



# Social Insurance and Its Prospects in Bangladesh Under the Purview of National Social Security Strategy (NSSS) and Action Plan

A Joint collaboration between Insurance Development and Regulatory Authority (IDRA), Financial Institution Division (FID), and Ministry of Labour and Employment (MoL&E)

Technical Assistance by  
Social Security Policy Support (SSPS) Programme  
Cabinet Division and General Economics Division  
Government of Bangladesh



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Resilient nations.*

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# National Social Security Strategy (NSSS)



## Constitutional obligation

It shall be a fundamental responsibility of the State to attain, through planned economic growth, a constant increase of productive forces and a steady improvement in the material and cultural standard of living of the people, with a view to security to its citizens:

15 (d) The right to social security, that is to say to public assistance in cases of undeserved want arising from employment, illness or disablement, or suffered by widows or orphans or in old age, or in other such cases.

## Medium - term Goals (2015-16 to – 2020-21)

Reform the national Social Security System by ensuring more efficient and effective use of resources, strengthened delivery systems and progress towards a more inclusive form of Social Security that effectively tackles lifecycle risks, prioritising the poorest and most vulnerable members of society.

## Long term vision

Build an inclusive Social Security System for all deserving citizens, particularly the poor and vulnerable that effectively tackles hunger and prevents poverty and inequality and contributes to broader human development, employment and economic growth.

## Political Commitment from Honourable Prime Minister Sheikh Hasina

With a strong political commitment of Bangladesh to become a welfare state, I firmly believe that this National Social Security Strategy can do what it has set to achieve.

# Bangladesh Progresses over a Decade



## Demographic progress

- Reduced maternal, infant and child mortality; fertility; population growth rate (well above MIC countries)
- Increased life expectancy at birth (well above MIC Countries), resulted in increasing old age population.
- Increased working age population 15 – 59

## Socioeconomic progress

- Per capita annual income level has crossed the US\$ 1,751 mark.
- Maintain stable GDP growth well above 6%
- The size of economy expanded from US\$ 173 billion in 2014 to over 315 billion in 2018.
- Gender parity in primary and secondary education
- Universal child immunization and sanitation (well placed to developed countries)
- Declaration of 'Universal Pension for All'.
- Currently more than 28% and about 40.0 million people are receiving social security benefits.
- Reduced poverty and hardcore poverty: 40% to 21.8%, and 25.1% to 11.3%
- Increased women participation in labour, industry, agriculture, remittance, service sector, power structure, administration, defense, law and order, legislative body.

## Social Security

- Reduced schemes and programme from 150 to 112
- Reduced donor dependency and increased Government investment - more than 90% of the total social security budget
- Proportion of GDP increased from 2.1 in 2014 to 2.6 percent in 2018-19 percent, and 34.5% rural families and around 4 crore people are under social benefits.
- Monetary allocation - increased from 30,636 thousand crore BDT to 64,177 thousand crore BDT, accounted close to 14% of ADP.

# Financial Inclusion for all and Bangladesh's graduation from LDC



- Poor are poor, because they cannot access the financial services, which is available for others.
- Global declaration is 'Financial inclusion for All by 2021'.
- Financial inclusion is defined as access to the full range of financial services at an affordable rate for everyone, with minimum risk through a competitive financial marketplace
- Bangladesh drafted financial inclusion strategy emphasizes increase access and use of sustainable financial services by the poor and social insurance is integral part.
- Wealth, employment and inclusive growth will be created when individuals and enterprises access affordable financial services that meet their socio-economic needs.
- The initial point of entry to financial access for
  - many low-income households is the receipt of wages,
  - benefits or remittances as an electronic payment credited to a card (which may or may not be linked to a bank account),
  - mobile wallet or any other form of e-money account, or to a regular bank account.
- This has proved to be an effective weapon to eliminate poverty and secure the sustainable development goals (SDGs) while the country advances towards vision 2021 — lifting millions of Bangladeshis out of poverty

## Social Protection

- is concerned with preventing, managing, and overcoming situations that adversely affect people's well-being.
- consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to manage economic and social risks, such as unemployment, exclusion, sickness, disability and old age.

## Social insurance

- helps preventing individuals from falling to the depths of poverty and misery and to help them in times of emergencies.
- Insurance involves the setting aside of sums of money in order to provide compensation against loss, resulting from particular emergencies.
- It ensures the maintenance of a minimum standard of living to the beneficiaries during the period of partial or total loss of income.

