

Towards an Unemployment Insurance Scheme in Bangladesh with Roadmap

Towards an Unemployment Insurance Scheme in Bangladesh: A Draft Roadmap

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The ILO's social security standards related to unemployment protection



C.102: Social security (minimum standards) Convention, 1952
(Part IV – Unemployment Benefit)

C.168: Employment promotion and rotection against
unemployment Convention, 1988

R.176: Employment promotion and rotection against
unemployment Recommendation, 1988

R.202: Social Protection Floors Recommendation, 2012

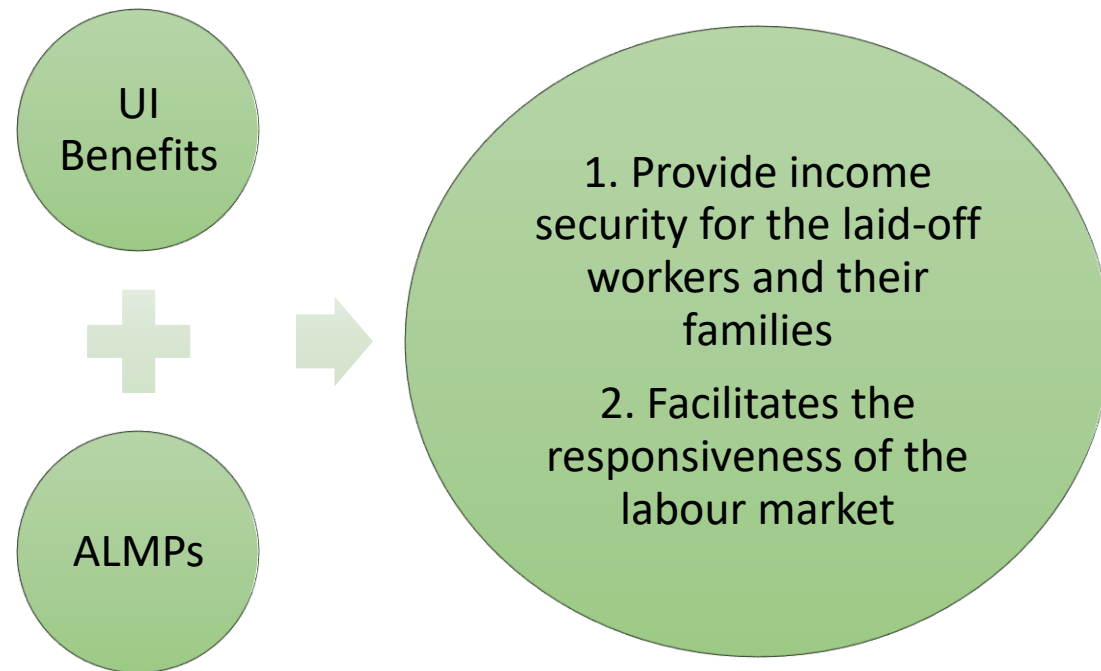
Major ideas around which the Convention No. 168 was built (1988)

- ❑ Under discussion since 1972
- ❑ **Economic growth :**
 - ✓ best cure against unemployment with a flexible response to change;
 - ✓ **lead** to creation and promotion of all forms of **productive and freely chosen employment** including small undertakings, cooperatives, self-employment and local initiatives for employment;
- ❑ **Social security** = a means to **promote employment** and **increase capability & employability** (concept recalled by the SPF Recommendation)
- ❑ Need for active **coordination, integration and consolidation** of the **different means** (employment assistance and economic support) serving the goal of employment promotion
- ❑ By establishing a **“system of protection against unemployment”**.

Objective of an unemployment protection system

Maintaining the unemployed and their family in *healthy and reasonable living conditions* (C.168, art.16)

Promoting active labour market policies for *full, productive and fully chosen employment* (C.168, art.2&7)



Contingency covered

Convention No. 102

(Art. 20)

