) amendment process. It was also noted that Occupational Health and Safety (OHS) provisions primarily address external injuries, and there is a need to update the framework to include internal injuries and occupational diseases. Dispute resolution between foreign counterparts and Bhutanese businesses/employers was described as challenging, with a recommendation to introduce arbitration as a viable solution.			OHS, FW, Dispute Resolution	It was clarified that the ISR process will be addressed during the Act amendment. Similarly, provisions for the appointment of arbitrators will be considered. Stakeholders were informed that the Alternative Dispute Resolution Centre (ADRC) in Thimphu currently provides such services.	Employer Pling
There is a shortage of domestic workers with adequate experience, particularly in hydro projects, where competitive and time-bound targets make delays due to labor shortages a significant concern. Domestic workers are often reluctant to engage in such work, leading to increased reliance on foreign workers.		Power	Foreign Workers	The Regional Office explained that the management of foreign workers is governed by specific regulations and guidelines. A lack of awareness about the Bhutan Labour Market Information System (BLMIS) has contributed to miscommunication and underutilization of available online services. It was clarified that medical fitness checks can be conducted across the border, while the remaining documentation can be processed within Bhutan. Hourly workers are vetted and approved within 24 hours, and the Department of Labour (DoL) does not delay the process due to turnaround times (TATs).	Employer Pling

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
				Once foreign workers are approved, employers should promptly initiate transport arrangements and refer to application ID numbers to avoid miscommunication. For hydropower projects, certain sectors have no ceilings on foreign worker provisions, and approvals are facilitated once all required documents are submitted and verified.	
There has been poor participation from domestic workers during recruitment and selection processes. In the case of the Kholongchu Power Project, Jaypee employees have left for the Punatsangchhu Project, leading to workforce shortages. Stakeholders suggested that reducing the cooling-off period could help prevent project delays and retain potential employees. Additionally, it was proposed that professionals who do not meet current age criteria should be reconsidered for eligibility.	Kholongchhu Power Project	Hydro Power	Foreign Workers, Immigration	It was clarified that, following repeated announcements, foreign workers are approved when domestic workers are unavailable, based on assessed needs and critical skills.	Employer Pling
An employer expressed that the current upper age limit for foreign workers is too restrictive, suggesting that physical and medical checks should suffice in determining fitness for work. They also requested improved coordination among relevant agencies involved in foreign worker approvals to streamline service delivery, especially for short-term workers. Additional concerns included the requirement to notarize workers' experience and obtain route permits, with a call to ease these provisions.			Foreign Workers	It was clarified that the meeting's primary objective is to assess the legislative impact proposal. However, to address the concerns raised, it was noted that Foreign Worker Recruitment Agencies (FWRAs)—who were also present—are typically the first point of contact for disseminating information related to foreign workers. Many industries do not engage FWRAs, which may explain their lack of awareness about procedural updates. For short-term worker applications, requests to expedite are directed to RoICE, which acts based on need and turnaround times (TATs). Renewals should be initiated at least 15 days before approval expiry, and using FWRAs can help avoid delays. The Department of Labour (DoL) clarified that it cannot speak on behalf of the Department of Immigration (DoI), which vets applications individually. Immigration timelines depend on application volume, and patience was requested. The Task Force Lead reiterated the importance of focusing discussions on the meeting's core objective.	Employer Pling
Stakeholders highlighted the issue of frequent job hopping between the private sector, corporate entities, and civil service. Private sector employers expressed difficulty in competing with the pay scales offered by corporate and government sectors. It was suggested that the current one-month notice period in the private sector is too short and that payment in lieu is easily made by employees, facilitating quick exits. Reference was made to the Royal Civil Service Commission (RCSC) recently introducing a six-month notice requirement, and a proposal was made to increase the private sector notice period to at least three months to improve retention.			Notice, retention	Acknowledged the concerns.	Employer Pling