# Social Insurance under the Components of Social Protection Systems

e.g. Fire, Survivor, and Weather insurance

## Social Protection

### Labour policy and insurance

e.g. financial inclusion, NSSS, Gender, contributory pensions, unemployment benefits, health insurance, minimum wage

### Social sector policy

Services and infrastructure for education, health, nutrition, HIV/AIDS, agriculture, etc.

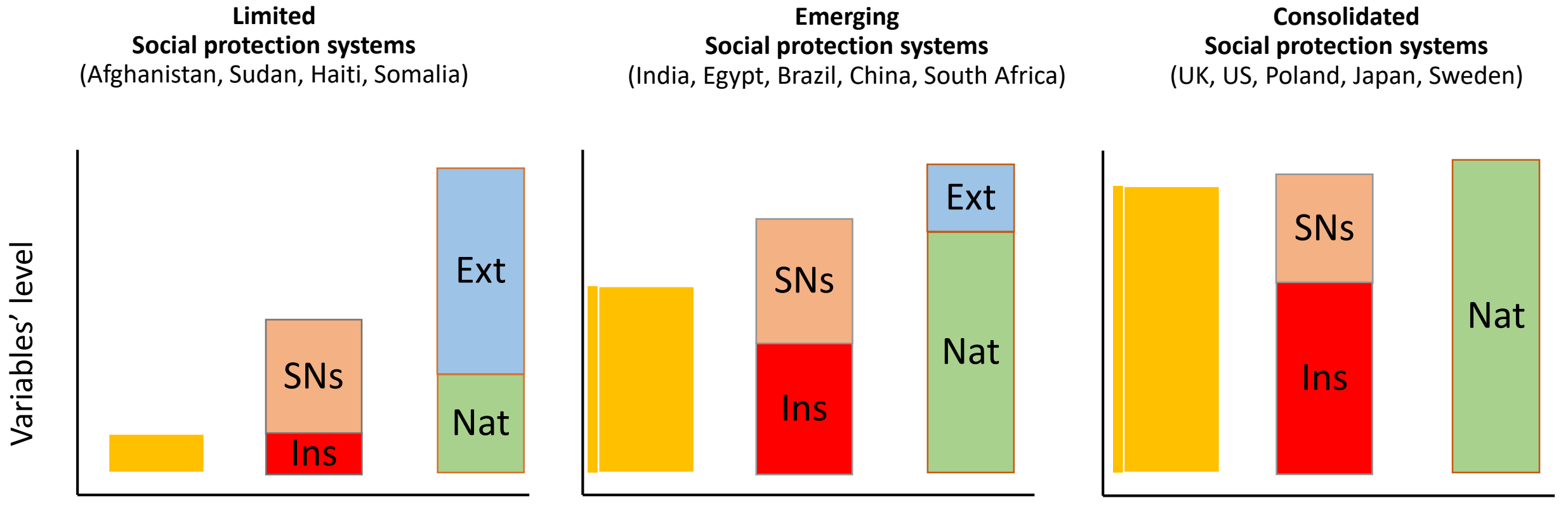
### Social safety nets

Transfer (non contributory) and subsidies

- Cash transfers
- Conditional cash transfers
- Food transfers
- Conditional food transfers (e.g. school feeding)
- Public/community works
- Vouchers
- Price subsidies
- Others

