

## Technical note

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

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## I. Introduction

The provision of unemployment protection measures is an integral part of the human right to social security and right to work. Providing income security and employment promotion measures (e.g., temporary income support, skill development training, job searching and matching services, etc.) in the event of job loss can safeguard the workers against falling into poverty and sudden deprivation as well as promote the formalisation of workers. In Bangladesh, such protection measures are virtually absent within the social security landscape. However, the National Social Security Strategy (NSSS), adopted in 2015, duly recognised this gap and recommended exploring possibilities for establishing a National Social Insurance Scheme (NSIS), including the unemployment insurance (UI) scheme for the working age people.<sup>12</sup> The expansion of manufacturing and services-based income and employment opportunities being affected by uncertain economic circumstances and mismatch in the demand and supply of skills in the face of technological advancement along with the higher likelihood of labour market turnover underscore the importance of UI, as well as other supportive measures to protect against the loss of jobs and earnings, to be in place. Furthermore, massive job loss and economic slowdown caused by COVID-19 exposed a major faultline in the prevailing social security system that failed to provide adequate support to the people who became suddenly unemployed. In this backdrop, the formulation and implementation of an appropriate UI scheme has received a renewed policy attention.

As outlined in the NSSS Action Plan (2016–2021), which was devised to implement the NSSS recommendations, a UI scheme would be set up under a National Social Insurance Scheme. The scheme would be regulated under the Insurance Act 2010 and would be governed by the Department of Finance, the Ministry of Finance. The Ministry of Labour and Employment (MoLE) was given the responsibility to conduct a study on the possible options for a UI scheme by 2017, following which a suitable UI scheme to be piloted by July 2018. The Action Plan envisaged a nationwide rolling out of the NSIS by 2019 (Cabinet Division & GED, 2019). However, as revealed by the Midterm Progress Review of the NSSS, the formulation of the NSIS remained at an embryonic stage. In 2019, the Cabinet Division and the General Economic Division of the Planning Commission jointly commissioned a study to explore a potential framework with options for introducing the NSIS including a component of

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<sup>1</sup> In an attempt to move away from the ad hoc social safety net schemes, the NSSS proposed a lifecycle approach to social security system that would introduce programmes throughout the lifecycle to cover risks at different stages in life (e.g., programmes for children, working-age people—including specific programmes for the youth and vulnerable women, the elderly and the persons with disabilities).

<sup>2</sup> As per the NSSS (2015), UI is defined as a source of income for workers who have lost their jobs through no fault of their own. Workers who quit or are fired are generally not eligible for UI. Workers who are self-employed are also not eligible to receive UI and must provide their own rainy-day funds to cover times when no work is available.

unemployment insurance.<sup>3</sup> However, the modalities proposed in the study are not aligned with the international Social Security Standards<sup>4</sup>. Amongst various shortcomings, the framework only focuses on the (temporary or partial) income support for unemployed workers without considering the provisions of public employment services and active labour market policies (ALMPs) so that workers can return to decent and suitable employment quickly.<sup>5</sup> In any case, introducing a UI is an extremely complex task for a country like Bangladesh with a vast labour market dominated by informal employment. Guiding principles for moving ahead from currently a nascent social protection system should be given a much careful thought.

Against this backdrop, this paper aims to make a preliminary feasibility assessment of the necessary preconditions including the ILO social security standards and international best practices along with the legal framework and institutional capacity to initiate a workable UI scheme in Bangladesh. It specially emphasises on the complementary measures for a UI scheme like the provision of public employment services and ALMPs in Bangladesh. Depicting the current situations, it also suggests some pragmatic way forward options to address the gaps identified in this preliminary feasibility assessment. After this introduction, Section II of this paper highlights the relevant ILO conventions and recommendations pertaining to the UI scheme; Section III provides a cross-country comparative assessment on various parameters of UI scheme; Section IV presents a preliminary feasibility assessment of necessary preconditions to introduce the UI scheme; and finally, Section V includes some way forward suggestions.

## **II. Unemployment protection: major characteristics as per international standards**

The major ILO Social Security Standards regarding unemployment protection measures, including unemployment insurance (UI) are the Social Security (Minimum Standards) Convention, 1952 (No. 102)<sup>6</sup>, the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168), the Employment Promotion and Protection against Unemployment Recommendation, 1988 (No. 176), and, more recently, the Social Protection Floors Recommendation, 2012 (No. 202). Following the economic crisis in 2009, the importance and need for unemployment protection has increasingly been discussed (Carter et al. 2013). The ILO Convention No. 168 and its accompanying Recommendation No. 176 provides further guidelines and modalities to set up unemployment protection schemes in relation with the employment promotion policies and programmes. Recommendation No. 202 sheds light on the need for income security in case of persons in active age who are unable to earn sufficient income, including in the case of unemployment, as an integral component of the overall social protection systems and concretely, calls for the establishment of social protection floors that comprise

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<sup>3</sup> Cabinet Division and GED (2019). “Study on Framework for Introduction of National Social Insurance Scheme in Bangladesh”.

<sup>4</sup> Notably the Social Security (Minimum Standards) Convention, 1952 (No. 102), the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) and its accompanying Employment Promotion and Protection against Unemployment Recommendation, 1988 (No. 176) and Social Protection Floors Recommendation, 2012 (No. 202)

<sup>5</sup> A detail discussion on public employment services and ALMPs is provided in Section 4 of this study.

<sup>6</sup> The part IV of Convention No. 102 sheds light on the unemployment benefit including the UI.

basic income security, at least at a nationally defined minimum level, for ensuring that the level of income is sufficient to prevent poverty, vulnerability and social exclusion (Paragraph 8(b)).

Unemployment protection schemes provide temporary and/partial income security to workers who experience a suspension or loss of earnings due to their inability to obtain suitable employment. Unemployment protection has two-fold objectives: firstly, preventing the workers from falling into poverty and vulnerability; and secondly, supporting workers to return to decent and gainful jobs (Carter et al., 2013; ILO, 2014, 2021; Bista & Carter, 2017). Achieving these objectives can help realise the SDG 1.3 ‘implement the nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable’ (ILO, 2016, 2021; ).<sup>7</sup> Unemployment protection was first introduced in Denmark in 1907 (Berg & Salerno, 2008). Since then, 96 countries or territories have unemployment protection schemes in place according to the latest World Social Protection Report 2020-22 (ILO, 2021a). Unemployment protection, mainly providing through unemployment insurance (UI) schemes, its objectives and the relevance of the ILO conventions are presented in Table 1.

**Table 1: Unemployment protection objectives with reference to ILO standards**

UI objectives	Relevant ILO conventions	Potential outcomes
Provide income support to protected persons who have experienced a suspension of earnings and are capable of, and available for, work.	Convention No. 102 Article 20  Convention No. 168, Article 10	Provide income security to unemployed persons and their families
Contribute to the <b>promotion of full, productive, and freely chosen employment</b>	Convention No. 168 Articles 2 and 7	Promotion of productive employment and formalization Facilitate the responsiveness of the labour market

Source: ILO.

Among the various options for setting up unemployment protection schemes, unemployment insurance based on social insurance mechanisms remains the most common, with 85 countries or territories out of 96. However, initiating an UI scheme can take several years as it requires social partners to reach a tripartite consensus (i.e., the government, employers, and workers representatives) to effectively uphold the social dialogue and agree upon setting the key parameters for the scheme design (i.e., contribution rates, payment mechanism, fund management, benefit level and duration etc.), qualifying criteria, suspension of benefits, etc. (Carter et al., 2013; Bista & Carter, 2017).

As per the ILO social security standards, the provision of contributory unemployment benefits should be based on social insurance principles with periodical and predictable payments and subject to the person being capable of, and available for, work and actively seeking employment. In most cases, the social insurance model is optimal mainly because of two reasons: firstly, it is better suited to protect

<sup>7</sup> The indicator for the SDG target 1.3 is ‘proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims, and the poor and the vulnerable’. See <https://unstats.un.org/sdgs/metadata/?Text=&Goal=1&Target=1.3> for details.

workers' rights; secondly, it allows pooling risks and costs of unemployment protection through collective financing mechanism. Nonetheless, comparative practice shows that in a minority of cases, social insurance mechanism can coexist with individual savings accounts, when severance payments are organized through individual savings accounts, or are provided with on a voluntary basis, mainly for the self-employed workers, and financed by workers and employers' contributions and the state (ILO, 2021a). Most social insurance schemes occasionally receive subsidies from the government, which can serve to support the extension of coverage specially in periods of crisis (ILO, 2021a). It is to be noted that insurance based on individual savings accounts does not meet the principle of solidarity and collective financing. This can be attributed to its lack of key design element of risk pooling, and thus provide only limited protection for those who have difficulty in building up sufficient savings (ILO, 2021a).

