

Towards a Feasible Model for the National Social Insurance Scheme in Bangladesh

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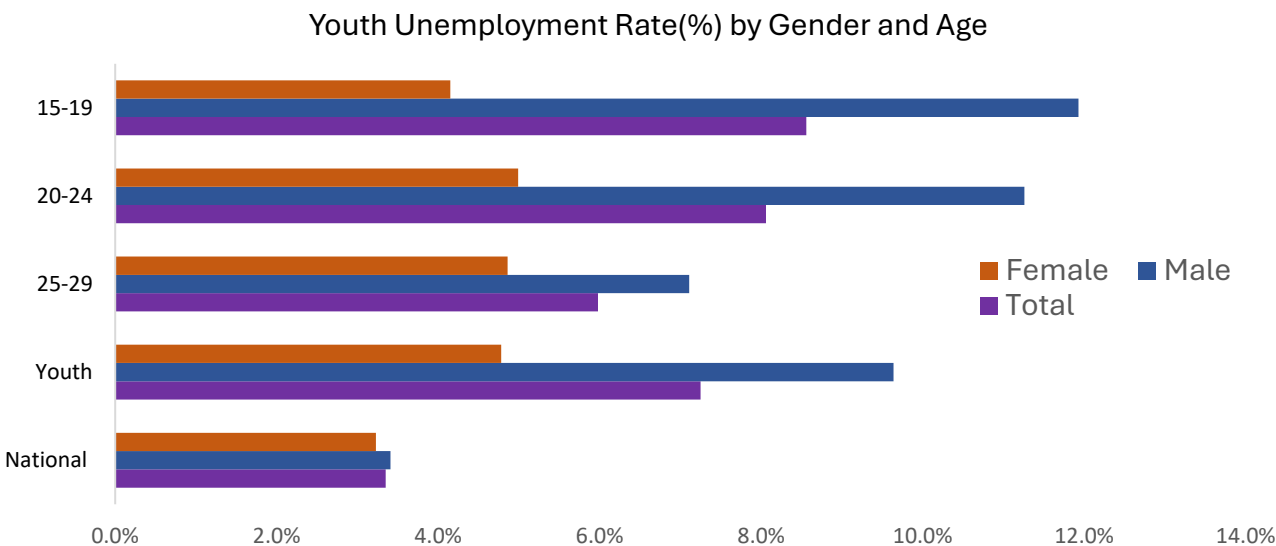
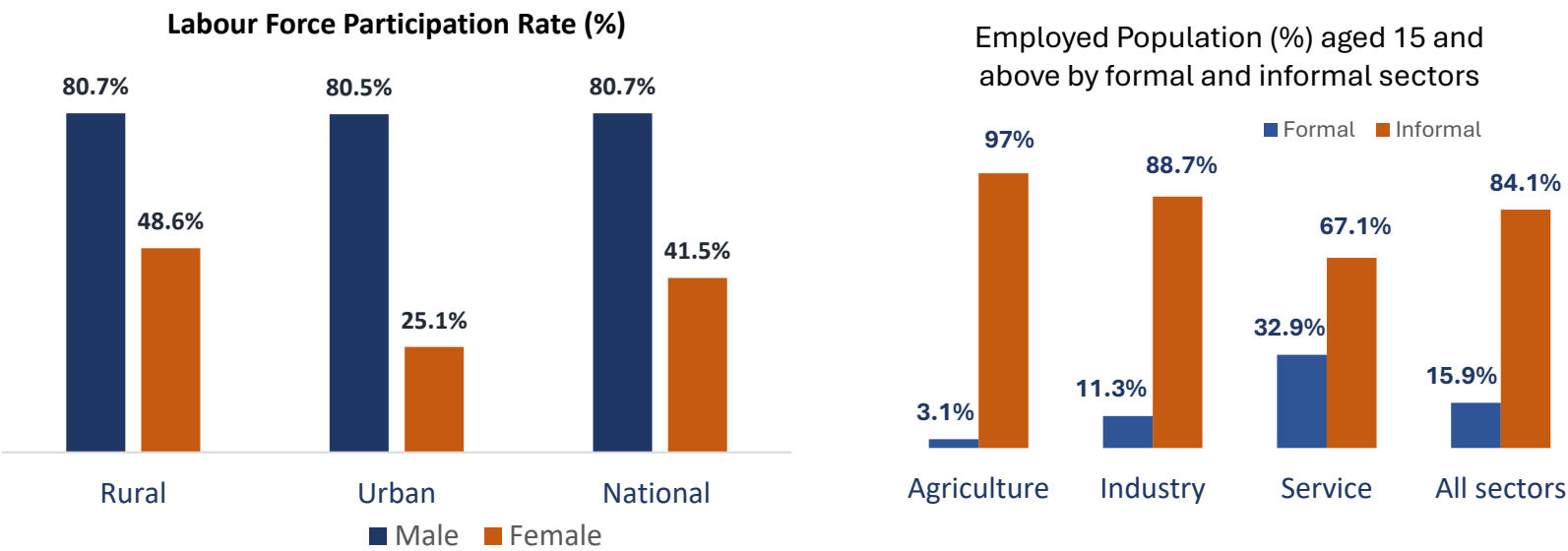
Despite impressive socio-economic progress, labour market challenges are becoming major concerns for Bangladesh.

Low labour force participation, particularly of women.

Overwhelming dependence on the informal sector for employment.

High and persistent unemployment among youth.

Non-existent unemployment protection measures, a huge gap exposed by Covid-19.



The National Social Security Strategy (NSSS), 2015 proposed a National Social Insurance Scheme (NSIS) for the working-age population.