A private sector employer acknowledged that the Labour and Employment Act (LEA) 2007 is well aligned with International Labour Organization (ILO) standards and has been effectively developed through expert input and stakeholder engagement. The employer expressed no issues with the Act itself but emphasized the need for stronger implementation and enforcement of its provisions.			Legislation, Enforcement, Social Protection		Employer Pling

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
<p>They recounted past practices of arbitrary hiring and firing, and absenteeism among employees, which have been mitigated through the introduction of regulations and Internal Service Rules (ISRs). However, they cautioned against overregulation that could stifle business operations, advocating instead for targeted enforcement where contraventions are evident.</p> <p>The employer urged against applying blanket rules as a result of contraventions in exceptional or isolated cases, stressing the importance of facilitating private sector growth. They also called for government support in this effort and emphasized the need for compliance from both private and corporate sectors.</p> <p>A specific concern was raised regarding unpaid benefits after years of service in the private sector, with a request for stronger enforcement mechanisms to ensure compliance with social protection provisions.</p>					
<p>Stakeholders emphasized the need to balance the interests of both employers and employees. One concern was the signing of employment bonds to retain critical workers, which, although included in Internal Service Rules (ISRs), was clarified by the Department of Labour (DoL) and RoICE as not permissible. The organization noted that clear provisions prohibiting bonds were not communicated effectively.</p> <p>Additionally, while there are instructions on the types of skills permitted under foreign worker recruitment, stakeholders suggested that the basis for these criteria needs updating. Specifically, for S-type foreign workers, the current 30/28-day provision does not align with actual work requirements, such as shutdowns that last at least 40 days. A request was made to allow extensions.</p> <p>Concerns were also raised about the adequacy of notice periods, with a recommendation that they be aligned with the practical needs of handover processes.</p>	DCCL	Manufacturing	Bonds	<p>It was clarified that employment termination can occur through mutual agreement, with or without a notice period. Immediate termination is permissible with payment of one month's salary in lieu. The Labour Relations Division acknowledged that the current notice period may be too short for private sector needs.</p> <p>Gratuity non-payment and employment of foreign workers without CLA approval are considered fourth-degree felonies and cannot be downgraded to penalty offences under existing regulations.</p> <p>However, in practice, where contraventions are not intentional, applying such severe penalties may not be viable.</p> <p>To fulfill training obligations, certifications are required. There appears to be a lack of awareness that all occupations are restricted; however, foreign worker approvals are granted based on critical skill needs and on a case-by-case basis, provided proof of domestic worker unavailability is furnished.</p>	Employer Pling
<p>It was expressed that the current overtime provisions—limited to 12 hours per week and 2 hours per day—are insufficient, particularly for manufacturing plants. Workers in these sectors often prefer to take on additional shifts to increase their earnings, and the existing limits restrict that opportunity.</p>		Manufacturing	Working hours, overtime		Employer Pling
<p>It was emphasized that Foreign Worker Recruitment Agents (FWRAs) should serve the needs of both private businesses/employers and the government by facilitating smooth and efficient services. Stakeholders stressed the importance of collaboration and clear communication between agents and employers to ensure effective foreign worker recruitment. A strong commitment from agents to uphold service standards was requested.</p>	MFW	Private Sector	Foreign Workers	<p>Both employers and foreign worker agents were reminded to work together collaboratively. Employers were also urged to be accountable, remain informed about their employer accounts, and avoid any misuse of the system.</p>	Employer Pling

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