Coverage of social protection, in general, and unemployment protection schemes, in particular, is generally envisaged around the principle of progressive realization. As such, ILO Standards aim to progressively extend the scope of persons protected to as many people as possible. Different ILO Standards set out different benchmarks for the unemployment protection coverage (Table 2). Article 21 of Convention No. 102 states that unemployment protection schemes shall cover at least 50 per cent of all employees while Article 11 of Convention No. 168 states that 85 per cent of prescribed classes of employees, including public employees<sup>8</sup> and apprentices shall be covered by unemployment protection schemes. Furthermore, Article 6 of the same convention states that countries should provide equal and non-discriminatory treatment to all protected persons including migrant workers. Finally, paragraph 16 of the Recommendation No. 176 outlines that Members should endeavour to extend unemployment benefit coverage progressively to cover all the employees, endeavour reiterated by the ILO Recommendation No. 202

**Table 2: Unemployment protection coverage benchmarks as per ILO standards**

Convention/ Recommendation no.	Article/ para no.	Coverage
C102	21	<ul style="list-style-type: none"> <li>At least 50% of all employees</li> <li>All residents of small means under prescribed threshold.</li> </ul>
C168	11	<ul style="list-style-type: none"> <li>85% of all employees including public employees and apprentices</li> <li>All residents with means under prescribed threshold</li> <li>Coverage should be extended to persons seeking work who have never been, or have ceased to be, recognized as unemployed or covered by unemployment protection schemes</li> <li>Possible exclusion: public employees whose employment up to normal retiring age is guaranteed by national law or regulations</li> </ul>
R176	Para 16	Endeavour to extend progressively the application of their legislation concerning unemployment benefit to cover all employees
<b>R202</b>	Para. 6	At least all residents of active age, subject to the country's existing international obligations

According to ILO conventions, there are two different types of unemployment protection schemes that provide income support in case of unemployment: contributions-related schemes and tax-funded schemes for residents whose means do not exceed a certain level during the period of unemployment. Under contribution-related schemes, the ILO Conventions stipulate that unemployment benefits

<sup>8</sup> Notwithstanding, Article 11(2) of Convention No. 168 permits the exclusion of public employees whose employment up to normal retiring age is guaranteed by national laws or regulations.

should be a periodical payment, that must attain at least 45 per cent of the reference wage in the Convention No.102 and at least 50 per cent as per Convention No. 168. Under the non-contributory tax-funded schemes, Article 67 of Convention No.102 stipulates that the benefit shall also be a periodical payment, which together with any other means (and after any deductions determined by the competent public authority) shall be sufficient to maintain the family of the beneficiary in health and decency. [OBJ] Convention No. 168 further provides that where such benefits are not based on contributions or previous earnings, they shall be fixed at not less than 50 per cent of the statutory minimum wage or of the wage of an ordinary labourer, or at a level which provides the minimum essential for basic living expenses, whichever is the highest (Article 15). In the case of means-tested social assistance schemes covering all residents, Convention No. 168 states that the protection afforded may be limited, in the light of the resources of the beneficiary and his or her family however the benefit in combination with any other benefits to which they may be entitled, shall guarantee them healthy and reasonable living conditions in accordance with national standards.

[OBJ], In practice, the benefit rate widely varies from country to country. Some countries, namely, Canada, Japan, Thailand, the United States, etc. provide higher rates than these benchmarks especially in the times of high unemployment or due to natural calamities or disasters (Carter et al., 2013). These benefits are provided periodically (most often monthly, sometimes bi-weekly) to the recipients.

Regarding the duration of unemployment benefits, ILO Social Security Standards emphasise that the benefit should be provided throughout the contingency (Table 3). However, these standards set out certain minimum benchmarks. Convention No. 102 permits that benefits are limited to 13 weeks within a period of 12 months or 26 weeks within a period of 24 months (Article 24). On the other hand, the more advanced standard on unemployment protection, Convention No. 168 permits that the initial benefit duration may be limited to 26 weeks in each spell of unemployment or to 39 weeks over any period of 24 months. Moreover, if unemployment continues beyond this initial period, the duration of the payment of benefits may be limited to a prescribed period.

**Table 3: Duration of unemployment benefits benchmark following ILO standards and conventions**

Convention/ Recommendation No.	Article No.	Duration of benefits
<b>C102</b>	24	<ul style="list-style-type: none"> <li>• 13 weeks within a period of 12 months or</li> <li>• 26 weeks within a period of 24 months</li> </ul>
<b>C168</b>	19	<ul style="list-style-type: none"> <li>• Initially 26 weeks in each spell of unemployment or</li> <li>• 39 weeks over any period of 24 months</li> </ul>

ILO standards do not specifically stipulate the qualifying conditions that should be prescribed to access unemployment benefits. Nonetheless, Conventions No.s 102 and 168 provide that a qualifying period may be prescribed only insofar as it is necessary to preclude abuse. The qualifying period can be set in relation to a minimum contribution period or employment period (usually from few months to one year). Besides, both standards provide that in cases where the payment of unemployment benefits is subject to a waiting period, such period shall not exceed seven days<sup>9</sup>. Any waiting period may be adjusted for seasonal workers subject to their occupational circumstances as per Article 24 of Convention No. 102.

Integrating ALMPs with unemployment benefits is one of the most important features of the ILO's normative approach towards unemployment protection and is expressly recognised in the more advanced standards, namely Convention No. 168 and its accompanying Recommendation.<sup>10</sup> Article no. 7 of Convention no. 168 emphasises the priority objective of designing policies to promote full, productive, and freely chosen employment including employment services, vocational training, and vocational guidance. Cash payments (e.g., UI benefit) are linked with ALMPs in order to assist unemployed workers quickly find and keep permanent work (Carter et al., 2013). Therefore, implementing ALMPs through employment services, such as providing labour market information and job vacancies currently available in the labour market, vocational training and vocational guidance to workers can play a key role in fulfilling the objective of the UI in supporting workers to return to decent jobs.

The Social Protection Floors Recommendation No. 202 guides countries in defining and guaranteeing basic income security, at least at a nationally defined minimum level, for all members of the working-age population who are unable to earn sufficient income, including in cases of unemployment. Such a guarantee should cover at least all residents and may be provided through a variety of means including social security and employment support programmes. Echoing Convention No. 168, it recommends that the design and implementation of social protection floors combine preventive, promotional and active measures that advance decent employment and productive economic activity, notably through vocational training for productive skills, entrepreneurship, and sustainable enterprises (ILO, 2021a). A snapshot on the main requirements of ILO social security standards concerning unemployment protection is provided in Table 4.

**Table 4: Summary of main requirements of ILO social security standards on unemployment protection**

	Convention No. 102: Minimum standards	Convention No. 168 and Recommendation No. 176: Advanced standards	Recommendation No. 202: Basic protection
What should be covered?	Suspension of earnings due to inability to find suitable employment for capable and available person.	C.168: Loss of earnings due to inability to find suitable employment for capable and available person actively seeking work. Protection should be extended to loss of earnings due to partial unemployment,	At least basic income security for those who are unable to earn sufficient income in case of unemployment.

<sup>9</sup> As per Article 18(2) of Convention No. 168, if the ratifying country has availed itself of the temporary exceptions contained in Article 5 of the Convention, the length of the waiting period shall not exceed ten days.

<sup>10</sup> Article 69(h) of Convention No. 102 also stipulates that unemployment benefits can be suspended 'where the person has failed to make use of the employment services placed at his disposal'.

<sup>11</sup> Employment Promotion and Protection against Unemployment Convention, 1988

<sup>12</sup> Employment Promotion and Protection against Unemployment Recommendation, 1988



		<p>suspension or reduction of earnings due to temporary suspension of work, as well as part-time workers seeking full-time work.</p> <p>R.176: Provides guidance for assessing suitability of potential employment.</p>	
Who should be protected?	<p>At least: 50% of all employees; or all residents with means under prescribed threshold.</p>	<p>C.168: At least 85% of employees, including public employees and apprentices; all residents with means under prescribed threshold. Coverage should be extended to part-time workers and at least 3 of the 10 listed categories of persons seeking work who have never been, or have ceased to be, recognized as unemployed or covered by unemployment protection schemes.</p> <p>R.176: Coverage should be extended progressively to all employees as well as to persons experiencing hardship during waiting period.</p>	<p>At least all residents of active age, subject to the country's existing international obligations.</p>
What should be the benefit?	<p>Periodic payments; at least 45% of reference wage.</p> <p>In the case of social assistance, the total of the benefit and any other means, after deduction of the substantial amounts (fixed by the competent public authority in conformity with prescribed rules) shall be sufficient to maintain the family of the beneficiary in health and decency</p>	<p>C.168: Periodic payments: at least 50% of reference wage; or, in case of social assistance the total benefits must guarantee the beneficiary healthy and reasonable living conditions.</p> <p>R.176: For partial employment: total benefit and earnings from the part-time work should reach a sum between previous earnings from full-time work and the amount of full unemployment benefit or be calculated in the light of reduction of hours of work suffered.</p>	<p>Benefits in cash or in kind at a level that ensures at least basic income security, so as to secure effective access to necessary goods and services; prevents or alleviates poverty, vulnerability and social exclusion; and enables life in dignity.</p>
What should the benefit duration be?	<p>For schemes covering employees: At least 13 weeks of benefits within a period of 12 months.</p> <p>For means-tested (non-contributory) schemes: At least 26 weeks within a period of 12 months. Possible waiting period of max. seven days.</p>	<p>C.168: Throughout the unemployment period: possibility to limit initial duration of payment of the benefit to 26 weeks in each case of unemployment or 39 weeks over any period of 24 months; possible waiting period of max. seven days.</p> <p>R.176: Benefit duration should be extended until pensionable age for unemployed persons having reached a prescribed age.</p>	<p>As long as the incapacity to earn a sufficient income remains.</p>
What conditions can be prescribed for entitlement to a benefit?	<p>Qualifying period may be prescribed as necessary to prevent abuse.</p>	<p>C.168: Qualifying period may be prescribed as necessary to prevent abuse.</p> <p>R.176: Qualifying period should be adapted or waived for new jobseekers.</p>	<p>Should be defined at national level, and prescribed by law, applying principles of non-discrimination, responsiveness to special needs and social inclusion, and ensuring the rights and dignity of people.</p>

### III. Operational frameworks for UI: some cross-country experiences

The adoption and evolution of UI are often influenced by regional or international crises as evident by cross-country experiences (Carter et al., 2013). For instance, the Asian Financial Crisis (1997) played a significant role in expanding and starting UI in the Republic of Korea and Thailand. The Republic of Korea expanded its employment insurance scheme in 1998 following the crisis while Thailand started its UI in 2004 having recovered from the crisis around 2001. The transition from one economic system to another also had a significant influence on the adoption of UI. For instance, Viet Nam launched its UI scheme in 2009 realising the need for protecting the unemployed in the changing circumstances owing to the transition from a socialist planned economy to a market-oriented economy. This is also true for China and Mongolia. Crises resulting from natural disasters like earthquakes and Tsunami can also trigger countries to initiate UI schemes i.e., the Chilean UI scheme in the post-2010 earthquake and expand the existing Japanese UI scheme after the Tsunami and earthquake in 2011. Moreover, there is evidence that several countries, namely Canada, Japan, Mongolia, and the United States increased their benefit amount and extended the duration of UI benefits in response to the global financial and economic crisis initiated in 2008 (Carter et al., 2013). In a similar fashion, many developed and developing countries have significantly expanded the UI benefit amount and duration, as well as coverage, from the very beginning of the COVID-19 global pandemic though in some cases this was done on an ad hoc basis (ILO, 2020a; ILO, 2020b).