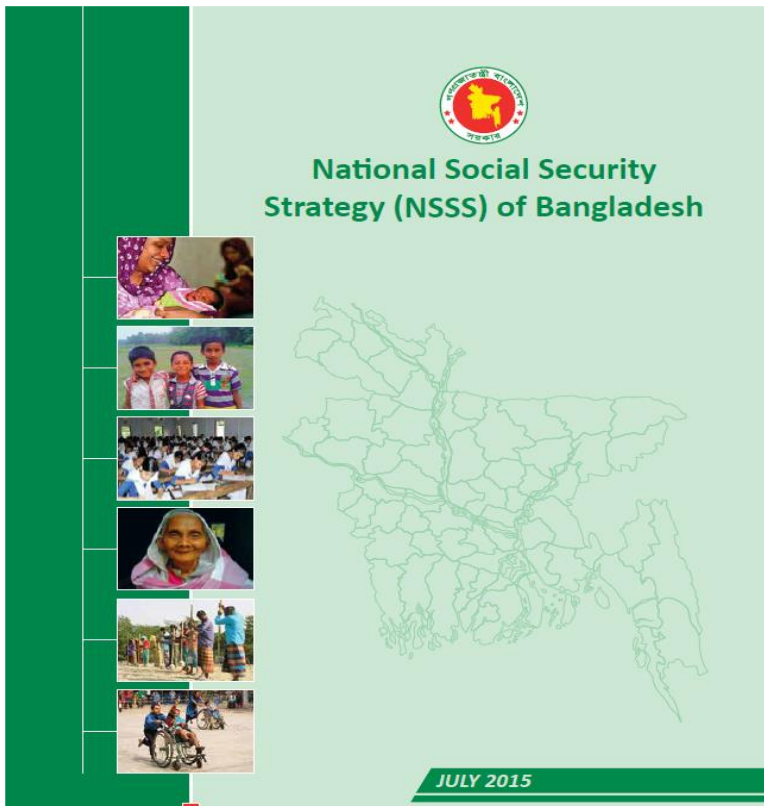
Suspension of earnings due to inability to obtain **suitable employment** in the case of a person protected who is **capable of, and available for, work**

Convention No. 168

(Art. 10)

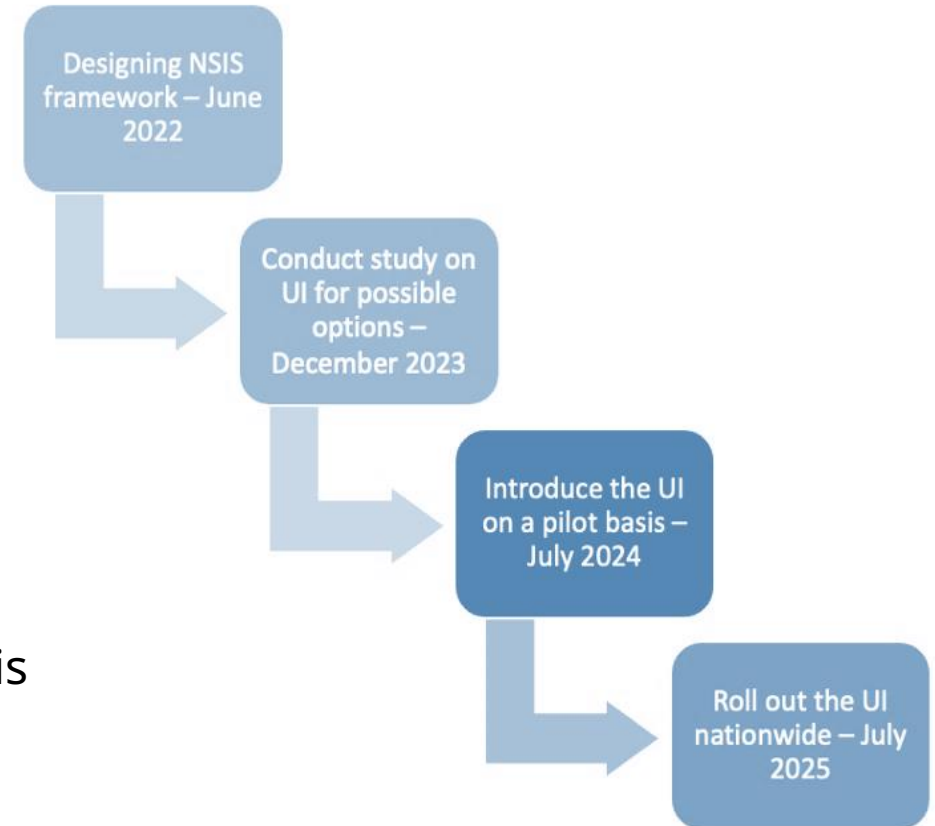
Full unemployment (loss of earnings due to inability to obtain suitable employment) in the case of a person capable of working, available for work and actually seeking work

-Partial unemployment (defined as a temporary reduction in the normal or statutory hours of work)- with or without any break in the employment relationship;
Part-time workers who are actually seeking full-time work



The National Social Security Strategy (NSSS) is a bold initiative of the Government of Bangladesh.