Stakeholders noted the absence of clear guidelines regarding medical test requirements for short-term foreign workers. They requested that proper protocols be established, including a list of authorized health or medical professionals to conduct these tests. Concerns were raised about inconsistencies—some workers who fail medical tests are reportedly still permitted to work on a short-term basis. Additionally, it was highlighted that compensation for workplace incidents varies across different projects, suggesting a need for standardized practices.			Foreign Workers	Noted for further review and consideration.	Employer Pling
Druk Wang reported that foreign workers (FWs) who have exited the company are still showing as active in the system. Clarification was sought on who holds the responsibility for updating worker status.	Druk Wang		Foreign Workers	It was explained that the Department of Immigration (DoI) and Department of Labour (DoL) systems are not integrated, which is why the status of exited workers may not automatically update. A notification regarding this issue has been posted on the official website. Employers are responsible for notifying ICT and immigration authorities to update the status of exited foreign workers. Entry and exit records fall under the employer's responsibility, as the Bhutan Labour Market Information System (BLMIS) registration is tied to each employer's account. Any misuse or failure to update will be attributed to the employer/account holder. For Bhutanese employees, manual updates are required, whereas foreign workers are auto-updated upon proper notification. Regarding medical requirements, short-term workers only need to be medically fit at the time of employment, similar to a basic medical fitness certificate. In contrast, general workers are subject to more specific health requirements.	Employer Pling
There is a requirement to employ Bhutanese workers for roles such as plumbers and electricians. However, stakeholders expressed uncertainty about whether specialized foreign workers—particularly those skilled in specific systems—are permitted. A request was made for greater clarity and flexibility in such cases.			Foreign Worker	It was clarified that proper entry and exit records have not been maintained over the past four years. To support business continuity, RoICE has imposed minimal fines and updated worker statuses, even though such omissions could legally warrant prosecution. The Department of Labour has endorsed the provision of skilled workers, including plumbers and electricians, and approvals are granted on a case-by-case basis—particularly for hydro power projects—based on demonstrated need and critical skill requirements.	Employer Pling
Employers have subscribed to post-retirement insurance benefits, but coverage remains limited. A specific concern was raised regarding natural deaths that may be linked to work-related illnesses, with a suggestion that such cases be explicitly covered under the Occupational Health and Safety (OHS) provisions of the Act.			OHS	It was clarified that if diseases, illnesses, or injuries can be attributed to the workplace or the nature of work, they must be reported to the Department for appropriate action. Post-retirement benefit cases are generally straightforward to resolve, provided there is sufficient evidence of employment and duration of service. Gratuity payments are subject to a minimum of 10 years of service; however, if the Internal Service Rules (ISR) specify eligibility at 5 years, the provision offering the greater benefit will apply.	Employer Pling
Provisions to change overtime requirement based on position levels.			Working hours, overtime	Acknowledged the concerns.	Employer Pling
As workplaces modernize, and when there are instances where children accompany their parents to work, it is important in raising safety concerns due to exposure to			OHS, Maternity, Flexi-timing, Childcare services	It was clarified that the provisions are aligned with the Act, and while employer-specific policies may vary, minimum standards must be upheld. Miscommunication regarding these provisions was	Employer Pling

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
communicable diseases and unsafe environments. Stakeholders emphasized the need for childcare services, such as establishing an ECCD/childcare center at the WMC, where space is reportedly available. While maternity leave of three months is granted and flexible timing is permitted thereafter, travel distance affects the practicality of flexi-timing arrangements. Additionally, variations in the payment of social protection and security benefits across different Internal Service Rules (ISRs) were noted.				acknowledged. WMC users are required to adhere to safety protocols, including wearing face masks.	