Most countries implementing UI schemes have extended the programmes' legal coverage to practically almost all formal sector employees. The challenge resided in gradually extending coverage of unemployment protection schemes to workers in all forms of employment, including those self-employed and employed in the informal sectors. Such strategies will require integrated social protection and active labour market interventions (Bista & Carter, 2017; ILO, 2021a). Contributions to the UI fund, based on social insurance mechanisms, must come from sources including the employees, the employer, and the government, in a manner which avoids hardship to persons of small means and takes into account the economic situation of the country (Convention No. 102, Article 71(1)). As UI generally takes the form of social insurance, the financial contributions must ultimately come from any one or any combination and in any ratio of those three sources. The role of the government as a financial contributor to the scheme can be optional as well depending on the country in question. The contribution from different stakeholders in any country will depend on the macroeconomic outlook of the respective country, the existing labour market situation, and the UI financing costs. A cross-country comparison of the contribution rates borne by different stakeholders is presented in Table 5. Commonly, the employer and the employee contribute jointly to the UI scheme where the contribution rate for both the parties can be equal or different. Amongst the countries, the tripartite contribution can be observed in Thailand and Viet Nam.<sup>13</sup>

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<sup>13</sup> Government contribution might vary from country to country. In some cases, within the tripartite consensus, government provides a portion of the cost. In others, government steps in to subsidise the contributions of certain categories of workers (those with limited contributory capacity) as a means to extend coverage (rather than a statutory contribution in the same light as employers or employees). For the government, contributing as the employer is also a possibility (though unemployment protection of civil servants is rare).

**Table 5: Contribution rates for unemployment insurance in selected Asian countries (% of insured earnings)**

Country	Employee contribution (%)	Employer contribution (%)	Government contribution	Total (%)	Year adopted
India	0.75	3.25	Nil	4.0	2005 & 2018 <sup>14</sup>
Japan	0.6	0.6+0.35*	2.5% of total payment by employee and employer	1.55 plus 2.5% of total payment by employee and employer	1947
Kuwait	0.5	0.5	0.5%	1.5	2013
Malaysia	0.2	0.2	1 <sup>st</sup> year interim financing	0.4	2018
Republic of Korea	0.65	0.90 – 1.55	Nil	1.55 – 2.20	1995
Saudi Arabia	1.0	1.0	Nil	2.0	2014
Thailand	0.5	0.5	0.25%	1.25	2004
Viet Nam	1.0	1.0	0.5%	2.0	2009

Source and note: Bedard et al. (2020). \*In addition to matching the worker contribution, employers pay 0.35 per cent of earnings for “Two Services” namely employment stabilisation and skills development.

The qualifying criteria for the UI schemes vary widely from country to country (Table 6). Countries often require either 6 or 12 months of contributions in the last 12 to 24 months. For instance, Japan, Thailand, and the Republic of Korea require at least 6 months of contributions to qualify while the contribution length is at least 12 months in Malaysia and Viet Nam. In India, at least 3 years of contribution is required to register in the UI scheme, which might be considered excessive as per the ILO social security standards referred to in the previous section. Some countries require a minimum number of working days (e.g., the Republic of Korea – at least 180 days in the previous 18 months with a minimum of 60 hours work per month) or minimum working hours (e.g., Canada – accumulated working hours ranging between 420 and 700 in the qualifying period, usually last one year). Other additional qualifying criteria adopted by some countries include: being involuntarily unemployed, being available for work, having registered for job placement, and not receiving a pension, etc.

Variation in terms of exclusion criteria from the UI scheme among the countries are prevalent (Table 6). For example, in a number of countries, workers who retire, resign voluntarily, are older than 65 years or younger than 18, and are seasonally employed, migrants, domestic service workers, etc. are excluded from the UI scheme. In addition, certain groups such as self-employed workers are excluded from the scope of application of UI schemes in most of the countries. This is largely due to the presence of difficulties associated with the assessment of their nature of work and working conditions. Workers who are working informally are also excluded from the UI partly due to their nature of jobs.

Regarding the duration and levels of unemployment benefits, there is evidence of large variation amongst the UI implementing countries. Some selected country-specific snapshots on the duration and level of UI benefits are presented in the following Table 6. The level of UI benefits is calculated based on either average daily wage (prevailing in the pre-unemployment situation over a period of three to six months or higher) or average monthly wage in the month before being unemployed. The

<sup>14</sup> The Rajib Gandhi Shramik Kalyan Yojana (RGSKY) – 2005 and Atal Bimit Vyakti Kalyan Yojana (ABVKY) – 2018.

benefit level is counted as a certain percentage of the average monthly wage in the pre-unemployment period, where the percentage rate depends on the country context.

Several step-by-step procedures are involved in claiming UI benefits, which, although country-specific, can be summarized as follows. First, upon termination, the employer will issue an official notice of termination of employment, and the unemployed person is required to report to an employment or UI office soon to submit the notice of termination. In some cases, countries have a booklet or a record of insurable earnings and length of employment which is completed by the employer and provided to the unemployed worker on or shortly after separation from employment. The booklet or record is also required by the UI processing agency (i.e., tax authorities, government entities, concerned ministries, social insurance bodies or sometimes newly established governing agencies like BPJS Employment in Indonesia etc.) to determine the unemployment benefit rate and duration as well as assessing if the reason for unemployment makes the worker eligible for UI benefits, e.g., depending on whether voluntary or involuntary termination, misconduct, resignation for just cause (harassment, hazardous working conditions etc.) are permitted. After the necessary checking and verification, the unemployed person can receive the UI benefits. At a time in Viet Nam, more than 0.2 million people claimed UI benefits in 2020 while the number rose up to an all-time high of 0.4 million in 2020Q2 (World Bank, 2021). For India, the total number of claimants were 10,728 between years 2007 and 2017.<sup>15</sup> However, potential unemployment allowance recipients were expected to be far higher in the country during the peak of COVID-19 crisis. For instance, an estimate by the Employees' State Insurance Corporation (ESIC) suggests that approximately 3.03 million out of 8.04 million who lost their jobs due to pandemic containment measures would have been benefitted from the unemployment allowance (BusinessToday.in, 2021).

The mode of payment for UI benefit can be either direct deposit or cash payment. For instance, Mongolia follows the cash payment system as a mode of UI payment. In some countries, UI payments are made through bank accounts if the recipients reside in larger cities. Many Vietnamese UI beneficiaries are from large cities, and they get their UI benefits through their bank accounts. On the other hand, rural Vietnamese can avail the benefit through cash payment (Carter et al., 2013). In recent times, mobile financial services (MFS) are increasingly becoming important for transferring money including government transfers to individuals, e.g. social protection allowances from different schemes. Therefore, countries can also adopt MFS as a mode of UI benefit payment.

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<sup>15</sup> India's Terrible Track Record in Unemployment Benefits | NewsClick

Table 6: UI schemes (qualification criteria, duration of benefit, and benefit level) in selected countries

Country	Qualification criteria	Exclusion criteria	Duration of benefit	Benefit levels
<b>Canada</b>	<ul style="list-style-type: none"> <li>- 420 to 700 hours of insured work in last year, depending on the regional unemployment rate</li> <li>- New entrants need 910 hours</li> <li>- Voluntary quitters and those fired due to misconduct are denied benefits</li> <li>- Good reasons for quitting are accepted</li> </ul>	<ul style="list-style-type: none"> <li>- Self-employed and business owners</li> </ul>	<ul style="list-style-type: none"> <li>- Regular benefits: 14 to 45 weeks of benefits, depending on hours worked and regional unemployment rate</li> <li>- Benefits are paid every two weeks</li> </ul>	<ul style="list-style-type: none"> <li>- 55% of average weekly earnings to a maximum of CAD \$547 (in 2018)</li> </ul>
<b>Japan</b>	<ul style="list-style-type: none"> <li>- Basic allowance requires at least six months of insurable employment in previous two years</li> <li>- Involuntarily unemployed or extra three months waiting period</li> </ul>	<ul style="list-style-type: none"> <li>- Those older than 65 years (except for continuously insured older workers)</li> <li>- Part-time workers with fewer than 20 hours (except insured day workers)</li> <li>- Occasional workers with fewer than 31 days of work</li> <li>- Seasonal workers expected to work fewer than four months and 30 hours of work</li> </ul>	<ul style="list-style-type: none"> <li>- Duration depends on age, reason of unemployment and period of paid contributions</li> <li>- Separation due to bankruptcy or redundancy: 90 to 330 days</li> <li>- Other separations: 90 to 150 days</li> <li>- Fixed term contract: 90 to 150 days</li> <li>- Voluntary separations (all ages) 90 to 150 days after extra waiting period of three months</li> </ul>	<ul style="list-style-type: none"> <li>- Daily rate depends on average wages over the previous six months: <ul style="list-style-type: none"> <li>(i) JPY 2330-4650: 80%</li> <li>(ii) JPY 4650-11770: 80% - 50%</li> <li>(iii) JPY 11770-15780: 50%</li> </ul> </li> <li>- If aged above 60 to 64 years, the 50% of above table is replaced by 45%.</li> </ul>
<b>Korea</b>	<ul style="list-style-type: none"> <li>- Must have worked at least 180 days in previous 18 months with a minimum of 60 hours per month</li> <li>- Unemployed workers must register for job placement</li> <li>- Must be available for work</li> <li>- Penalty imposed if job offers are rejected or leave their job voluntarily</li> </ul>	<ul style="list-style-type: none"> <li>- Companies engaged in farming, forestry, fishing, and housekeeping</li> <li>- Workers working less than a month (fewer than 15 hours a week)</li> <li>- Those with family ties to the employer</li> </ul>	<ul style="list-style-type: none"> <li>- Depends on age and work; 90 to 180 days if under 30; 90 to 210 days if between 31 and 50; 90 to 240 days if over 51 or with disabilities</li> <li>- Extended benefits may be paid for extra 60 days under strict criteria for those who exhaust benefits</li> <li>- High unemployment extended benefits applied when the ratio of job-seeking benefit recipients to all EI-insured persons exceeds a certain level.</li> </ul>	<ul style="list-style-type: none"> <li>- EI benefit paid is 50% of the standard daily wage based on average wage</li> <li>- If a worker finds a job quickly, they receive 50% of their remaining benefits as a re-employment bonus</li> </ul>
<b>India</b>	<ul style="list-style-type: none"> <li>For “The Rajib Gandhi Shramik Kalyan Yojona (RGSKY)”</li> <li>-At least three years’ contribution is mandatory to register under the scheme</li> <li>-Employees with a monthly salary not exceeding Indian rupees 21,000 and working in a factory</li> </ul>	<ul style="list-style-type: none"> <li>-Self-employed workforce</li> <li>- Salaried workers in factories or firms with less than 10 workers.</li> </ul>	<ul style="list-style-type: none"> <li>For “The Rajib Gandhi Shramik Kalyan Yojona (RGSKY)”</li> <li>- Maximum period of two years</li> <li>- An additional one year with less benefits</li> </ul>	<ul style="list-style-type: none"> <li>For “The Rajib Gandhi Shramik Kalyan Yojona (RGSKY)”</li> <li>- 50% of the beneficiary’ average daily salary (in two years preceding unemployment)</li> <li>- 25% of the beneficiary’s average daily salary for an additional year</li> </ul>