The NSSS, grounded in the lifecycle framework – stipulates

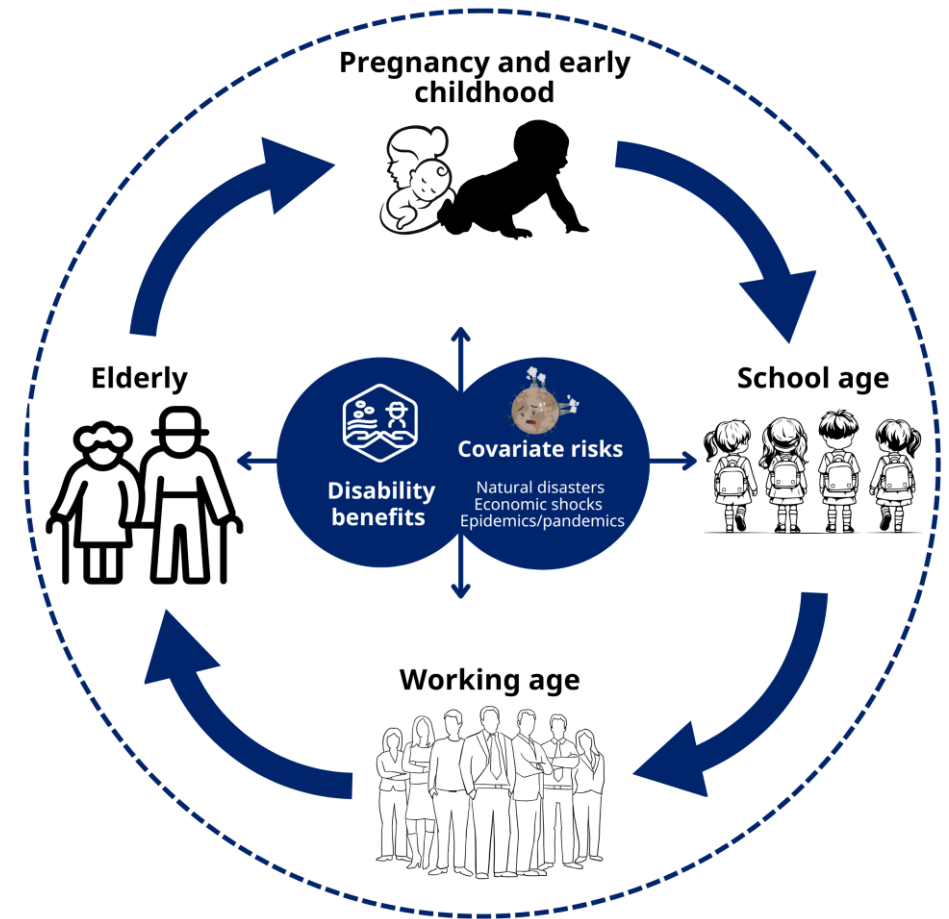
- Support for the citizens at every stage of life
- For achieving social cohesion & inclusivity

The NSSS envisioned establishing a National Social Insurance Scheme (NSIS)

- To broaden the scope of social security.
- As the Govt's long-term vision for social security to deal with demographic transition.

NSIS would be a priority agenda

- Based on social insurance principles of employers and employees jointly paying contribution