e.g. Health clinics, classrooms


# Typology of Social Protection Systems and Bangladesh's Position




**Capacities**  
(financial, admin, institutional, technical)

**Composition**  
(Safety net transfers or insurance)

**Funding**  
(external or national)

Australian AID 

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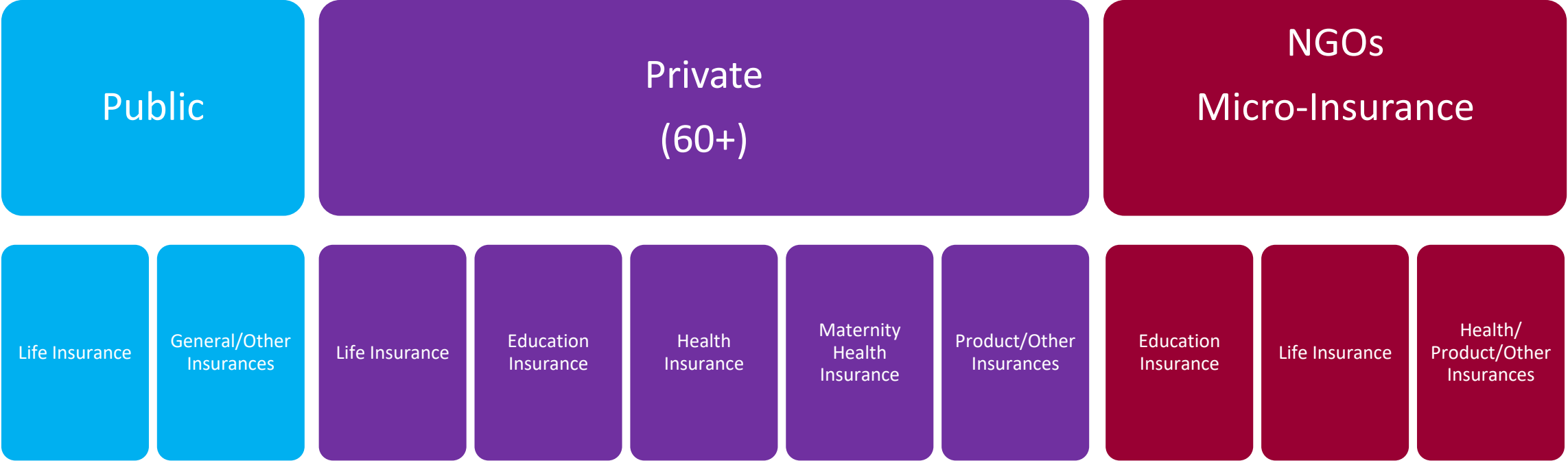
# Social Insurance Portfolio



- ✓ **Old Age, Disability and Survivor's insurance:** Under Social Welfare Assistance, limited public assistance is provided to destitute persons incapable of work and to persons aged 65 or older or disabled. It also link to life insurance.
- ✓ **Unemployment** - Unemployment insurance is compensation provided to workers who lose their jobs.
- ✓ **Work Injury:** Financial supports for any work related injury.
- ✓ **Sickness and Maternity Benefits:** monetary benefits from social insurance in case of illness and maternity
- ✓ **Family Allowance Benefits:** A grant to an employee made typically by a government or an employer in addition to regular salary and graded according to occupation and the number of dependent children.
- ✓ **Health insurance** - Covers the whole or a part of the risk of a person incurring medical expenses by estimating the overall risk of health care and health system expenses over the risk pool, based on a monthly premium or payroll tax.
- ✓ **Education insurance** - Financial commitment typically lasts 18 to 23 years. This means that it would need to financially keep up with payments over an extensive time frame.
- ✓ **Microinsurance** - Protection of low-income people (those living on between approximately \$1 and below \$4) typically consists of persons ignored by mainstream commercial and social insurance schemes, as well as persons who have not previously had access to appropriate insurance products.
- ✓ **Product liability insurance** - Help to protect business, i.e. protects against claims of personal injury or property damage caused by products sold or supplied through business.
- ✓ **Environmental insurance** - Also known as pollution insurance or pollution coverage is a type of business insurance product that is designed to respond to claims for loss or damage resulting from unexpected releases of pollutants.
- ✓ **Weather index-based insurance** - An attractive approach to managing weather and climate risk, uses a weather index, such as rainfall, to determine payouts.



## Insurance Actors in Formal Sector



# Extended Forms of Social Protection Programmes in Bangladesh



## Social Protection

**Formal Sector**  
(Financial inclusion)

Bank account,  
G2P, e-transfer,  
Agent Bank

**Informal Sector**

**Private / Corporate /  
Financial Institutions /  
NGOs**

**Public**

ISR

Individual  
Zakat

Hawla /  
Mohajan

**Externally  
Funded (Donors,  
Revenues)**

**Domestically  
Funded (Fiscal  
Revenue)**

CSR to SS  
Programme

NGOs / FIs Social  
Security  
Programmes

Budget  
Support

Policy  
Support

National Social Security Schemes  
/ Programmes by Govt. Agencies  
Life Cycle Focus including  
disability and shocks

Social  
Insurance

Micro-  
insurance

Pilot

Social  
Insurance

PM's Relief Fund  
(Shocks)