Harassment in the construction sector remains prevalent despite existing policies under the Act. Stakeholders questioned whether the Department of Labour provides orientation to foreign workers during recruitment, particularly regarding workplace safety and harassment prevention.			Worksite Harrassment	It was clarified that Occupational Health and Safety (OHS) requirements and sexual harassment advocacy programs are part of the Department's initiatives. Foreign workers (FWs) recruited through agents are required to undergo orientation before deployment, covering workplace safety, roles, and responsibilities. However, companies that recruit foreign workers directly may not be aware of this requirement. In such cases, it is the employer's responsibility to provide orientation on workplace policies. If not conducted, information may only be shared during inspections by RoICE or the Department of Labour. Further clarification was provided by Foreign Worker Recruitment Agents (FWRAs).	Employer Pling
Concerns were raised regarding space usage at the Worker Management Centre (WMC), which is facilitated by RoICE and the Department of Labour (DoL). Specifically, stakeholders requested clear guidelines on whether children are permitted within WMC premises. It was also noted that the establishment of Foreign Worker Recruitment Agencies (FWRAs) requires a minimum of three staff members and the availability of advocacy materials. Additionally, instances of groupism among foreign workers have been observed, and it was emphasized that employers must take responsibility for raising awareness and regulating such behavior.	DoL		WMC		Employer Pling
Whether there is a need for workers' associations. Associations are tied to protests in neighboring countries. In Bhutan as associations of workers does not seem to be allowed, is such provisions required.			Workers Association		Employer Pling
Maternity provisions are dependent from company to company. Employees have the convenience whether they want to go for feeding once in the morning or afternoon as well as they want to bring children to workplace. Specified that PF payment is also subject to be paid in lesser years as per employers' convenience as the minimum standard is five years.			PF, Maternity		Employer Pling
Closing of session with vote of thanks and address by RD, RoICE.				Transformation has brought about changes in the way the government provides services where ministries have been integrated. Informed that letters be addressed correctly and not make reference to old ministries. Clarified the services rendered by RoICE.	Employer Pling

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
Welcoming participants by Chief LRD, Opening note by RD Phuentsholing and presentation of Legislative Impact Proposal	DoL, RoICE		Legislative Proposals and Regulations		Employee Pling
Presentation on gaps/issues and recommendations	LRD		LIA		Employee Pling
A private employee sought clarification on PF percentage variations across companies. It was explained that the 5% cited in the Act and Regulations is a minimum standard, and employers may offer higher contributions.	Private employee		PF Benefits	It was clarified that employers may offer Provident Fund (PF) benefits exceeding the stipulated 5% outlined in the Act and Regulations, as these represent minimum standards that must be met.	Employee Pling
Regarding variations in Provident Fund (PF) practices, it was noted that some employers disburse PF within five years, while others do not.			PF Benefits	It was clarified that Provident Fund (PF) and gratuity benefits, while subject to the minimum standards outlined in the Act and Regulations, may vary depending on the affordability and capacity of individual employers. Employers are permitted to offer benefits that exceed the minimum requirements, provided the baseline standards are met.	Employee Pling
One employee sought clarification on whether the absence of an Internal Service Rule (ISR) would prevent employees from claiming benefits or gratuity, despite ISR appearing to be a requirement.			Gratuity and staff benefits	It was clarified that the enforcement of minimum standards outlined in the Act and Regulations remains applicable regardless of whether an Internal Service Rule (ISR) is in place. Employees become eligible for gratuity upon completion of the minimum required service duration. Failure to provide gratuity and other statutory benefits constitutes an offence; however, further review is needed to determine whether such non-compliance should be classified as a penal offence or a felony.	Employee Pling
Sought clarification on public holiday provisions in the private sector, noting that public and corporate sector employees appear to have access to a greater number of public holidays.			Public Holidays	Acknowledged the concerns. Graduated, graded requirement can be considered.	Employee Pling
Young workers often seek better opportunities and may need to transition quickly/immediately to new roles. In such cases, the option to forego the notice period becomes important to support employee mobility. However, some employers do not issue No Objection Certificates (NOCs), which can hinder this process.			Notice Period, bonds	Explained that the practice of issuing No Objection Certificates (NOCs) is becoming increasingly common. However, if either an employee or employer wishes to terminate the employment relationship, it can be done through appropriate notice, mutual agreement without notice, or payment in lieu of notice. As long as due process is followed, failure to formally relieve an employee may be considered a form of forced labour.	Employee Pling
A clarification was sought on whether employees who resign mid-month are eligible for salary up to their last working day, and whether this amount is factored into the payment made in lieu of serving the notice period.			Resignation	It was explained that for the duration worked, one is eligible to claim payment or adjust payment in lieu accounting for that duration but in some instances where there is disagreement it is resolved through mediation or ADR.	Employee Pling