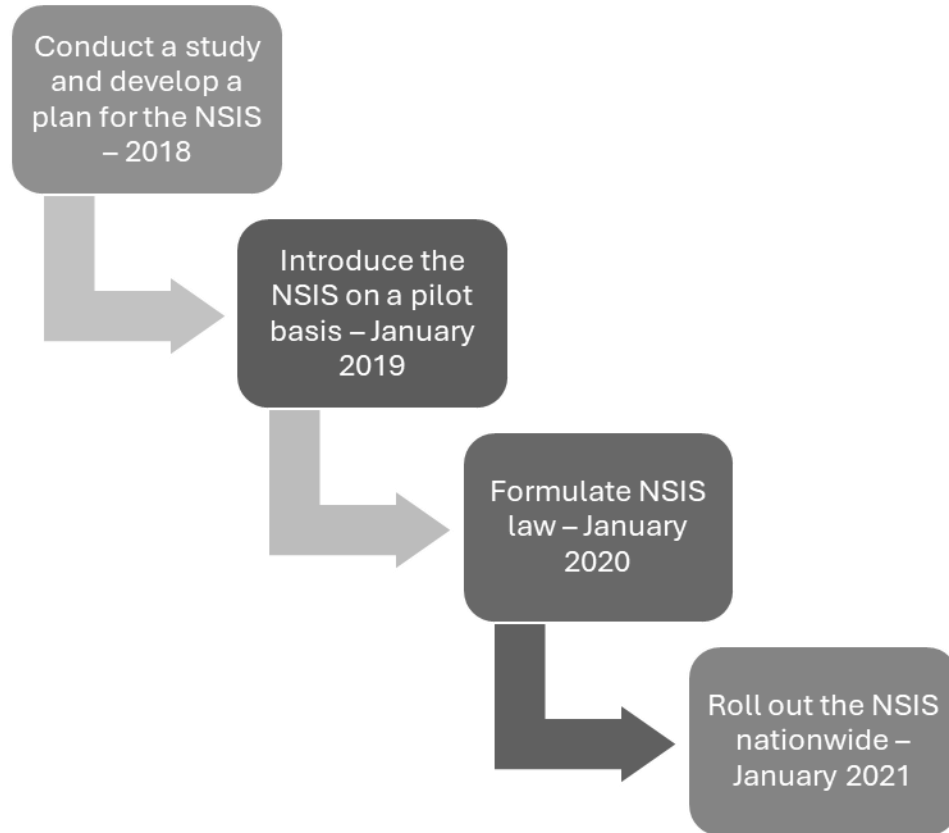


The National Social Insurance Scheme

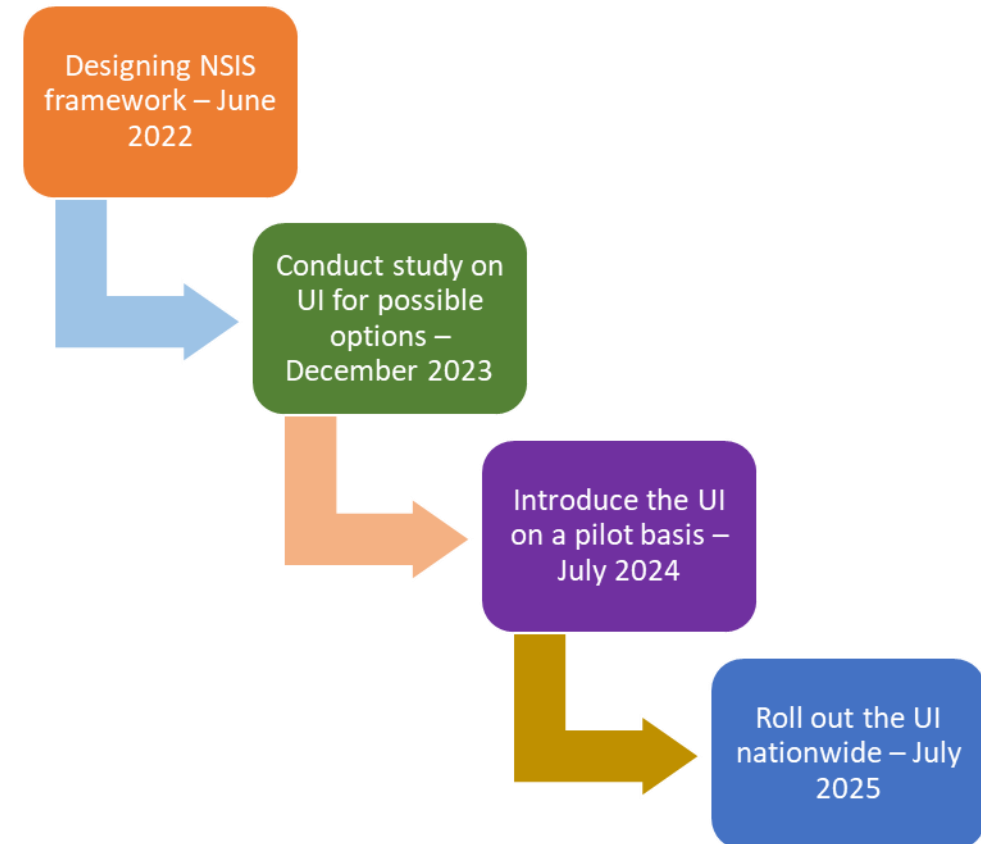
- The NSIS will be based on joint contributions from employers and employees
- Initially, it will be targeted to formal sector employees
- Initially, the NSIS management was tasked with the Ministry of Finance. The decision would be revisited later.
- The responsibility of preparing the NSIS has been given to the Ministry of Labour & Employment

The progress on rolling out NSIS has been limited.

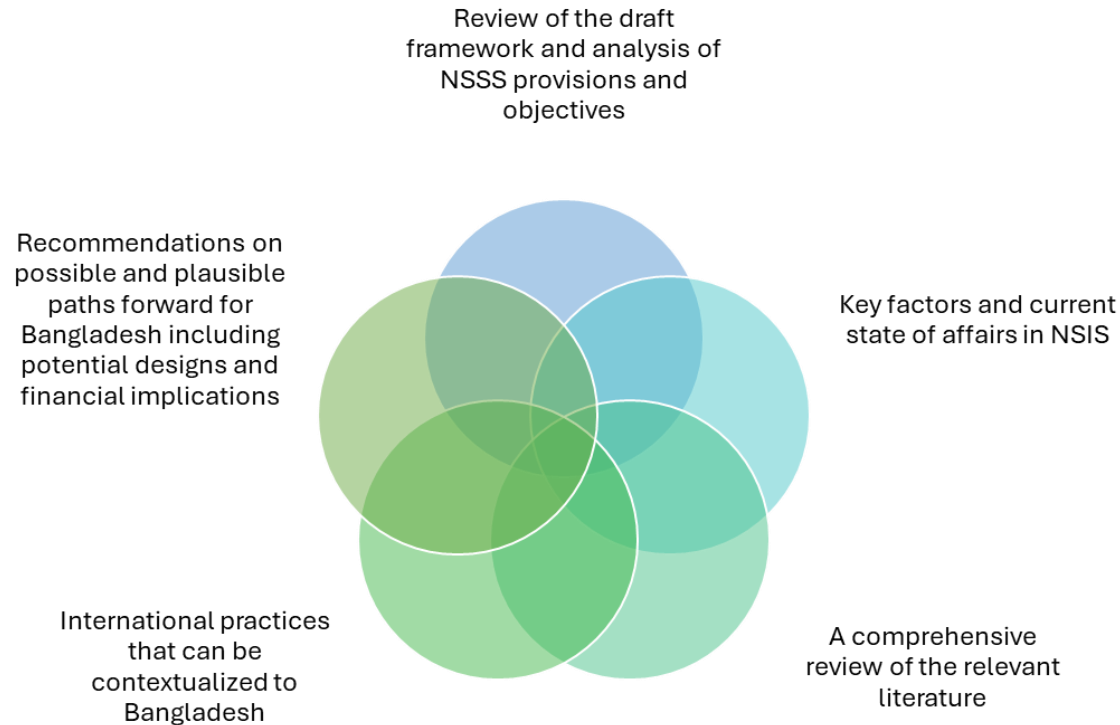
Initial implementation plan of the NSIS



Revised implementation plan of the NSIS in the NSSS Action Plan Phase II (2021–2026)



For Bangladesh, a possible framework for the NSIS was drafted and reviewed.