# Social Insurance in NSSS



- NSSS defines Social Insurance - contributory benefits that provide transfers on the basis of contribution, and benefits often include old age, disability and survivors' pensions, unemployment insurance and maternity insurance.
- The NSSS broadens the scope of Social Security from safety net concept to include employment policies and social insurance to address the emerging needs of a middle income Bangladesh in 2021 and ahead.
- Presently, the employment market is dominated by informal employment. Bangladesh is on process of LDC graduation and will become MIC by 2021.
- As the economy grows and the share of modern manufacturing and organized services in both GDP and employment expands, the requirements demand from the Social Security System will change dramatically.
- Therefore need to broaden from the concept of a safety net to a more inclusive concept of Social Security that is aligned to the life cycle and incorporates formal employment policies as well as social insurance schemes.

## Missing Programmes for Working Age Group

- In the formal sector, two missing areas of Social Security for working age group are:
  - Absence of unemployment insurance programme and the injured workers insurance.
- As Bangladesh continues to develop the manufacturing and organized services based income and employment opportunities, however, the lack of any social insurance is even more pronounced for the informal sector, which accounts for 87.5 percent of all employment.

# NSSS Action Plan and Scope of Social Insurance

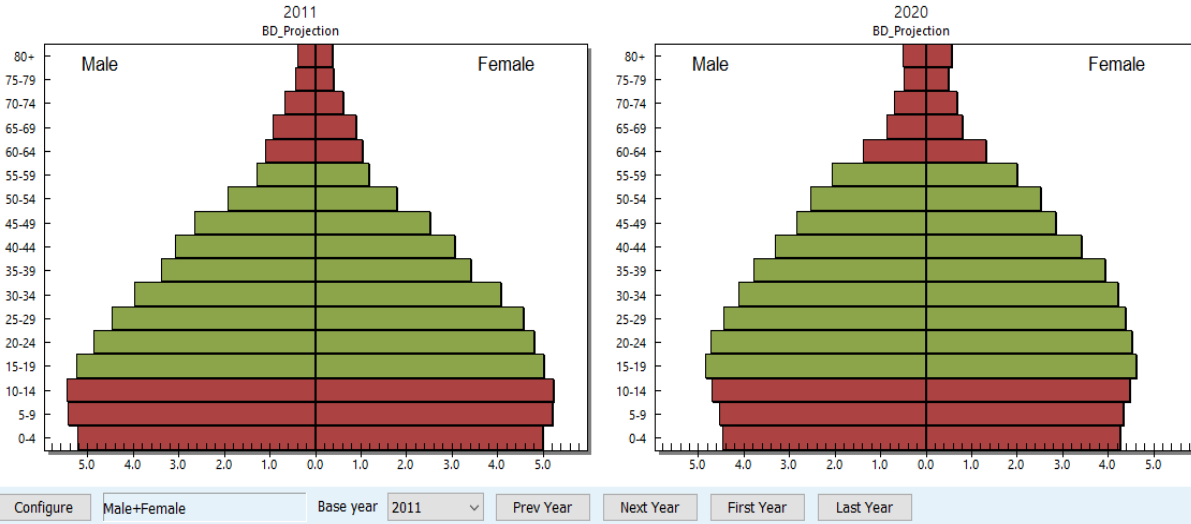


Objective	Activities	Performance Indicators	Time Frame	Shared Responsibilities
Unemployment insurance scheme is to be initiated	Conduct study on possible options of unemployment insurances	Study report submitted to the FID and Cabinet Division	December 2017	Financial Institutions Division
	Introduce unemployment insurance on pilot basis	Unemployment insurance introduced in selected organisations	July 2018	
	Expand unemployment insurance nationwide	Rolled out nationally	July 2019	
Introduce National Social Insurance Scheme (NSIS)	<b>Conduct study on NSIS</b>	<b>Study report submitted to Cabinet Division</b>	<b>June 2018</b>	Finance Division
	Introduce NSIS on pilot basis	Pilot programmes initiated	January 2019	
	Formulate NSIS law	The law approved in the parliament	January 2020	
	Roll out NSIS nationwide	NSIS rolled out	January 2021	