	<p>or firm with at least 10 workers are eligible to receive the benefits.</p> <p>For “Atal Bimit Vyakti Kalyan Yojona (ABVKY)”</p> <ul style="list-style-type: none"> <li>-Insured person should have been in insurable employment for a minimum period of two years.</li> <li>-Insured person should have contributed at least 78 days during each of the preceding four contribution periods.</li> <li>-The employee should not get unemployed due to misconduct, superannuation, or voluntary retirement.</li> </ul>		<p>For “Atal Bimit Vyakti Kalyan Yojona (ABVKY)”</p> <ul style="list-style-type: none"> <li>-for a maximum period of 90 days of unemployment. This benefit can be received only once in the lifetime of the insured person.</li> </ul>	<p>For “Atal Bimit Vyakti Kalyan Yojona (ABVKY)”</p> <ul style="list-style-type: none"> <li>-25% of the average daily salary (calculated for the previous four contribution periods)</li> </ul>
<b>Malaysia</b>	<ul style="list-style-type: none"> <li>- Insured persons must have paid 12 months of contributions within the previous 24 months</li> <li>- Will pay benefits when involuntarily unemployed</li> <li>- No benefits paid for: voluntary resignation; end of fixed-term contract; retirement</li> <li>- Must register for job placement</li> <li>- Must be available for work</li> </ul>	<ul style="list-style-type: none"> <li>- Foreign workers, domestic workers, self-employed people, business owners, and their spouses as well as members of the armed forces and police</li> </ul>	<ul style="list-style-type: none"> <li>- Three to six months of benefit are payable to qualified jobseekers</li> </ul>	<ul style="list-style-type: none"> <li>- Malaysia has a progressively declining benefit rate, as follows (% of monthly wage)</li> <li>(i) 80% for the 1<sup>st</sup> month</li> <li>(ii) 50% for the 2<sup>nd</sup> month</li> <li>(iii) 40% for the 3<sup>rd</sup> and 4<sup>th</sup> months</li> <li>(iv) 30% for the 5<sup>th</sup> and 6<sup>th</sup> months</li> </ul>
<b>Thailand</b>	<ul style="list-style-type: none"> <li>- At least six months of contributions in the 15 months before the termination</li> <li>- Registered with the employment office</li> <li>- Termination of employment not due to a job vacation, a pre-meditated criminal act against the employer, or an illegal act resulting in serious damage to the employer’s business.</li> </ul>	<p>Not available</p>	<ul style="list-style-type: none"> <li>- Unemployed workers who are laid off get up to 180 days within one year</li> <li>- Unemployed workers who voluntarily resign only receive up to 90 days within one year</li> <li>- Following the 2008 economic crisis, UI compensation was extended to 240 days for workers unemployed in 2009</li> </ul>	<ul style="list-style-type: none"> <li>- Unemployed workers who are laid off receive 50% of insured earnings, based on the highest paid three months in the nine months before job loss</li> <li>- Unemployed workers who voluntarily resign only receive 30% of insured earnings</li> </ul>

<b>United States<sup>16</sup></b>	<ul style="list-style-type: none"> <li>- Who lost a job through no fault of his/her own</li> <li>- able to work, available to work, and actively seeking work</li> <li>- have earned at least a certain amount of money during a base period prior to becoming unemployed</li> </ul>	<ul style="list-style-type: none"> <li>- Some states do not cover part-time workers unless they are willing to take a full-time job</li> <li>- Workers who leave a job voluntarily</li> <li>- People who are looking for their first job</li> <li>- Re-entrants who previously left the labour force voluntarily</li> </ul>	<ul style="list-style-type: none"> <li>-UI benefit amount varies greatly depending on the state and the worker's previous earnings</li> <li>- Average UI benefit is slightly over \$300 per week</li> </ul>		<ul style="list-style-type: none"> <li>-Workers are eligible for UI benefits for a maximum of 26 weeks</li> </ul>																						
<b>Viet Nam</b>	<ul style="list-style-type: none"> <li>- Paid UI contributions for at least 12 months within the previous 24 months</li> <li>- Registered for unemployment with the employment service centre</li> <li>- Applied for UI benefits with working 15 days after the date of registration</li> <li>- Jobless for 15 working days after registering</li> <li>- Not in a receipt of a pension</li> </ul>	<ul style="list-style-type: none"> <li>- Workers hired on short-term contracts</li> </ul>	<table border="1"> <thead> <tr> <th>Months of work</th> <th>Months of benefits</th> </tr> </thead> <tbody> <tr><td>12-47</td><td>3</td></tr> <tr><td>48-59</td><td>4</td></tr> <tr><td>60-71</td><td>5</td></tr> <tr><td>72-83</td><td>6</td></tr> <tr><td>84-95</td><td>7</td></tr> <tr><td>96-107</td><td>8</td></tr> <tr><td>108-119</td><td>9</td></tr> <tr><td>120-131</td><td>10</td></tr> <tr><td>132-143</td><td>11</td></tr> <tr><td>144 or more</td><td>12</td></tr> </tbody> </table>		Months of work	Months of benefits	12-47	3	48-59	4	60-71	5	72-83	6	84-95	7	96-107	8	108-119	9	120-131	10	132-143	11	144 or more	12	<ul style="list-style-type: none"> <li>- The benefit rate is 60% of the average contributory earnings over the previous six months, limited to 20 times the value of minimum wages</li> <li>- Benefit rate and duration apply similarly either the termination is voluntary or involuntary</li> </ul>
Months of work	Months of benefits																										
12-47	3																										
48-59	4																										
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Sources: Author's compilation from Carter et al. (2013), Stone & Chen (2014), Bista & Carter (2017), Asenjo and Pignatti (2019) and Bedard et al. (2020) .

<sup>16</sup> <https://www.cbpp.org/research/introduction-to-unemployment-insurance>

#### IV. The context of UI in Bangladesh: A preliminary assessment

As mentioned above, realising the importance of providing social security to the working-age population, the provision for the NSIS including the UI was reflected in the NSSS 2015. It was envisaged that the UI would protect workers by providing temporary support (i.e., income support, training, and other related support) and ensure a flexible labour market that would enable labour to move from falling sectors to emerging or growing sectors. This flexibility in the labour market is essential for economic growth and development and requires putting in place employment promotion and social protection measures to protect the rights of workers and accompany economic transformations and labour market transitions. In the first Action of Plan of the NSSS 2015, the Bank and Financial Institutions Division was made responsible for developing a system for UI as part of the NSIS for workers in the formal sectors. The UI would be based on the contributory social insurance mechanism where both the workers and employers fully finance the insurance. Gradually, as the employment services and ALMPs will continue developing and strengthening, the coverage was expected to be extended to informal sector workers.

While the NSSS 2015 duly envisioned the NSIS to support the working-age population, especially the unemployed, through the UI scheme, it did not adequately reflect the ILO Conventions relevant for designing and implementing such programmes. Moreover, the currently available framework on the NSIS also missed the key issues like UI coverage, provision for active labour market policies (ALMPs) as envisaged in the ILO advanced standards on unemployment and international best practice. While the discussion has been going on exploring the possible options for initiating the UI scheme in the country, underlying issues that would make a scheme compatible with international social security standards have not been given due priority. For instance, the country's first-ever national jobs strategy is currently under discussion. This strategic document envisions the importance of ALMPs and considers it as one of the three broad pillars.<sup>17</sup> However, most of the policies and interventions of the strategy are more focused on generating new jobs without adequate focus on the employment services. Against this backdrop, the current section attempts to assess the preconditions to initiate UI scheme in Bangladesh through the lens of the ILO Conventions and international good practices, and based on an active and informed social dialogue. The major objective of this assessment is to ascertain the country's preparedness to roll out a UI scheme.