Study on Framework for Introduction of National Social Insurance Scheme in Bangladesh

Draft Report

Social Security Policy Support (SSPS) Programme

Cabinet Division

and

General Economics Division of Bangladesh Planning Commission

Government of the People's Republic of Bangladesh



Summary of different provisions of the NSIS draft framework

Scheme	Scenario	Coverage	Eligibility criteria	Benefits
Sickness	Scenario 1	Universal coverage	No such criteria	BDT 311 per person for a period of 91 days
	Scenario 2	Formal sector employees	Contribution of at least 10 months	60% of the last drawn wage (BDT 9,341) for a period of 91 days
	Scenario 3	Entire working population	Contribution of at least 10 months	60% of the last drawn wage (BDT 9,341) for a period of 91 days
Maternity	Scenario 1	Universal coverage	No such criteria	BDT 320 per beneficiary for a period of 16 weeks
	Scenario 2	Formal sector employees	Contribution of at least 11 months	2/3 rd of the last drawn wage (BDT 10,378) for a period of 16 weeks
	Scenario 3	Entire working population	Contribution of at least 11 months	2/3 rd of the last drawn wage (BDT 10,378) for a period of 16 weeks
Unemployment	Scenario 2	Formal sector employees	Contribution of at least 86 months	45% of average salary (BDT 7,006) for a period of 182 days
	Scenario 3	Entire working population	Contribution of at least 86 months	45% of average salary (BDT 7,006) for a period of 182 days
Employment injury	Scenario 2	Formal sector employees	Contribution of at least 8 days	Approx. BDT 37,201 per beneficiary
	Scenario 3	Entire working population	Contribution of at least 8 days	Approx. BDT 37,201 per beneficiary

Proposed implementation mechanism in the draft framework on NSIS schemes

Geographical targeting	Specific municipal areas or cities (i.e., big city like Dhaka) where establishments within the areas must comply with the provisions of the schemes on a mandatory basis.
Applicability for certain establishments or classes of establishment	Certain categories of establishment on selective basis where employer and employee relationship can be easily identified
Targeting establishments having more than a certain number of employees	Establishments having more than a certain threshold number of employees (e.g., >100)
Applicability in certain sectors	Sectors having the highest impact on social protection like RMG sector
Combination of the various options	Piloting can be done in any of the above stated establishments

Review of the 2019 NSIS framework (Draft)

Significance of labour market policies

Discussion on labour market policies are largely absent.

Strengthening of active labour market policies (ALMPs) needed prior to UI rolling out.

Complying with International Conventions

For UI, benefit amount of 45% of earnings can be increased to 50% as per advanced international standards (C168 of ILO).

For maternity benefits, at least two-thirds of earnings but is recommended to be raised to 100% (R191)

The draft framework only considers the cash benefits ignoring other complementary benefits like assistance to find jobs, reskilling, counselling and placement services etc.

Review of the minimum period of contribution and benefit duration

The minimum period of contribution in the draft framework is considered excessive vis-à-vis international standards.

Contribution requirement for UI in the proposed framework has been set to 86 months and that far exceeds the common international practice (6-12 months within past 24 months)

It is imperative to reflect the principles enshrined in ILO conventions when establishing the minimum qualifying period of contributions and benefit duration.

Absence of an effective legal framework

Despite NSSS (2015) recommending a dedicated NSIS law, no progress has been made

A legislative framework needed to define key terms (e.g. employer, employee, wage), contribution rates, benefit rules, fund management, etc. and other provisions.

Lack of a digitised employment database

Without a robust system, it is impossible to track contributions, employment history, eligibility, fraud, multiple claims, or worker mobility across sectors.

Unclear fund management mechanism

While contribution sources are mentioned, the draft does not specify transparent mechanisms for managing, investing, or disbursing funds, nor how accountability will be ensured.

Insufficient stakeholder consultation

Limited dialogue has restricted consensus-building on parameters such as contribution rates and benefit levels, though social insurance requires broad agreement among social partners.