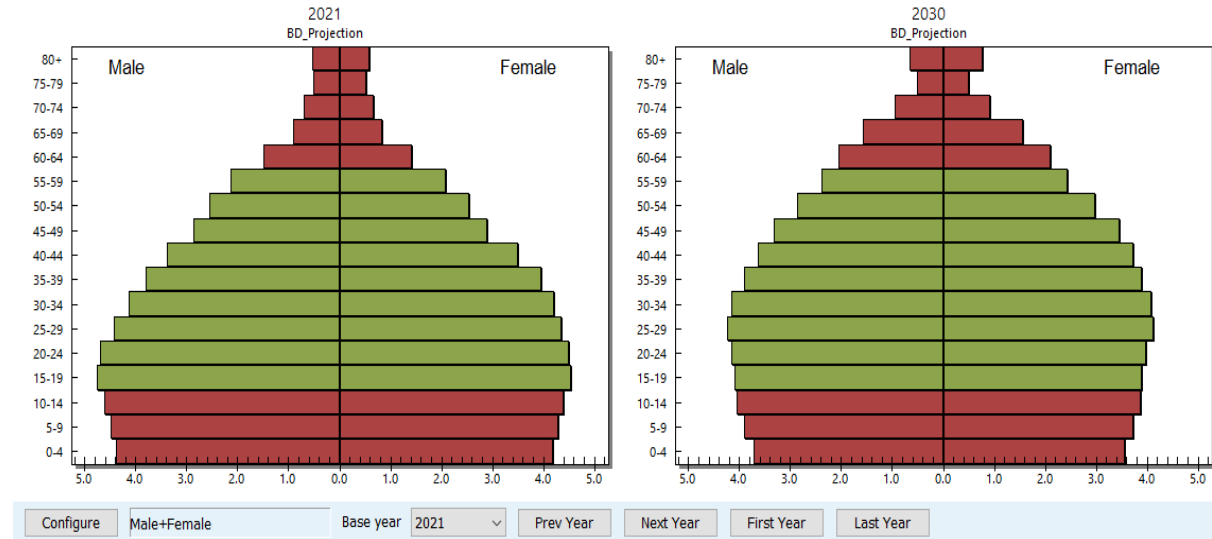
# Social Insurance Prospect in Bangladesh



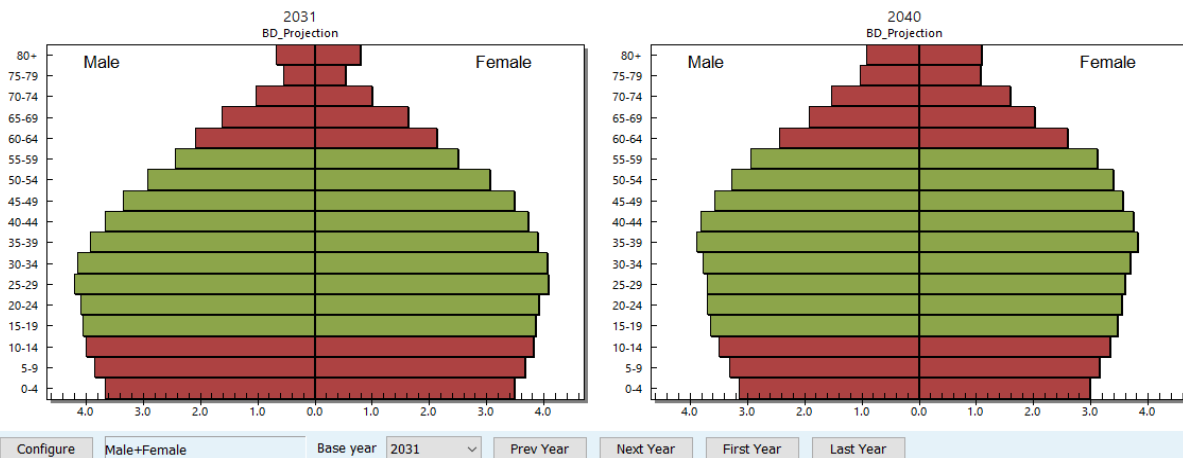
Population by age and sex (Percent)



Population by age and sex (Percent)



Population by age and sex (Percent)