#### Potential UI coverage in Bangladesh

The primary objective of UI is to achieve an adequate level of protection against the risk of job loss. In addition, a system financed in whole or in part through contributions can only be sustainable if it is based on a sufficiently wide pooling of risks. These dual goals are met by extending coverage to most workers, thereby ensuring that as many job losers as possible are in fact compensated, and second and equally important, spreading costs over a large group of contributors (Carter et al., 2013). However, as stated in Section 2, Convention No. 102 requires that, at a minimum, at least 50 per cent of employees are covered. It is noted that most of the countries initiated the UI scheme focusing on

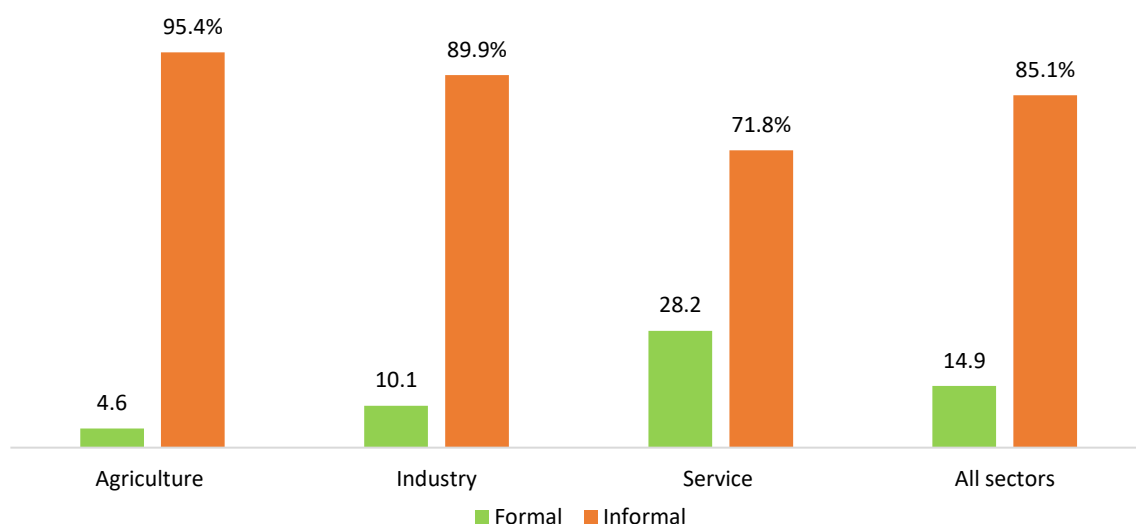
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<sup>17</sup> The other two pillars are 'Boosting jobs that result from output growth (or making growth jobs-rich)' and 'Active labour market policies (ALMPs) for boosting job growth'.



formal sector employees and then gradually extended to the informal sector workers as well (Asenjo & Pignatti, 2019). Considering the case of Bangladesh, more than 85 per cent of the workers are employed in the informal sectors (Figure 1).<sup>18</sup> The presence of such high share of informal employment and self-employment significantly limits the UI coverage (Carter et al., 2013). Given the situation, it is extremely difficult for Bangladesh to ensure UI coverage for a meaningful share of the workforce.

Figure 1: Employed population (%) aged 15 and above, by formal and informal sectors



Source: Author's presentation based on Quarterly Labour force Survey (2016-17).

### Current state of active labour market policies (ALMPs) in Bangladesh

Rolling out the UI scheme requires the strengthening of AMPLs as emphasised in Articles 2 and 7 of Convention No. 168.<sup>19</sup> In fact, the UI benefit is provided to the unemployed who lost their jobs conditional on the participation in the active labour market policies (Asenjo & Pignatti, 2019). In the context of Bangladesh, the concept of ALMPs in the national development policy and agenda to address labour market issues is relatively new. Very recently, the 8<sup>th</sup> Five-Year Plan and the national Jobs Strategy(draft) have made use of this concept. Bangladesh has yet to have any structured ALMPs to coherently deal with various labour market issues. However, several initiatives that can be considered under the ALMPs realm are currently in place mostly in a scattered way and often

<sup>18</sup> Informal employment refers to working arrangements that are de facto or de jure not subject to national labour legislation, income taxation or entitlement to social protection or certain other employment benefits (e.g., advance notice of dismissal, severance pay, paid annual or sick leave). Workers in informal employment are defined as those who work in informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households; including employees holding informal jobs; employers and own-account workers employed in their own informal sector enterprises; members of informal producers' cooperatives; contributing family workers in formal or informal sector enterprises; and own-account workers engaged in the production of goods for own end use by their household (ILO, 2021b).

<sup>19</sup> According to the ILO, ALMPs are comprised of a group of policies (i.e., training, public works, employment subsidies, self-employment and micro-enterprise, and labour market services) aimed at increasing or improving the employment opportunities of unemployed or inactive persons to get or return to a job (ILO, 2018).

implemented sporadically.<sup>20</sup> Interventions that can be considered as ALMPs are implemented by several ministries and departments with no effective coordination among them, whereas in other comparable countries, the labour related ministries and departments run those policies. Amongst the ALMP components, skill development training programmes and public workfare programmes are available in Bangladesh on a limited scale. Skill development training programmes (mostly in Technical and Vocational Education and Training-TVET) on several trades are provided for different target groups with varying age groups, socio-economic backgrounds, and marginalised and vulnerable groups through public and private training institutes. However, the coverage of the training programmes is inadequate and there are barriers in accessing such programmes. According to a World Bank study, about 2 per cent of the overall workforce reported that they have received some training in the past 12 months (World Bank, 2017). Besides, there are other constraints of those training programmes like poor quality due to lack of trained instructors, absence of effective monitoring, irregular update of market-driven course curriculum, shortage of financial resources, inadequate provision of modern learning facilities, absence/non-existence of national skills qualification framework, and no regular and systematic reviews and research reports to track job placement records and have a better understanding of future labour market needs. Some form of training programmes is provided within the social security programmes like Income Generating Vulnerable Group Development, Food Security Vulnerable Group Development, Income Generating Activities for Women, and the National Services Programme.

Currently, available public workfare programmes (e.g., Test Relief, Food for Work, Work for Money, and Employment Generation Programme for the Poor) are implemented on an ad-hoc basis. These programmes operate during the lean seasons when agricultural activities are low and there is a lack of demand for manual labour. However, the existing workfare programmes are limited only to rural areas there are no such programmes for the urban poor, most of whom are employed in the informal sector and lost their livelihood opportunities when COVID-19 struck.

There is some support for promoting self-employment and micro-enterprise development to help start an economic activity, either as self-employed or through the development of new business opportunities. For instance, between 2019 and 2021, Palli Karma-Sahayak Foundation (PKSF) under its Microenterprise Development Project (MDP) provided financial support to about 70,000 entrepreneurs, which reportedly resulted in 0.018 million employment (PKSF, 2021).<sup>21</sup> Other interventions include two skills development training programmes namely, Skills for Decent Employment (SDE) and Digital Skills for Decent Jobs for Youth.<sup>22</sup> Under the SDE, it is expected that 0.34 million apprentices will be ready for the job market during 2019-23. The other programme targets for producing around 0.25 million youths equipped with advanced digital skills through 2,500 government-owned digital labs. However, the support measure is far from being adequate given the

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<sup>20</sup> A detailed discussion on this issue is provided in output 2 'A Review of Labour Market Policies and Employment Services in Bangladesh'.

<sup>21</sup> In continuation of MDP project, currently PKSF is providing financial support to another 30,000 new micro entrepreneurs up to June 2023 to mitigate the negative effects caused by the COVID-19 pandemic, especially in the rural economy.

<sup>22</sup> <https://www.decentjobsforyouth.org/partner/97#action-and-impact>

country's huge unemployed youth (approximately 2.68 million as per the latest Labour Force Survey 2016–17).<sup>23</sup>

The remaining components of ALMPs – employment subsidy and labour market services are almost non-existent in Bangladesh.<sup>24</sup> During the height of the COVID-19 crisis, there were instances of some employment subsidies on an ad-hoc basis. The government rolled out stimulus packages in the form of loans at subsidised rates of interest to facilitate the payment of workers employed in the export-oriented industries. With support from development partners, the Ministry of Labour and Employment has been implementing a cash transfer programme. Designed for the export-oriented RMG, leather, and footwear industries, this programme aims at providing a cash transfer of BDT 3,000 (\$35) per month for up to three months to workers laid-off. Apart from the sectors mentioned, comparable support measures are not available for others, including those in the formal sector.

Furthermore, as discussed in another paper as part of this ILO project (Output 2), assistance to jobseekers in their search for suitable jobs and to employers in their search for workers with appropriate skillsets is mostly unavailable in Bangladesh. This searching and matching process is popularly known as employment exchange. In a country like Bangladesh where the formal sector accounts for a smaller percentage of total employment, the effectiveness of employment exchange is rather limited. Moreover, career counselling and placement services are virtually non-existent. Lack of regular collection, analysis, and dissemination of information about labour market also makes it extremely challenging to facilitate such services.<sup>25</sup> However, some private providers attempt to provide such services on a limited scale through online portals, although these services are disproportionately related to urban centred formal white-collar jobs.

## Present state of social dialogue

Provision of effective social dialogue involving the key stakeholders is central to formulate any viable and country-specific social and economic policies including those related to workers' welfare.<sup>26</sup> It is both a means to achieve social and economic progress and an end itself, as it gives people a voice and a stake in their societies and workplaces. Indeed, the social dialogue is a key to the functioning of the ILO and is embedded in practically all of ILO conventions and recommendations and in the Decent Work Agenda (ILO, 2018). Therefore, the importance of the social dialogue cannot be overemphasised, especially while formulating the UI framework. This can be attributed to the fact that bipartite or tripartite consensus is required to determine different parameters of the UI scheme (i.e., qualifying criteria, levels of benefits, duration of benefits, etc.). However, the success of the social

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<sup>23</sup> Around two million youths enter Bangladesh's labour force per annum (World Bank, 2019).

<sup>24</sup> Labour market services are the interventions aimed to connect jobseekers and employers through a range of activities such as counselling, labour market intermediation, and job search assistance.

<sup>25</sup> A detailed discussion on Bangladesh labour market information system is provided in Output 2.

<sup>26</sup> Social dialogue is defined by the International Labour Office to include all types of negotiation, consultation or simply exchange of information between or among representatives of governments, employers, and workers on issues of common interest relating to economic and social policy. It is the ILO's best mechanism in promoting better living and working conditions as well as social justice. See <https://www.ilo.org/ifpdial/areas-of-work/social-dialogue/lang-en/index.htm>#:~:text=Social%20dialogue%20is%20defined%20by,to%20economic%20and%20social%20policy for details.

dialogue will depend on how well it can adapt itself to the new economic, social, and political realities while avoiding one-size-fits-all approaches (ILO, 2018). It might take several years to reach any consensus for the bipartite or tripartite constituents.

Currently, the concept of social dialogue is virtually non-existent in Bangladesh. While designing any labour-related policy, the scope for the participation of the representatives from all the stakeholders is extremely limited. In fact, the importance of social dialogue has been seriously overlooked in designing the current UI framework. It is noted that stakeholders can have the opportunity to engage in this type of discussions only in the ready-made garment (RMG) sector; however, the discussions are organised sporadically and, in a manner, not necessarily leading to progressive developments or consensus-building on the issues of interest. In the same fashion, there was no participation from the relevant stakeholders while designing the UI scheme, and thus it is not compatible with ILO standards that call on Members to regularly convene national consultations to formulate, implement and monitor the progress of social security policies<sup>27</sup>.