Public sector has maternity leave of 6 months whereas in the private maternity leave is limited to a few months. It seems like childcare and mothers' health is not as important for these group of employees or sector. Suggest equal access to such provisions.			Maternity leave	It was explained that while maternity leave differs across sector depending on the ability or the capacity of the agencies/companies to provide extended leave, nursing and feeding flexibility is the same across all sectors.	Employee Pling
PPEs are issued by employers. However the quality and standards of these are questionable and do not provide appropriate protection or are damaged easily so workers are seen not using after few months.			OHS	Employers have the responsibility of making the workplace safe, and to provide quality PPEs as per standards and also the need to replace and provide every few months as required. This is as per OHS regulations and the Act.	Employee Pling

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
As standard of PPEs are not respected across different employers, one agent recommended that they be allowed to provide PPEs as they meet the workers and employers at the point of origin.	FWRA	Private Sector	OHS, Foreign Workers	In terms of providing PPEs, the requirement to provide standardized and work appropriate PPEs and necessary PPEs are already stated in the regulations/act. As part of the OHS strategy, there are ongoing plans to supply PPEs through authorized distributors and as such, if interested one must do so after securing license.	Employee Pling
For employees who work long hours and are engaged in physically challenging work, or standing for long hours, every employee should be entitled to at least more leave than just 9 public holidays in a year. Requested if this could be increased.		Private Sector	Public Holidays	Valid point to be noted.	Employee Pling
One employee shared her experience in her company where there is 30days earned leave, 0.5 casual leave per month, paternity and maternity leaves, eligibility to claim both employer and employee PF benefits within three years, as well as gratuity payment for five years, and only employee benefits if serving less as well as staff welfare scheme and PF paid at 11%. Also expressed that there is poor awareness on the need for ISR for both employers and employees.			Employee benefits	Fundamental rights are enshrined in the constitution. Act is based on constitution, and regulations on act, and guidelines on regulations. As such ISRs are based on these. It should serve as a point of reference for basic rights and obligations.	Employee Pling
It seems that FWRA are not required to have ISRs as shared by an employee that they having worked for numerous years, they have not come across it as being mandated or required, even checked as a requirement during license renewal.	FWRA		Foreign Workers, ISR	It was explained that ISRs are compulsory if an employer employs more than 5 employees and as such low staff strength in the FWRA could be a reason why there is poor awareness. Nonetheless, the minimum conditions of the act and regulation applies.	Employee Pling
Suggested if ISR could be made mandatory for three employees and above.			Private	It was explained that regardless of having and ISR or not, the regulation and act still provides protection, employers can voluntarily choose to have an ISR based on their needs but mandate requirement compulsorality may not be feasible.	Employee Pling
An employee raised a pertinent point in terms of how there is widespread focus on physical aspects of OHS, but mental health, psychosocial well being and work stress need to be looked at and included as part of OHS regulations.			OHS, Working environment.	Clarified that OHS is a part of the Act and has provisions for all forms of workplace safety, however with current times, provisions for such would be included and considered during amendment.	Employee Pling
If medical checkup through private clinics and government clinic appointments is amended possible on the same day, then a work that should take just a day will not need to be done in two days.		Hospitality	Foreign worker	It was explained that this was discussed in previous meeting with RoICE. As in the hospitality sector, foreign workers working as food handlers have to go through checking for both food safety and as such facilities not provided by private diagnostic clinics are done through public hospitals. There are plans to expand services to ease this.	Employee Pling
While we understand that not all companies have the capacity to compete with public sectors, SoEs or the corporate sectors, if it was made mandatory according to the scale of industry to provide maternity leave then it would provide equality to all.			maternity leave	Acknowledged the concerns. Graduated, graded requirement can be considered.	Employee Pling
FWRAs depend on renewals during lean/winter months. Its not that there is no work although process from DoL has been streamlined. There are still formalities to be covered from the Immigration side which can take more than a day. If while revising rates, FWRAs could be consulted and not directly decreased which can be done if private house			Foreign Workers	Clarified that renewal processes are fairly easy and so the rates are low to attract private owners to use their service otherwise they process applications themselves. However it was acknowledged that FWRA needs would also be acknowledged alongside private house owners.	Employee Pling

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
owners complain, as there is no ceiling on how they earn profit after construction by charging high rent, while the service offered by foreign worker recruitment agents are very low as such when employers earn less, employees earn less too.					