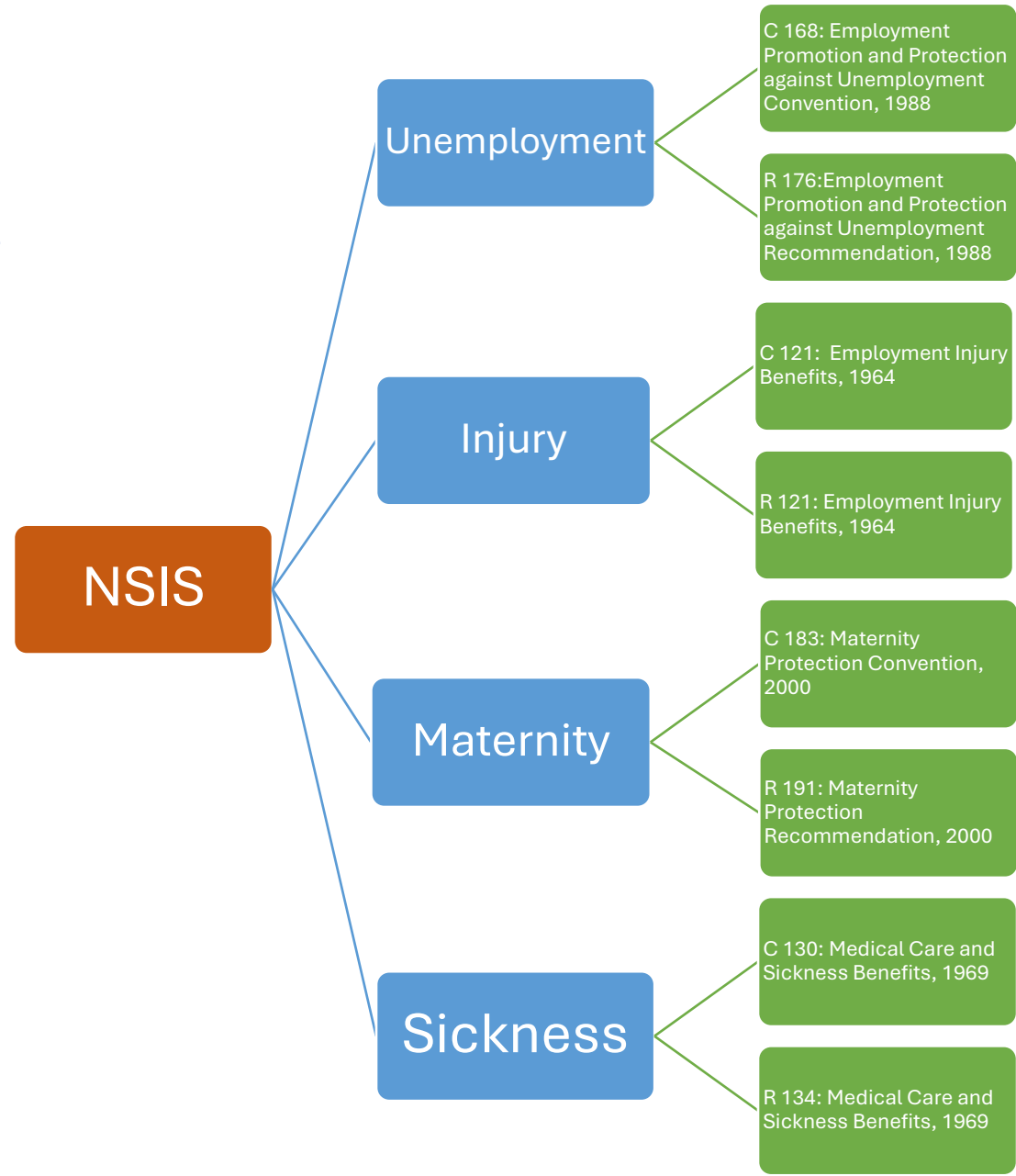
Inadequate institutional capacities –

No roadmap for building capacity in data systems, monitoring, or enforcement. Institutions like DIFE remain resource-constrained, and active labour market programmes (ALMPs) are limited mainly to skills training.

International standards for social insurance branches

Social Insurance protects loss of income and falling into vulnerabilities and poverty in the events of exposure to risks i.e., health risks, accident, unemployment, old age etc.

Principles: solidarity and risk-pooling



Social insurance differs from private insurance across multiple dimensions, including financing, access, and benefit design.

Feature	Social Insurance	Private Insurance
Objective	To provide basic protection against key life risks (e.g., unemployment, illness, old age, etc.) as a public good	To offer tailored risk coverage based on individual needs and preferences
Financing Mechanism	Funded primarily through mandatory payroll taxes or contributions from employers, employees, and sometimes the state	Financed through voluntary premiums paid by individuals or organisations
Participation	Compulsory for defined groups , especially formal sector workers	Voluntary ; based on individual or organisational choice
Risk Pooling	Broad and often national in scope, aiming for income redistribution and social solidarity	Risk-based pricing; narrower pooling based on actuarial risk assessment
Access and Coverage	Typically universal or near-universal for covered groups; equity-focused	Varies based on affordability, underwriting criteria, and policyholder profile
Benefit Design	Defined benefits often stipulated by law; standardised and regulated	Customisable benefits based on policy type, premium levels, and risk coverage
Provider	Government or publicly mandated institutions	Private insurers operating in competitive markets
Profit Motive	Non-profit in nature ; focused on social protection	For-profit ; focused on financial returns and client satisfaction
Regulatory Oversight	Strong state regulation and governance	Market regulation with consumer protection rules
Examples	Pension systems, unemployment insurance, national health insurance schemes	Life insurance, private health insurance, property and casualty insurance

Unemployment insurance: Some examples

An unemployment insurance (UI) scheme supports those who become unemployed involuntarily.

UI objectives:

- (i) Guaranteeing income security in the event of a job loss or underemployment
- (ii) Offering employment assistance programmes (i.e., skill development training, reskilling etc.) to support their return to work

Most countries contribute to their UI fund jointly (i.e., employers, employees, and the government) and contribution rates vary.

- In Viet Nam, employers and employees contribute 1% of insured earnings while the government pays 0.5%
- In India, employers provide 3.25% of insured earnings and employees 0.75%.

Qualifying criteria to avail the UI benefits vary from country to country.

- 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.

Benefits are given as a percentage of earnings.

- In Japan, the benefit rate can reach up to 80 per cent of daily earnings. But in other countries those can be much lower.

The duration of benefits varies by country, based on work hours and contribution rate.

- In the Republic of Korea, the duration of benefits is also determined by age i.e., the duration lengthens with age.

Employment Injury Insurance provides financial relief and family support, helping workers recover and return to work.

129 countries are implementing EII schemes:

Eligibility: Loss of working capacity ($\geq 5\%$)

- **Vietnam:** Benefits start at $\geq 5\%$ loss of capacity (accidents or listed occupational diseases).
- **Indonesia:** No explicit % threshold; covers all work accidents/illnesses (including commuting on defined routes).

The type of injury/illness determines the level and length of benefits for this insurance.

- **Indonesia:** 100% wages for first 6 months of temporary disability (50% for next 6); permanent disability compensated by lump sum or pension; death benefits include lump sum plus funeral grant.
- **India:** 90% wage for temporary disability; lifetime pension for permanent disability; death benefits include survivor pension plus funeral grant.

Medical expenditures for work-related injuries are covered in almost all countries.

- **Vietnam:** 100% of medical treatment + rehabilitation.
- **Indonesia:** Full treatment coverage, incl. specialized rehab; orthoses/prostheses; partial reimbursements (dentistry, hearing aids).

Maternity insurance include income security (cash benefits), leave entitlements, and maternal healthcare for pregnant women and mothers of newborns.