### NSIS draft framework: some caveats

As mentioned earlier, a framework has recently been proposed for a possible UI scheme as part of the future NSIS in response to the guidelines provided in the NSSS. Currently, this is the only available framework offering modalities for initiating an NSIS including the UI scheme. It mostly touches on the issues of contribution rates, qualifying criteria, benefit level and duration, and probable legal framework and institutional set-up. However, it has overlooked some critical issues needed to start the UI scheme, as stated in Section 2. Thus, the NSIS including the UI scheme is not fully interlinked with the ILO Conventions and Recommendations relevant for the provision of unemployment benefits. For instance, it did not consider the provision of public employment services and ALMPs as stipulated in Convention No.168 (Articles 2 and 7). Therefore, it leaves room for improvement in determining the future course of actions towards introducing the UI scheme. Besides, some of the assumptions considered while constructing the framework require a careful revision. These include:

***Incorporating the scope of social dialogue:*** While formulating the key parameters (i.e., contribution rates, qualifying criteria, levels, and duration of benefit) of the UI scheme, the proposed framework does not reflect the importance of the social dialogue. The representatives from all the stakeholders could not provide their thoughts and inputs that are essential to ensure ownership, implementation and sustainability of the proposed reform. It might be a possibility that not all the stakeholders can spontaneously embrace the proposed UI framework. For instance, the framework assumes that both employer and employee will contribute equally to the scheme in a joint contributory scheme. There could be arguments about workers' willingness to contribute to the scheme. On the other hand, the employers might also regard it as an additional burden, discouraging their participation.

The social dialogue can be useful in reviewing current termination allowances and other severance payments, and their complementarity or any revisions for a more effective UI scheme. Besides, the UI should be based on the principle of social insurance where collective financing and broad risk pooling are critical ingredients. Currently, there exist e misconceptions regarding the mechanism of social insurance and how it works amongst the stakeholders, which can result in impediments to

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<sup>27</sup> See, for example, paragraphs 3(r), 8(d), 13(1), 19, and 20 of Recommendation No. 202.

implementing the UI scheme. Against this backdrop, effective social dialogue can play a pivotal role in creating awareness among the relevant stakeholders.

***Rationalising the unemployment assumption:*** The proposed framework assumed the unemployment rate as 4.17 per cent for the whole economy, including the formal sector. If the UI is to be rolled out for the formal sector only, as the NSSS proposes, the rate of unemployment needs to be determined more realistically, backed by some empirical evidence. A notable feature of the Bangladesh labour market is the lack of information and disaggregated data on various aspects including the rate of unemployment (i.e., at the sectoral level). It could be possible that the formal sector's unemployment rate is lower than that of the national unemployment rate. This is because the formal sector experienced an expansion in job creation in all the broad sectors – agriculture, manufacturing, and services partly due to the country's persistent growth momentum over the past two decades. As only those who would lose their jobs involuntarily will be eligible for the UI benefits, it is extremely important to determine the rate of unemployment to initiate a UI scheme. Perhaps, there is a need for conducting a survey to get a good idea about the unemployment rate, the structure of the labour market, and profile of potential insured workers under the future UI scheme, in the formal sector.<sup>28</sup>

***Revising the benefit levels:*** The framework study considered that the beneficiary of the UI scheme shall not get less than 45 per cent of the previous earnings following the Social Security (Minimum Standards) Convention, 1952 (No. 102). It can be noted that, as per the more advanced standard on the matter, the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168), sets the minimum level of benefits at least 50 per cent of the former earnings (Article 15) payable throughout the contingency, although this advanced standard permits that the initial duration of payment of the benefit may be limited to 26 weeks in each spell of unemployment or to 39 weeks over any period of 24 months (Article 19). Therefore, while implementing the UI scheme in Bangladesh, there is room for an upward revision of the quantum of benefit.

***Reviewing the minimum period of contribution and benefit duration:*** The framework estimates that the minimum period of contribution (number of months of contributions to be entitled to receive benefits for 6 months) is 86 months. That is, a worker would need to contribute for 86 months (7.2 years) before being entitled to receive 6 months of benefits (45 per cent of his previous salary). Yet, such a qualifying period would likely to be considered excessive to preclude abuse as set out in Conventions No. 102 and 168, (See Section II2). Furthermore, the proposed qualifying period is significantly longer than what is observed in the comparative practice and international experience (Section 3). Moreover, the framework assumes that all workers will contribute every month per year. The cross-country evidence, however, indicates that workers contribute for 6 to 12 months over the last 12 to 24 months to avail the UI benefits. In this context, it is imperative to use evidence-based assumptions and reflect the principles enshrined in ILO conventions when establishing the minimum qualifying period of contributions and benefit duration.

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<sup>28</sup> Some of these issues are discussed in another ILO paper titled 'Analysis of Labour Market Structure and Protection Measures Against Unemployment in the Formal Sector'.

## UI fund management mechanism

In the long run, a self-sustaining UI scheme requires a well-designed system of managing UI fund. There is only discussion on how the funds will be collected from different stakeholders, and the collected contributions will be deposited in a trustee fund. However, it does not provide any clear guideline about how the fund will be managed, who will manage the fund – individual financial institution or bank, central authority, or the government etc. To ensure safety and a significant return, the trustee fund can be distributed amongst a number of banks/financial institutions where the banks/financial institutions will be selected based on their prior performance in the financial market. In this way, the diversification of UI funds can be justified and the higher return on the asset can be ensured.

Evidence from the comparable countries suggests that they established a well-designed UI fund investment framework to make the UI scheme a self-sustaining one, articulated with the social security institutions. For instance, Viet Nam Social Insurance—a government-attached agency—manages the UI fund and is responsible for the collection, management, and allocation.<sup>29</sup> The country invests its UI funds (for instance, “to purchase bonds, treasury bills, and government bond issued by the State; to invest in important projects pursuant to the Prime Minister’s decisions; and to provide loans to the State budget, the Viet Nam Development Bank, the Viet Nam Bank for Social Policies and commercial banks with the state-owned shares accounting for over 50 per cent of the registered capital”) ensuring security, efficiency and could be recoverable when necessary.<sup>30</sup>

## Mode of UI benefit payment

The mode of the paying benefits to the claimants should be smooth, hassle-free, and free from unnecessarily cumbersome procedures. Different countries with UI schemes have adopted different payment methods for transferring the benefits easily and promptly. Cross-country evidence suggests that payment can be made broadly in two ways – direct transfers to recipient accounts and cash handouts, the latter of which can be more prone to malpractices. Given the availability of widespread digital/mobile financial services (MFS) provided by a bank/financial institution and mobile financial service providers—digitising the payment system should be best possible option. Specially, the spread of MFS has revolutionised the way people can now send and receive money promptly and it is being widely used for salary disbursement, online shopping and accessing different government services including receiving social security benefits (Khatun et al., 2021). The subscription to mobile phones and the internet has also experienced an exponential growth over the years. In August 2021, the total number of mobile phone subscribers was 178.61 million (BTRC, 2021). Besides, 15 MFS operators are active in the country with registered clients of 96.4 million. Given the available payment modes, MFS could be most practical option to start the UI scheme. Verification of the identity in the payment process is crucial, but it should not be difficult as under various social protection schemes, the government is making direct transfers to millions of beneficiaries. However, what is important is to develop a comprehensive system and infrastructure with the record of employment, contribution to UI fund, and other verification information for smooth functioning of any UI scheme.

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<sup>29</sup> See <https://vss.gov.vn/english/aboutus/Pages/organization-structure.aspx> for details.

<sup>30</sup> See <https://asean.org/wp-content/uploads/2016/08/EN- -Law-on-Employment.pdf> for details.

## Provision of re-employment bonus

Provision for re-employment bonus can be both impetus and incentive to workers to get back to work as quickly as possible. Experiences from different countries suggest that UI beneficiaries can also avail of a re-employment bonus if they find a job prior to receiving full entitlement of UI benefits. For instance, in Japan, UI recipients will avail a lump-sum amount (25% of the remaining earnings) as a re-employment bonus if they can return to work within six months. Moreover, the provision of a re-employment bonus can significantly reduce the period of UI benefits. Evidence from Korea suggests that the introduction of the re-employment bonus has significantly shortened the duration of the employment insurance (EI) spells by 0.16 to 0.42 months (Ahn, 2018). However, in the current policy framework, there is no such provision of re-employment bonus.

## Need for an effective legal framework

An effective legal and regulatory framework is a prerequisite for sound management and overall monitoring of the UI scheme. The presence of a well-designed legal framework is the key to ensuring that social security is a right. For instance, it will allow any individual to claim his/her rights through a well-structured mechanism based on some coherent set of common standards/principles. The framework will have its legal basis in universal law that treats everyone equally. Therefore, people are essentially bound together, underpinning those standards/principles. The framework will also clearly articulate the organization and functioning of the systems (i.e., the pertaining rules, structure, rights, and responsibilities of various actors, including government, public and private sector authorities, etc.). At the same time, it will allow for more effective monitoring of the schemes, especially in the case of non-contributory benefits (ILO, 2019). A legislative basis thus ensures the continuity of rights and entitlements over time, contributes to the predictability and sustainability of the social security system, and the accountability of the institutions responsible for its governance. A well-integrated legal framework also facilitates the progressive formulation of overarching aims and objectives for the social security system and the development of linkages between its various components (e.g., contributory vs. non-contributory schemes, benefits in cash vs. in-kind etc.). Finally, the effective implementation of the law is equally important for achieving the mentioned objectives.