## Win Win Business (Public – Private) on the basis of current trend % of,

- Under 14 population – 46.32 million (27.8%)
- **15-59 working age population – 107.82 million (64.8%)**
- **60 and plus population – 12.38 million (7.4%)**
- **Median age population – 27 years**
- **100 EPZ, more formal employment targeted**
- **More remittances through skilled migrants**
- **NSSS gender policy, strategy & Action Plan empower more**
- **Bangladesh economy targets close to G-20 before 2030**
- **Impact on five most important variables: output, employment, employees compensation, value added, and tax-revenues**

# Priority Challenges for the Medium-Term – Social Insurance



- As a country develops, the coverage of social insurance schemes often increases.
- The majority of old age pensions are financed from contributions. Old age people have no access to any form of income security, and small benefits transfer per month is too small to provide the level of income security that the elderly citizens require.
- Benefits often include old age, disability and survivors' pensions, unemployment insurance and maternity insurance.
- The main challenge in extending social insurance schemes is that only a small proportion of the population is in formal sector employment.
- Social insurance mechanisms function best when payments into schemes are mandatory.
- A flexible labour market is a necessary component of a successful economy as it enables labour to move from business sectors that are failing to those that are emerging or growing. However, a flexible labour market is only possible if an effective system is in place to support those who may lose their jobs.
- Help women in employment by providing them with a maternity benefit and to enable them to take leave from work following the birth of a child.

A three-tiered pension system is proposed in NSSS:

- **Tier 1:** a public expenditure-financed benefit that provides senior people that belong to the poor and vulnerable group with a minimum income guarantee (UN Social Protection Floor concept recognizes).
- **Tier 2:** a contributory pension scheme for the formal sector workers to be explored.
- **Tier 3:** voluntary pension schemes – managed by the private sector (often employment-based schemes) – into which people can opt if they desire an additional income in old age.

# Financing and Recommended Actions



## Financing

- The full financing of the NSSS is based on cost sharing arrangements between the government and the private sector. The Public Expenditure Financed component is only one part of the NSSS financing; the other part is financed by the private sector based on social insurance and employment based regulations.

## Recommended Actions

- Explore possibilities to establish a National Social Insurance Scheme (NSIS), to be managed under the Insurance Development & Regulatory Authority (IDRA) under the provision of the Insurance Act-2010, based on the principle of employers and employees jointly paying contribution.
- The NSIS would provide pensions as well as address other contingencies (such as disability, sickness, unemployment, maternity and accident).
- Initially, the NSIS would be aimed at those in the formal sector from whom contributions can be collected relatively easily on a mandatory basis but will gradually be extended to the informal sector.
- FID as the lead agency of this– as part of the NSIS – will develop a system of unemployment insurance for workers in the organized private sector. This insurance will be fully financed by employers and employees. Once consolidated, the scope will also be broadened to include insurance coverage for accidents and sickness while efforts to extend it to the informal sector will move forward.
- The Government will integrate a mechanism for providing all new mothers with maternity insurance within a new National Social Insurance Scheme (NSIS).
- As part of good practice, all members – male and female – will be obligated to pay the maternity insurance contribution since, if the burden for payment is placed on only women, this would increase the costs of female labour and discourage employers from contracting women.
- Payments will be shared by employees and employers.



# GoB Next Step: The National Social Insurance Scheme (NSIS)



In consultations with private business enterprises, FID will recommend to the CMC of National Social Security Programmes to agree on the specific design of the NSIS:

- FID will consider the NSSS covers social allowances, with special emphasis to integrate the poorest and the most vulnerable members of society. However, with transition to Middle Income Country status there is a need to pay attention also to contributory social insurance.
- Gradually extended coverage would, over time, contribute to universal pension coverage in combination with Old Age Allowance.
- Will also promote the growth of private and employment-based pensions as the third voluntary tier, i.e. explore possibilities and design - employers and employees jointly contributions into a national social insurance fund.
- Addresses disability, sickness, workplace accidents/injury, unemployment and maternity.
- Will initially benefit urban residents, location of the formal economic activities, and later on replicate in rural areas.
- Would be a core component of the Government's long-term vision for Social Security in Bangladesh and play a major role in enabling Bangladesh deal with the challenge of ageing.
- Will review experiences of countries like Brazil and Mexico to determine how the scope of social insurance schemes can be expanded for the rural population.
- Combined with a range of privately financed social insurance and employment based support programmes, the Social Security Schemes will be a much more effective response to the Social Security needs of Bangladesh in the 21st century.

# Thank You

## Discussions on Questions and Answers