The NSSS recommended introduction of unemployment insurance (UI) scheme for the **working-age population**



The **NSSS Action Plan Phase II (2021–2026)** has prioritized the execution of UI.

The **Ministry of Labour and Employment** is working proactively to achieve the target.

Why is this roadmap for?

- To assess current situations and essential requirements for establishing an unemployment insurance scheme.
- **Specific actions that need to be undertaken** within a pre-defined timeline.



Preliminary feasibility assessment

- ILO conducted this in 2022.
- Underscored essential **prerequisites for designing and implementing** unemployment insurance in Bangladesh.

Technical note

Towards an Unemployment Insurance Scheme in Bangladesh: A Preliminary Feasibility Assessment

This technical note was conducted by Mohammad A. Razzaque, Ph D. who is an economist, Chairman, Research and Policy Integration for Development (RAPID) and a director at Policy Research Institute of Bangladesh (PRI). This technical note has immensely benefitted from the comments and inputs received from, Celine Pyron Bista, Dallakoti Gunjan, Luisa Fernando Carmona Llano, Mariko Ouchi, and Maya Stern Plaza, and Farjana Reza. Any limitations and/or views expressed in this paper are author's own.

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1. Coverage of the UI scheme

- **85% of the workforce** of Bangladesh are in the informal sector
- The NSSS recommends initiating UI with **the formal sector (RMG)**, progressively expanding to the informal sector.

2. Contributory mechanisms and eligibility

- Based on **social insurance principles** of solidarity and risk-sharing (contributed by employer and worker),
- The government will furnish institutional and administrative support in overseeing the scheme,
- The contribution amount and qualifying criteria will be set while **designing the scheme in 2024.**



- The benefit design of UI includes determining the **benefit amount, its duration, the waiting period, and the payment method**. These will be set while designing the scheme in 2024.

3. Benefits design

- **ILO standards, international best practices and findings of the actuarial analysis** shall be taken into consideration while designing.

- The NSSS formulation of an efficient legal framework for NSIS.
- Collaboration of the **Ministry of Labour and Employment and the Ministry of Law** for legislative analysis by 2024 and for designing the Act to be considered in the National Parliament.

4. Legal basis




5. Fund management

- It should lay out clear **protocols for the collection, allocation, and disbursement of contributions** as well as the investment strategy of the fund.
- Thorough **fiscal analysis of the Central Fund and the Bangladesh Labour Welfare Fund (BLWF)** will be carried out in 2024.

6. Active labour market policies (ALMPs)

- **8th Five-Year Plan of Bangladesh (2020-25)** and the proposed national jobs strategy have introduced the concept of ALMPs
- **An analysis of the current state of ALMPs** and recommendations for their enhancement **will be undertaken in 2024.**



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- The MoLE will undertake an **assessment of the database needed for an effective UI scheme (in 2024)** and will try to generate essential data for the participating sectors in 2025.

7. Employment
database for a
UI scheme

- The MoLE will spearhead **a comprehensive institutional assessment in 2024.**
- The insights from **the institutional assessment will directly contribute to the design and functionality of UIS framework in 2025.**

8. Institutional
and operational
framework

9. Social dialogue

- Social dialogue involving **employers, workers, and government stakeholders** is vital for the UI.
- **The Ministry of Labour and Employment (MoLE), with support from the International Labour Organization (ILO),** will facilitate this tripartite-plus interaction.

10. Capacity building of stakeholders

- The proficiency and expertise of all stakeholders involved in its administration is essential.
- **Awareness-building interventions** play a pivotal role.





Status 2023

- Pre-feasibility studies completed in 2022 in line with C-168
- Capacity building of tripartite partners in 2022-23
- South-south collaboration on UI with Indonesian BPJS in 2023
- Roadmap for designing and implementing UIS in 2023

Plan 2024

- Social dialogue (continued)
- Institutional assessment for UIS – for compensation & ALMPs
- Actuarial study
- Fiscal analysis of CF and BLWF
- Analysis of employment database required for an UI scheme
- Legislative analysis and amendments

Plan 2025

- Social dialogue (continued)
- Design UIS Framework
- Selection of economic sector(s)
- Dialogue on UIS Framework
- Employment database for the eligible sectors/firms
- Capacity development of selected institution(s)

Plan 2026

- Continued social dialogue on UIS Framework
- Endorsement of UIS Framework
- Governance Board for UIS
- Rules and Procedures for UIS
- Legislative amendments (if any)
- Roll out of UIS scheme





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(২০০৬ সনের ৪২ নং আইন)



Thank you.