Sought clarification on how overtime payment was calculated.			Overtime	It was explained that overtime payment is applicable at 1.5 times the hourly rate of a normal days work. The same applies for working on public holidays or rest periods.	Employee Pling
It seems that benefits, and leave obligations by employers do not apply to those employees working on muster roll or daily wages even though they have worked with the same employer for a number of years. How is it that they are not covered, should they not be protected too?	DoL		Muster roll, wage based workers	Clarified that under the Act, even if one is working on muster roll or daily wages, if one has continuously worked with an employer for a year, then the same benefits apply and they are eligible for leave and other benefits. If there is a break in the continuity of the employment relationship, then one is not eligible but an employer intentionally breaking the continuity to avoid paying benefit is a contravention of the act and regulations.	Employee Pling
Ecommerce			Ecommerce	While this is not under the purview of the LEA, with appropriate license, one can operate business.	Employee Pling
While sending Bhutanese overseas, there is an age limit, whether this is as per government rules. The partner government, overseas agents, or the counterpart agents, it does not seem feasible as young workers in the middle east are faced with challenges even though regular monitoring is conducted, these group of people are not reached. If people above 30 years could also be allowed to access this opportunity.			Overseas	RD explained that all employment opportunities should be accessed through registered employment agents only in order to be safe and have valid working opportunities. These employment opportunities are explored with the best intention to provide youth with exposure.	Employee Pling
Opening Remarks made by Chief LRD, welcoming and thanking all the participants, agenda presentation.	Lead Task Force		Legislative Impact Proposal		Govt. Agencies Thimphu
Rationale of the need for amendment, background, problem identification mainly emerging employment models, technological changes, legal ambiguities in the dzongkha and english versions of the Act, implementation challenges and so on which subsequently leads us to the objective of this assignment/assessment in the need to expand legal coverage for different forms of employment, to strengthen dispute resolution and workplace protections, aligning with international norms and standards and ensuring principles of proportionality. Social, environmental, economic and legal impacts. Inviting feedback on existing laws.	Lead Task Force		Introduction, Legislative Impact Proposal		Govt. Agencies Thimphu
NCWC clarification on whether issues on women was discussed.	NCWC	Government		Clarified that this meeting is not a presentation of findings of consultations but rather gathering feedback from the government agencies' side. It was also added that issues related to maternity and feeding was a pertinent point of discussion with the private and corporate stakeholders.	Govt. Agencies Thimphu
Gaps and Challenges					Govt. Agencies Thimphu
Explore areas to harmonize different regulations, acts and institutional supports, capacity building or awareness	DOL		Presentation on gaps and challenges		Govt. Agencies Thimphu

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
programs, issues in implementing or interpreting current act, improvement of provisions, inclusivity, safe and modern workplace.					