According to the *ILO World Social Protection Report 2024–26*, about half of women of reproductive age worldwide are legally entitled to maternity cash benefits, and **only around a third of mothers of newborns actually receive them.**

A minimum number of working days as per country-specific requirements:

- In India, at least worked for **80 days in a company** in the **past 12 months** before the projected date of delivery. Adoption of a child below **3 months** entitles mothers to **12 weeks of leave**.
- In Malaysia, worked at least **90 days in the 9 months before confinement**, and have been employed at any time in the **4 months before confinement**
- In Vietnam, women are entitled if they have made social insurance contributions; adoption of a child under **6 months** entitles the mother to leave until the child reaches 6 months.

Example of duration and level of benefits:

- Vietnam: Provides **6 months of maternity leave**, paid at **100% of the average contributory salary of the last six months**.
- Republic of Korea: Provides **90 days of leave**. The **employer covers the first 60 days**, while the **Employment Insurance Fund covers the remaining 30 days** (with reimbursement mechanisms available to small and medium employers).

Nature of benefits: Maternity benefits are provided as a percentage of salary and cover medical expenses as well. However, medical expense coverage is not always integrated with cash benefits, and varies across countries.

Workplace measures: Majority of the countries also provide **breastfeeding breaks or reduced hours** for nursing mothers, at least guarantee that in law, although not all ensure they are paid.

Sickness insurance benefits cover “incapacity for working resulting from a morbid condition and involving suspension of earnings”.

109 countries are implementing sickness insurance (World Social Protection Report 2020–22, ILO).

Social insurance is the basis of sickness insurance in 94 countries.

To be eligible for benefits, employees must have completed specific amount of ensured hours work

78 days of work before claiming the benefit in India. In Thailand, at least 3 months within the 15 months preceding the medical treatment. Sickness insurance may not always cover all illnesses, and it varies from country to country.

The benefits are calculated as a percentage of the insured earnings

70% of the daily average wage in India, and 75% of the monthly pay in Viet Nam. Thailand also covers hospital transportation, medical examination, and care costs, as well as prescription and pharmaceutical expenditures.

The duration of benefits depends on the social insurance payments and employment conditions.

In India, a potential beneficiary will receive the benefits for 91 days during the course of two consecutive benefit periods. In Viet Nam, it ranges from 30 to 70 days.

Stocktaking of the progress towards implementing NSIS schemes

Current state of sickness benefits in Bangladesh

Some provisions in the public sector



Medical Allowance

Fixed BDT 1,500/month (BDT 2,500 for retirees 65+). Unchanged since 2015 → inadequate.



Sick Leave

Flexible, up to 1–2 years (earned leave, half-pay leave, extraordinary leave).



Welfare Support

Grants via BKKB – up to BDT 40k (general) & 200k (critical diseases).



No formal sickness benefits under social insurance



Fragmented & inadequate system → most workers lack protection.

Private sector practices



Medical Allowance

Not mandatory; varies by company policy.



Sick Leave

14 days/year at full pay (non-cumulative) under Labour Act 2006.



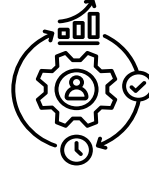
Compensation & Funds:

- Work-related injury/illness → compensation (BLA Ch. XII).
- Group insurance mandatory for 100+ workers (death/disability lump sum).
- Central Fund (RMG/export) & Labour Welfare Foundation (medical aid).

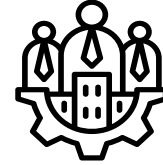
Current state of Employment Injury Insurance Scheme (EIIS) – Pilot Programme



- Pilot programme launched in June **2022** in RMG sector, covering ~4 million workers.
- The EIS pilot is based on **no-fault principle** – workers are compensated without the need to prove employer negligence.
- **Benefit package & financing:** Workers (or families) receive lump-sum payments for death or disability plus pension as top-ups, with the government's Central Fund covering the lump sums and international brands/buyers currently financing the periodic/monthly payments.



- **Critical Gap:** The big challenge is what happens after June 2027, when the pilot ends. Once brands and buyers stop contributing, there is currently no agreement or law on who will finance the periodic/monthly payments in the long run.
- **Occupational diseases** not covered.
- Still **RMG-focused** with efforts to include other export-oriented sectors, while other high-risk sectors remain excluded.
- No **medical care, rehab, or funeral benefits** in package.



- **Commuting accidents included** since July 2024.
- **Strong brand participation:** 60+ brands financing top-up pensions.
- **Tripartite governance** in place, but still under temporary arrangements.
- **Digital MIS and claims processing system** operational; more than 100 claims processed.

The existing maternity protection system in Bangladesh is fragmented, inadequate and limited in scope

Legal framework (BLA 2006 & BLR 2015)

- Provides 16 weeks of paid maternity leave at 100% wage (8 weeks before, 8 weeks after childbirth)
- Eligibility: ≥ 6 months with same employer; not available if mother already has ≥ 2 surviving children
- Covers only formal sector
- **Shortcomings:** Completely employer's liability; Weak enforcement; widespread exclusion of informal workers; no explicit dismissal protection; limited breastfeeding/childcare facilities; does not cover medical costs

Statutory funds (CF & BLWF)

- **Central Fund (CF):** Lump-sum maternity benefit for 100% export-oriented industries, currently limited to just RMG workers
- **BLWF:** Similar grants for formal & informal workers (excluding RMG)
- **Shortcomings:** One-time grants are small and inadequate; coverage limited; not linked to wage replacement

Tax-financed programme (Mother and Child Benefit Programme – MCBP)

- Consolidated MA & LMA in 2019; covers poor pregnant and lactating women (includes age (between 20–35 yrs), income and land criteria)
- Provides Tk. 850/month for 36 months; includes nutrition and behaviour change communication
- Reaches 17.7 lakh beneficiaries in FY26; budget Tk. 1850 crore (1.46% of SSP budget)
- **Shortcomings:** Does not cover medical expenses of maternity; once-a-year enrolment; still leaves many vulnerable women uncovered

Pilot programmes (MHVS & SSK)

- **MHVS:** Vouchers for pregnant mothers to access ANC, delivery, and PNC services in selected areas
- **SSK:** Social health protection scheme with limited maternal health coverage for low-income groups
- **Shortcomings:** Small scale, geographically restricted, weak service delivery, not institutionalised

The Mother and Child Benefit Programme (MCBP) is currently the largest tax-financed scheme related to maternity protection; however, resource constraints limit its coverage, preventing it from reaching all eligible mothers as per the programme's criteria.