The framework will clearly outline the definition of key terms (i.e., employer, employee, salary, wage, unemployment etc.), the contribution rate for the stakeholders, fund management, qualifying criteria, benefit level and duration, articulation with ALMPs, and finally, the responsibilities of different stakeholders related to UI. That's why, it needs to be in place before rolling out the UI. The development of the legal framework for the UI scheme must involve consultations among the representatives of the relevant social partners and other stakeholders. International experiences suggest that many countries formulated separate and distinct legal framework for social insurance to start UI scheme (i.e., the Employees' State Insurance Act, 1948 in India, Law on Employment and Social Security Act in Viet Nam, Unemployment Insurance Act 2001 in South Africa, Social Insurance Law of the People's Republic of China, 2010). According to the Vietnamese 'Law on Employment', its UI scheme is based on five principles: (i) guarantee the risk-pooling principle among participants of the UI; (ii) premiums shall base on the salaries in the labour contracts or employment contracts of workers; (iii) benefit rate of UI shall be calculated based on contribution rates and the participation period; (iv) the implementation of employment insurance shall be simple, easy, and convenient; guarantee the insured's interests in a timely and adequate manner; and (v) the UI fund shall be managed in a

centralised, uniformed, public, transparent manner and the State guarantees the safe operation of the fund. Moreover, the Vietnamese Employment Promotion Law includes four other benefits: unemployment benefits, career guidance and job placement support, vocational training support, and support for other training, skill development for workers to retain employment. In addition, the eligibility criteria, contribution rates, qualifying criteria, exclusion criteria, benefit duration, benefit rate etc. are specified in the law.

At present, the enforcement of various provisions of the Labour Act to support the workers in the event of employment termination is weak in Bangladesh. Various national dailies reported that at least 1,900 labour cases were pending with seven labour courts across the country while another 900 cases were waiting for settlement for more than five years (The Business Standard, 2020; The New Age, 2020). Most of the labour cases are lodged from the apparel sector and relate to disputes regarding layoffs, dismissals, retrenchment, non-payment and delayed payment of wages and other benefits, compensation for workplace accidents, and violation of trade union rights (The Dhaka Tribune, 2019). This persistent judicial backlog can be attributed to the shortage of judges (a longstanding challenge to accelerate judicial activities) and lengthy judicial procedure to resolve a case. Moreover, the presence of lenient penalties and punitive actions seems encouraging for violating the provisions of the Labour Act. For instance, an employer can get carried away with only BDT 5,000 (less than \$60) for non-compliance of the order of the labour court. Therefore, the existing system is not adequate to protect workers' rights. Furthermore, an absence of a compulsory court-sponsored Alternative Dispute Resolution (ADR) system adds further strain to the judiciary and continues to increase the number of backlog cases of labour disputes (ILO, 2020c). Although the Labour Inspection Management Application (LIMA), managed by the DIFE, features a 'DIFE Complaint Box' that allows workers or employers to lodge complaints to DIFE about workplace issues, it has been found that most workers are unaware of the use of this complaint mechanism, as reported by key informants (ILO, 2021c).

Currently, Bangladesh does not have any specific legal framework for social security in general. The NSSS 2015 recommended for formulating a distinct law for a National Social Insurance Scheme (NSIS). According to the NSSS Action Plan 2016-2021, the law would be formulated under the supervision of the Financial Institutions Division (FID) of the Ministry of Finance (MoF) and would be placed before the Parliament by January 2020. However, no progress has been achieved yet in this regard. It is worth pointing out that ministries involved with labour or social insurance affairs (e.g., the Ministry of Labour, Invalids, and Social Affairs in Viet Nam) generally assume the responsibilities of formulating social insurance UI laws (Bista & Carter, 2017). Therefore, in the case of Bangladesh, the Ministry of Labour and Employment (MoLE) should be in the helm to explore the feasibility of devising a legal framework complying with any existing national legal frameworks particularly laws pertaining to labour and social protection as well as international standards. Formulating the NSIS law before initiating the UI scheme is subject to a strong political commitment. Moreover, there is a need for raising awareness among the concerned stakeholders before drafting various provisions of the law. Given the situation, the country can move forward with the existing law, as there was a suggestion to roll out UI under the National Insurance Policy 2014. However, all the necessary costing exercises and feasibility studies should also take place to guide the design of the system that needs to be translated into concrete legal provision later. Moreover, prior to introducing the UI scheme, this legal framework must be robustly reviewed to make sure it can be effectively enforced and it is compatible with the



ILO Social Security Standards. Otherwise, it would be extremely difficult to roll out the unemployment protection measures including unemployment insurance.

### **Insufficient Institutional capacity and preparation**

A well-designed institutional set-ups and capacities will be critical for the effective functioning of any UI scheme. However, lack of administrative capacity coupled with inadequate institutional facilities is prevalent in Bangladesh. Given the current situation, rolling out of UI scheme will be a daunting task. Therefore, the following avenues in the domain of institutional capacity requires attention.

The absence of a well-designed institutional framework for ALMPs is another constraining factor. The draft national jobs strategy and the 8<sup>th</sup> Five-Year Plan of Bangladesh have referred to the need for ALMPs (MoLE, 2019; GED, 2020) without specifying clear goals and targets in ameliorating the situation. The current institutional capacity is also not adequate to provide for many important components of ALMPs. Some key institutional issues pertaining to the skill development training programmes (one key component of ALMPs) are as follows:

- Since these training programmes are provided by different public and private entities with different approaches, there is a lack of coordination amongst the providers with comparability and quality of these programmes being a major issue.
- The current strength of the training programmes is hardly adequate for such a big labour market in the country.
- The quality of the training programmes is poor due to lack of trained teachers, inadequate provision of modern learning facilities, use of old-fashioned equipment and training materials etc.
- Lack of competency-based qualification framework since there is no national skills qualification framework to assess and evaluate the quality of the training programmes.
- There is no effective monitoring system of the training programmes often resulting in not imparting market-driven practical skills.
- There are no regular and systematic research reports (no systematic records of job placement) on the TVET sector.
- The TVET governing legislation and policy frameworks are not reviewed and updated on a regular basis.
- Absence of the needs assessment for (sector-specific) skills demand and supply in the labour market
- Lack of undertaking measures to adjust skill development training programmes with the pace of industrialisation and automation.
- Presence of gaps in life skills and soft skills undermining the workers' adaptability to cope up with and strive the fast-changing technologies and business requirements
- Limited scope for promoting green skills (which is required within the adaptation and mitigation measures in addressing climate-related vulnerabilities)

Another critical aspect of weak ALMPs in Bangladesh is the lack of infrastructure for collecting, analysing, and disseminating data. Labour market information is provided by the Bangladesh Bureau of Statistics (BBS) under the Planning Commission whereas the responsible institution to provide such

information in many other countries is the MoLE. The BBS's sole source of information comes through the labour force surveys, which are irregular in nature and provide mostly the aggregate level information. Besides BBS, some other government institutions can be considered as potential sources of labour market information. But there is no coordination among the data supplying agencies to identify and address any data gaps and/or inconsistencies. Finally, there is also a lack of proper data auditing which can be helpful for a comparative analysis of the potential data sources to render actual information on various issues of the labour market.

Inadequacy of institutional capacity for job search mechanism (assistance to jobseekers in their search for jobs and to employers in their search for the right jobseekers) is another concern (MoLE, 2019). In fact, there are no integrated job centres which provide training, job information, and matching services. The limited labour market information seems to serve job search facilities associated with only a small proportion of urban-centric white collar employment opportunities. Moreover, there is no institutional arrangements and provisions for career guidance and counselling services for prospective jobseekers which are considered helpful for choosing future career options.

Currently, there is no robust employed workers' digitised database, which is an important element for UI fund collection and payment. Therefore, it is high time to establish such a database possibly linking with the national ID database for facilitating UI benefit payments as well.<sup>31</sup>

The absence of a strong monitoring system can give rise to moral hazard problems especially where the implementation of UI schemes is backed by contributions from employers and the governments in emerging economies. Indeed, excessively generous payments (in terms of benefit levels/or duration) could generate disincentive effects on labour market participation and raise reservation wages (Boeri & van Ours, 2009). These problems might be compounded in emerging economies, where the risk of moral hazard can be higher due to poor monitoring of job-search as well as opportunities of employment in the informal sector (Duval & Loungani, 2009). To tackle this problem, it is imperative to strengthen the monitoring system so that unemployed persons can effectively search for jobs and quickly get back to employment.

The institutional capacity for safeguarding the UI fund is another important issue. The UI funds need to be used only for paying UI benefits and not to be diverted to other uses or other programmes. Non-related programmes should not be financed from the UI fund partly because this might be detrimental to the public credibility and potentially to the long-term sustainability of the scheme. This type of diversion of funds can be protected to some extent by adopting legislation which specifies the inviolability of UI funds and by requiring transparent and regular reports to stakeholders. In some cases, the government though collects the contributions and divert those to some private entities to evade such issues.

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<sup>31</sup> Data privacy issues and legal provisions must be complied with in dealing with any database with personal information. With the enactment of the Digital Security Act, 2018, Bangladesh put in place a data or information protection regime. Section 26 of the Act defines personal data as "identity information" and requires that an individual's explicit consent or authorisation be obtained for collecting, selling, storing/preserving, supplying or using his or her identity information.

Weak monitoring system to oversee the implementation of various provisions of Bangladesh Labour Act 2006 (amended in 2018) and Bangladesh Labour Rules 2015 in the factories and establishments is another problem facing Bangladesh. This can be attributed to the limited capacity of the responsible department (for instance, the Department of Inspection for Factories and Establishments-DIFE under the Ministry of Labour and Employment). The human resources and infrastructure of the DIFE are extremely limited in comparison with a very large number of factories and establishments in the country. Moreover, in the context of Bangladesh, many factories and establishments operate in the informal sector where implementation of labour laws and regulations is virtually absent. It is also challenging for the DIFE to monitor those factories and establishments given its current capacity.