Gaps/Areas for further Amendment					Govt. Agencies Thimphu
Clarification was sought on how the LEA 2007 amendment would affect the national minimum wage, how enforcement would be strengthened and implementation.	DWPSD	Government	National Minimum Wage, enforcement and implementation	It was explained wage setting is done by a wage commission and is separate from the Act, as typically wage revisions should be more frequent. With the lack of human resources, inspection is lacking, risk based assessment to inform and direct scarce resources.	Govt. Agencies Thimphu
Enforcement of LEA in the institutes and applicability of the Labour and Employment Act 2007 for these institutes. Recommended that similar consultations should have the same task force members, and relevancy.	DWPSD	Government		To maintain consistency and continuity same members to be invited for consultations.	Govt. Agencies Thimphu
In the current context, the Labour and Employment Act 2007 and the Bhutan Civil Service Regulations distinction is not clear for civil servants, whether civil servants are also covered by the LEA 2007.			Jurisdiction	Applicability of the act for only private and corporate sectors, while coverage of OHS regulations as it is not covered by BCSR 2022 could be covered by OHS regulations. As such civil servants seem to be less protected by the BCSR in terms of social security. All employees not covered by the BCSR will be covered by LEA 2007. Alignment of BCSR and LEA 2007.	Govt. Agencies Thimphu
Immigration expressed that participation would require flexibility in terms of attendance of further consultation meetings. As Immigration is not up for amendment soon, the LEA 2007 should align with the provisions of the immigration act.	DoI	Mixed		Laws can be harmonized while also checking that rationale is evident and relevant. While Acts will have good rationale, regulations where inconsistency is observed can be reviewed.	Govt. Agencies Thimphu
The Ministry of Agriculture and Livestock (MoAL) recommended revisiting employment provisions to include workers below 18 years of age, particularly for part-time roles. Clarification was also sought on why foreign workers are not covered in the agriculture sector and whether Occupational Health and Safety (OHS) standards could be extended across the agricultural value chain. Given the informal nature of agriculture—largely subsistence-based—these provisions were deemed increasingly relevant in light of efforts to promote commercial farming. The issue of upper age limits and the sandbox method for piloting foreign worker inclusion was also raised.	MoAL		OHS, Minimum age and part time work.	<p>Minimum Age & Part-Time Work: Acceptable forms of child labour for individuals below 18 are permitted, depending on the category of work. These can be reviewed for part-time employment opportunities.</p> <p>OHS in Agriculture: While OHS implementation is feasible in the formal sector, the informal nature of agriculture presents higher risks. Sustainable, incremental efforts are preferred over isolated interventions due to a lack of trained safety officers and field expertise. Policy development is a prerequisite for field-level implementation.</p> <p>Foreign Workers in Agriculture: The Act does not explicitly allow or prohibit foreign workers in agriculture; it remains a departmental prerogative. Pilots are ongoing in border areas. Challenges include: Lack of formal employer-employee relationships Difficulty in monitoring and regulating foreign workers in remote regions Risk of fronting and cultural sensitivities National security and food security concerns Ceiling limits on foreign workers relative to the productive age group</p> <p>Sandbox Method: The sandbox approach is being used to cautiously pilot foreign worker inclusion in agriculture within an approved framework. Participation remains low, mostly limited to enterprising individuals. Expansion would require cross-sectoral institutional support, inter-agency coordination, and adequate regulatory</p>	Govt. Agencies Thimphu

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
				manpower. Domestic Helpers: Given government priorities, domestic helpers are currently permitted under existing provisions. The discussion highlighted the need for a comprehensive needs assessment and policy alignment before broader implementation	
For commercial farms, it would be easy to regulate but people in the lower rung people will be vulnerable and could be disenfranchised from such protections. In such cases, awareness should be provided.	MoAL	Agriculture	Informal Sector	Under the current regulations, farming is not included, but where an employment relationship is established, any rights and obligations attributed to an employee will prevail. Culture of OHS needs to be inculcated over time.	Govt. Agencies Thimphu
Legislative Drafting: Legislative Drafting Manual 2016 should be used for consistent language.	OAG		Legislative Drafting		Govt. Agencies Thimphu
Clarification was sought where there are contracts of employment and there is the contract act: there are cases where in the contract, there are clauses which specifies that refund of certain amount of money, in such cases which act prevails.	DoL/OAG		Contract	While it could also be settled at the discretion of judges but any employment relationship would be governed by the LEA 2007. Any condition that does not align with the law, the law will prevail. With the lack of clarity, enforcers would have difficulty.	Govt. Agencies Thimphu