Introduced in 2019 after merging two schemes

- Maternity Allowance (rural women)
- Lactating Mother Allowance (urban women)

Benefit level

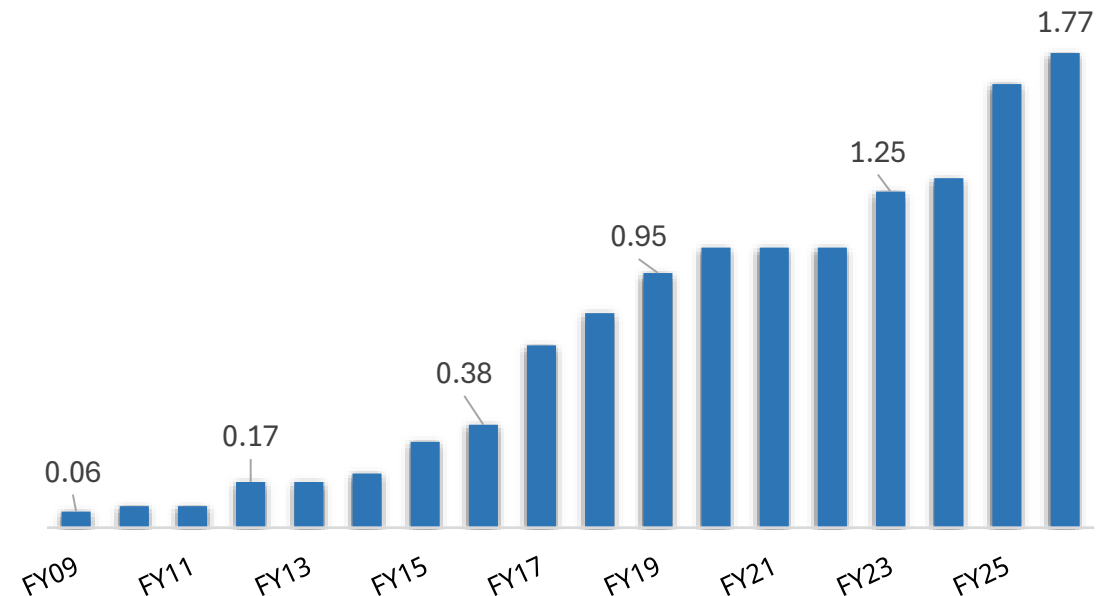
- BDT 850 /month (↑800 in FY26) for 36 months from enrolment
- Disbursed quarterly via G2P digital transfer (low cost)

Eligibility criteria

- Women aged 20–35 years (1st/2nd pregnancy)
- Priority: marginalised & low-income households
- Registered upon confirmation of pregnancy

MCBP takes up **1.58%** (BDT 1,849.24 crore) of total social protection budget in FY26

No. of beneficiaries for MCBP (in million)



Source: Ministry of Finance

Covering all eligible mothers and children would cost **TK 2881 crore**, which is **2.5%** of the current social protection budget.

However, achieving universal coverage under this programme would require a significant budget increase—by approximately **8,222 crore Tk**.

Number of beneficiaries as per FY26 Budget: **1,771,000**
Number of beneficiaries in case of universal coverage: **9,831,420**
Number of beneficiaries if all eligible mothers and children are covered: **2,782,718 ***
MCBP Budget for FY26 : **1,849 crore Tk**
Total Social Protection Budget FY26: **116,731 crore Tk**
Total Budget FY26: **79,000 crore Tk**

Schemes/Issues	For covering all eligible mothers and child as per MCBP criteria	For universal coverage
Additional beneficiaries to be included	1,011,718	8,060,420
Extra budget required (in cr Tk)	1,032	8,222
Total budget required (in cr Tk)	2,881	10,028
% of total social protection budget in FY26	2.5%	9%
% of total Budget FY26	0.4%	1%

Source: Author’s calculation based on HIES 2022 data and BBS data

Note: * This number is estimated using the eligibility criteria of MCBP program and using the Household Income and Expenditure Survey (HIES) data, BBS

Current state of unemployment insurance in Bangladesh

No formal scheme : Unemployment Insurance (UI) does not yet exist in Bangladesh.