Bangladesh can take lessons from the comparable countries to set up a well-designed institutional structure to initiate a UI scheme. For instance, a corporation ‘The Employees’ State Insurance Corporation (ESIC)’ is set up in India under ‘The Employees’ State Insurance Act, 1948’ to collect and administer the contribution for the UI scheme and put into a fund called the Employees’ State Insurance Fund. The corporation will be held responsible to disburse the UI benefits from this fund. Similarly, in Viet Nam, the Ministry of Labour, Invalids, and Social Affairs assume overall responsibility for the management of the UI system with the Bureau of Employment responsible for the processing of benefit claims. In doing so, the Bureau also cooperates with the Ministry of Finance and People’s Committees of provinces and central affiliated cities. The Ministry of Labour, Invalids, and Social Affairs is responsible to formulate policies and the laws on social insurance. There is also a Management Board of Viet Nam Social Insurance comprising representatives of the Viet Nam General Confederation of Labour, employers’ representative organization, state management agencies in charge of social insurance, Viet Nam Social Insurance, and other related organizations at the national level which will direct and supervise the operation of social insurance agencies and provide required advice on unemployment insurance policies. Social insurance agencies will perform the function of specialized inspection of the payment of unemployment insurance in accordance with the laws and regulations. Besides, the agencies will take adequate measures to preserve the UI funds under the decisions of the Management Board of Viet Nam Social Insurance. The employers’ representative organization will work to protect the lawful rights and interests of the insured employers while trade unions and Viet Nam Fatherland Front as well as its member organisations to propagate and disseminate policies and laws on social insurance to employees.

Considering the institutional set-up for the UI in Thailand, the social security offices (SSOs) and the Department of Employment (DoE) under the Ministry of Labour (MoL) play key roles (Table 7). The major activities of the SSOs are collection and record of contribution, reception of claim, examination of employment history and termination, accreditation of qualification of UI allowance and payment of benefit. The DoE has the responsibility for job replacement for unemployed persons. It also allocates Employment Offices in each Province (JICA & IDCJ, 2010).

Table 7: Thai UI: Responsibilities and organisations

Organization	Responsibilities
Department of Employment	<ul style="list-style-type: none"> <li>- Registration of the eligible unemployed workers</li> <li>- Receive benefits claim form</li> <li>- Interview, provide counselling and job placement according to qualification</li> <li>- Seek for recruitment</li> </ul>

	- Coordinate with DSD in the case where the insured person needs skill training
Department of Skill Development	- Check notification of job training of the insured person according to condition and qualification - Train the insured persons as needed - Monitor training progress
Department of Labour Protection and Welfare	- Announcement of Department of Labour Protection and Welfare on how to provide information on situation of laid off employees to the SSO
Social Security Office (SSO)	- Collect contributions and maintain contribution data - Verify qualifications of the beneficiaries - Check contribution history - Verify reason of employment termination - Order/not order benefit payment to individual bank account of insured person

Source: Boon-Arj (2010).

To streamline implementation procedures of unemployment benefits, it has been argued that the responsibilities of unemployment benefit payment, employment services and skill development for insured employed should belong to one agency (Boon-Arj, 2010). In Canada, Employment and Social Development Canada (ESDC) is the department responsible for developing, managing, and delivering social programmes and services. Service Canada is the operations arm of ESDC and is charged with administering UI benefit claims along with other programmes for Canadians. In light of the experiences of these countries, Bangladesh can take effective measures to set up a proper institutional arrangement to initiate the UI scheme.

In the light of above discussions, it would appear that most of the preconditions (following the ILO standards and international good practices) for initiating a UI scheme are not adequately fulfilled in Bangladesh. Moreover, considering the international good practices, Bangladesh should review the capacity of the relevant institutions and evaluate their manpower, offices, and facilities to determine their readiness to manage an UI scheme.

## V. Way forward

Ensuring social security to every citizen in need has been a policy priority in various national development strategies. Keeping this in mind, the NSSS envisioned the support measures towards the vulnerable working-age population in the form of a National Social Insurance Scheme (including an unemployment insurance component). Despite having an ambitious implementation plan, there has not been any noticeable progress towards the inception of UI in Bangladesh. Nonetheless, very recently, a framework for the NSIS has been made available. This framework has some major limitations. UI functions reasonably well under favourable labour market conditions, effective employment services coupled with ALMPs, distinct legal framework and adequate institutional support. These essential preconditions are not yet fulfilled for initiating a full-fledged UI scheme. Nevertheless, the policy commitment to establish a UI scheme as reflected in the NSSS should not be discarded. One option for Bangladesh is thus to make incremental progress toward the NSIS charting a clear roadmap ahead so that various international standards are complied with gradually but within a shortest possible time frame. The following provides some useful consideration in this respect.

- The initiation of UI requires a concrete roadmap with clear and pragmatic guidelines. The stakeholder sensitisation about the relevant NSIS provisions, International Labour and Social Security Standards, in general, and the ILO Conventions related to Unemployment protection, in particular, and the importance of establishing a social insurance model will be vital in developing the roadmap. Moreover, it will govern the future course of action with an aim to introduce the UI scheme. The Ministry of Labour and Employment (MoLE), the ILO, the Planning Commission, and the Cabinet Division should work closely following the roadmap giving due attention to any realistic timeframe to launch the UI scheme.
- There is a need for following an incremental approach based on the NSSS guidelines in developing a UI scheme.<sup>32</sup> For example, starting with the more organised formal sector, the coverage can be increased in various stages. After gaining adequate experience and building administrative as well as institutional capacities, strategies for progressive extension of UI coverage to larger segments of workers should be explored, in coordination with policies for accelerating formalization of the economy and employment. Some workers will always remain outside the scope of UI; for those, adapted measures and schemes should be envisaged and developed, combining contributory or non-contributory social protection measures and ALMPs. .<sup>33</sup>
- Raising awareness among the relevant stakeholders about social insurance (which is the basis of UI) should be a policy priority. Promoting social dialogue can be an effective option in raising awareness. Sustained consultations with participants from all stakeholder groups to help build consensus on major underlying issues (including contributing principles and mechanisms) can greatly facilitate the process of setting up UI. The MoLE should work closely with the ILO to gather the necessary technical support in this regard.
- Establishing an appropriate and well-defined legal framework needs to be in place before initiating a UI scheme.<sup>34</sup> There could be one broad social insurance act comprising various elements including unemployment insurance. The act will clearly articulate the responsibilities of different stakeholders related to UI and provide a legal basis for employment promotion policies. It should also properly outline the provision of UI benefits in the presence of

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<sup>32</sup> While following an incremental approach, priority should be given to special assistance measures for the neediest unemployed persons to the extent permissible by the available resources and in the context of national conditions when cannot fulfil the conditions set out in Paragraph 26(1) of ILO Recommendation No. 176.

<sup>33</sup> According to ILO (2021a), some countries with the existing unemployment insurance schemes have extended coverage to workers previously excluded such as young people (Ukraine), including learners in training and domestic workers (South Africa), and the self-employed (Jordan).

<sup>34</sup> While designing the legal framework, a country should follow any of the two strategies namely progressive realisation and rights-based approach. Under the progressive realisation framework, programmes are undertaken to test on a limited scale (often in a limited geographic area) before scaling them up as part of the policy and legislative framework. On the other hand, a rights-based approach also requires the design, even progressively, of the legal framework to secure durable implementation. However, the rights-based approach to social protection can render the most effective outcomes by aligning poverty reduction strategies with the social security rights. Therefore, it is imperative for policy instruments to place emphasis on the legal framework as a major element in guiding the progressive achievement of the objective of universal, comprehensive and adequate social protection (ILO, 2019).

severance pay/retrenchment benefits.<sup>35</sup> The NSSS Action Plan 2016-21 envisaged such as act to be promulgated earlier but no progress has been made on this.

- Institutional capacities in a number of areas must be strengthened for the rolling out and effective functioning of a UI scheme. Capacity building of the relevant institutions like the Ministry of Labour and Employment, the Ministry of Finance, other ministries and departments and agencies administering labour market policies will require, amongst others, employing adequate and skilled manpower and their appropriate training and ensuring sufficient resources. Bangladesh can take lessons from comparable countries like Thailand and Viet Nam to capacitate the institutions.
- Public employment services and ALMPs must be revamped, expanded, and well-coordinated to realise the objective of the UI scheme (i.e., return of the workers to suitable and decent jobs as quickly as possible). Job centres or a strong network of employment offices should be established to provide labour market services like job brokerage, job searching and matching, counselling and placement services. While establishing the job centres, special focus should be provided to workers living in hard-to-reach areas.
- A comprehensive and dynamic labour market information system should be developed to facilitate public employment services. Currently, no labour market information system exists and up-to-date data on employment opportunities and job market prospects are not available. While the Bangladesh Bureau of Statistics (BBS) is officially responsible for undertaking the labour market surveys and publishing the data, capacity constraints mean it has failed to generate these data on a regular basis. Along with the BBS, a more proactive role of the MoLE is needed to demand for suitable data and their appropriate dissemination.
- A credible and digitised employment database to make the UI scheme functional. Having a digitised database is critically important for fund collection, processing the UI claims, and payment of UI benefits.
- The currently available draft national jobs strategy should be reviewed to adequately focus on the provision of employment services and ALMPs. Particularly, strategic directions are needed to identify areas where improvements are critical and how those can be achieved. The role of ALMPs and employment services should be articulated effectively so that all concerned can appreciate their significance.
- The UI governing modalities outlined in the draft framework study (commissioned by and published jointly by the Cabinet Division and General Economics Division) must be carefully reviewed and revised to ensure compliance with ILO international social security standards and international practices. If at the initial stage, there would be certain shortfalls to make the UI incrementally operational, there should be clear roadmap as regards how those will be addressed in the future to achieve international standards.

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<sup>35</sup> For instance, the delivery of severance payment can result in a suspension of unemployment benefits especially when it compensates for the loss of earning/income (Bista & Carter, 2017).

- Effective measures need to be undertaken to ensure the sustainability of the UI scheme. Therefore, the UI fund should be managed in such a way (e.g., investment in safe assets) so that it can be initiated as a sound business model with any provisions for absorbing any likely shocks during any emergencies or crises. Institutional capacities and options for dealing with periodical actuarial valuations and fund management are important areas for further review. The Ministry of Finance may have to take an active role in this regard in collaboration with other relevant departments and institutions.
- An NSIS champion is needed to promote the UI scheme both within the government and social partners. The Ministry of Labour and Employment (MoLE) and the ILO should be natural partners in this respect to provide the necessary information, promote social dialogues, help secure consensus amongst the stakeholders, identify any constraints and appropriate actions to deal with those. MoLE, in partnership with the ILO should work closely with the Cabinet Division and GED to act as the focal point for the NSIS.

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