Trade and Industry regulation only approves FDI, work permit for those foreign expertise is relevant, ration of expatriate to Bhutanese workers should be 1:5, clarification if this is a requirement of DoL, investors have the provisions of a investor card and where dependents are also allowed. Wood based industry has four categories approved for FWs, work permit validity is one year, but while medical screening is two- three times a year which is not convenient.	Department of Industry		Foreign Workers	FWD clarified that as per validity of the medical certificates. There is a lack of clarity on medical requirement, whether it is would be based on Ministry of Health or if DoI and DoL would specify need for specific tests or requirement. Rationale for medical tests in terms of concern for public health. Immigration requires test to be conducted once a year.	Govt. Agencies Thimphu
Inconsistencies in DGM standards and OHS regulations, noise pollution standards to be included.	MoENR		OHS	Environmental standards and occupational standards are separate. They have different thresholds depending on exposure proximity, intensity and duration.	Govt. Agencies Thimphu
OHS is an important aspect of MoIT, efforts to address OHS and the gaps associated with implementation. Old workers employed by contractors, if upper age limit could be included.	MoIT		OHS		Govt. Agencies Thimphu
Existing policies to be routed to Division Chiefs. Definition of vulnerable groups of people, to expand to a larger group of population.	NCWC		Vulnerable	Where Act has to be broad, Act will allow for provisions to be included where specific details to be included in the regulations.	Govt. Agencies Thimphu
Requirement of ISRs in FDI while FDI also use their company rules.	DoL		ISR	ISR needs to be endorsed.	Govt. Agencies Thimphu
Where misuse of foreign workers is classified as a felony in the Act whereas Regulations have subjected it to penalty where malice is not intended, the applicability of such provisions.	DoL/OAG		Felonies and penalties		Govt. Agencies Thimphu
DLO has a stakeholder in cases of trafficking issues.	NCWC			Emphasized the importance of working environment.	Govt. Agencies Thimphu
OHS requirement in RCSC and should be accorded protection. If RCSC does not have coverage the status quo of OHS coverage under LEA 2007 or OHS regulations should prevail during revision and amendment.			OHS	Health workers are exposed to carcinogenic chemicals/agents and radiations. RCSC could discuss within RCSC whereas if BCSR does not accord coverage to OHS, then it can be include in the Act whereby civil servants can be accorded coverage through the Act.	Govt. Agencies Thimphu

Quotes/Suggestions/Issues/Concerns	Stakeholder	Sector	Context	Clarification	Location
				Presence of asbestos in government offices, but removal issues due to no expertise. RCSC has a clause on providing a safe working environment as per existing laws and by laws. Provision of safety equipment's not available. Accountably has to be clear. Medical screening has to be conducted.	
Employers do not want to increase whereas employees want to increase. If NCWC has a minimum recommended duration for maternity leave, at some point enforcement can be detrimental where employment of women is difficult. Such provisions need to be incentivized with tax subsidies or other initiatives.	NCWC/DoL			It was explained that workers associations could facilitate such dialogue for fair labor practices whereas DoL has a mandate on minimum wage.	Govt. Agencies Thimphu
Provisions of effective creches, creche facilitator not under RCSC so funding difficult. Private creches proposal awaited. Provision of emergency and response fund which went to the PEMA. Funds mobilized by donor agencies. Where reported, support is provided through relevant agencies.	NCWC		Creche, Child Labour	Balance between child labor and pushing them into more vulnerable positions in cases of single source of income.	Govt. Agencies Thimphu
It was noted that if employee/stakeholder consultations are required when amending Internal Service Rules (ISRs), ensuring attendance and accountability can be challenging. To address this, it was recommended that requirements be clearly segregated—distinguishing between mandatory consultations and those that are advisory or sector-specific. This would help streamline the process while maintaining transparency and inclusivity.	BNB	Financial	ISR	the LEA serves as the foundational or “mother” document, providing the legal framework and reference point for the development and implementation of ISRs. Any amendments or clarifications to the ISRs require 90% endorsement by employees, ensuring that changes are participatory, transparent, and reflective of collective agreement. This process helps address internal issues and reinforces clarity in employee governance. It was emphasized that ISRs must be clearly communicated and disseminated to all employees, to promote awareness, accountability, and alignment with organizational values and legal standards.	Govt. Agencies Thimphu
	DoL			Implored discussion on PF and gratuity, contravention marked as felony it is important to look at these areas and requested to share additional feedback through email swangmo@moice.gov.bt	Govt. Agencies Thimphu