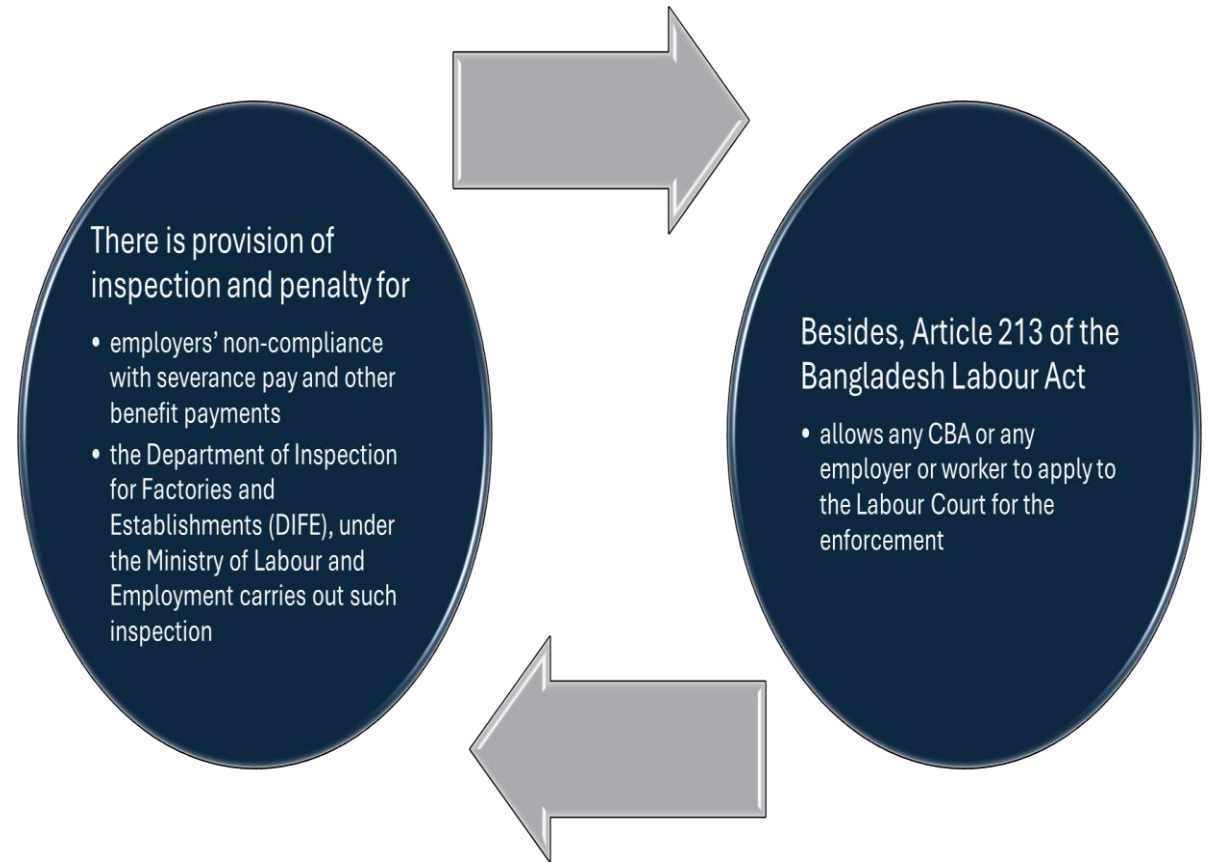
Limited indirect coverage : Temporary wage support via **EGPP** and similar programmes.

Labour law provisions : The **Bangladesh Labour Act (BLA)** covers layoffs, severance, and retrenchment, but **UI is excluded**.

Enforcement gaps : Weak implementation of BLA reduces effectiveness of protections.

Challenges : High informality, lack of worker data, limited institutional capacity.

Implications : Workers remain **highly vulnerable to income shocks** during unemployment; need for a **systematic UI framework** aligned with international practice





Recent Developments on the NSIS

- A roadmap for designing and implementing different branches of NSIS is currently underway.
 - ILO, in collaboration with UNDP and DFAT, is providing technical support.
- Major objectives of the NSIS roadmap
 - To delineate a time-bound and comprehensive phased roadmap outlining key prerequisites and ensuring compatibility with ILO social security standards (conventions and recommendations).
 - To explicitly discuss the institutional and governance architecture as well as strengthening Ministry (MoLE) capacity
- The Social Security Unit (SSU) within the MoLE has already been established.
 - ADB, GIZ and ILO are providing technical capacity building support to the SSU.

Towards a feasible NSIS model for Bangladesh



A feasible NSIS model should address the shortcomings of the draft framework



The revised framework must comply with international social security standards



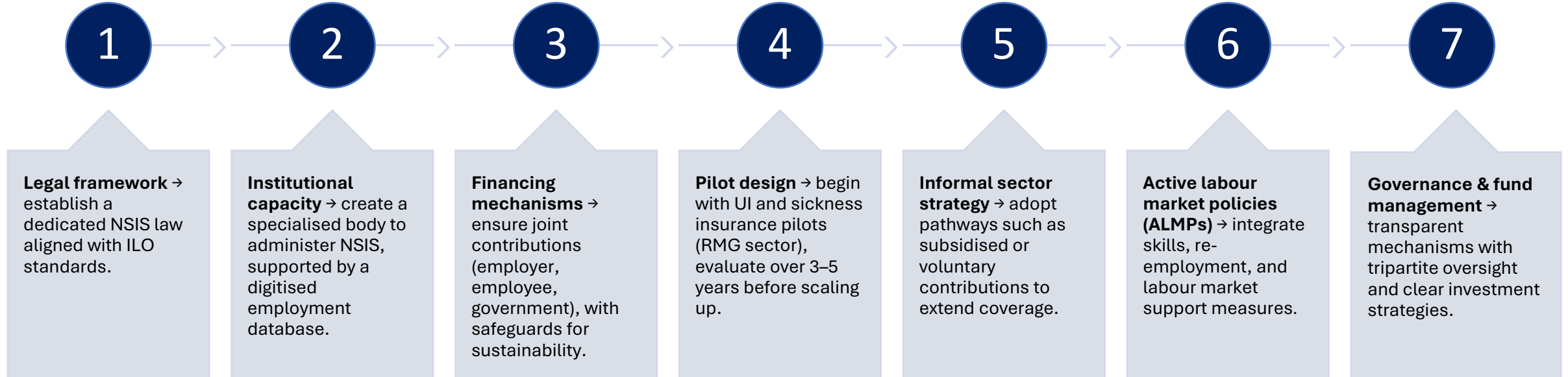
Good practices from cross-country experiences can be incorporated



A practical approach is to adopt **progressive implementation**, where features are gradually introduced and strengthened over time

Policy recommendations

Key priorities



Thank you.