

# Social Security Policy Support (SSPS) Programme

Policy Note 04

## Expanding Social Insurance in Bangladesh: Institutional Foundations, Progress, and Implementation Challenges

Policy Insights Drawing from the National Conference on Social Protection 2025

### Overview

Social insurance represents a transformative and relatively new pillar of Bangladesh's social protection architecture. Under the National Social Security Strategy (NSSS), the Social Insurance Cluster, coordinated by the Finance Division, is tasked with shifting the system from a predominant reliance on non-contributory allowance programs toward contributory insurance mechanisms. This transition is particularly significant in a labour market where nearly 75 percent of the workforce is engaged in informal employment, underscoring both the scale of the challenge and the opportunity for inclusive social protection reform. The cluster seeks to establish a sustainable social insurance system tailored to Bangladesh's socio-economic context, gradually expanding coverage from the formal sector to informal workers nationwide and providing long-term income security during health, employment, and old-age risks. By complementing allowance-based programs, the cluster enhances risk pooling, financial sustainability, and shared responsibility.

### Current Landscape and Rationale

Globally, social insurance systems provide structured and predictable risk coverage through contributory mechanisms and are a cornerstone of social protection in developed economies. Bangladesh has historically emphasized allowance-based programs, making the recent shift toward social insurance a strategic evolution aimed at enhancing sustainability, shared responsibility, and equitable risk coverage. Expanding social insurance is particularly complex in a country where informal employment dominates, but it is essential for achieving inclusive protection and reducing vulnerability across life-cycle risks.

### Institutional Composition and Governance

The Social Insurance Cluster operates as a multi-institutional coordination platform, reflecting the cross-cutting nature of social insurance across pensions, health, labour, and migration-related risks. The cluster is coordinated by the Finance Division and includes the Financial Institutions Division, Health Services Division, Medical Education and Family Welfare Division, Ministry of Labour and Employment, Ministry of Social Welfare, and Ministry of Expatriates' Welfare.

Effective coordination among these entities is central to policy design, scheme implementation, and oversight, balancing strategic leadership at the central level with operational delivery mechanisms. By engaging multiple ministries, the cluster ensures that contributory schemes are sensitive to diverse socio-economic realities and occupational contexts.

### **Progress on the Universal Pension Scheme**

A major milestone in Bangladesh's social insurance journey is the Universal Pension Scheme, established through the Universal Pension Act (January 2023) and operationalized via the Universal Pension Authority Rules (August 2023). The Universal Pension Authority has been formed, and enrollment mechanisms including a mobile application have been introduced to facilitate participation. As of the latest reporting, fewer than 400,000 citizens have enrolled. While this demonstrates early institutional progress, it also highlights the need for accelerated outreach, targeted engagement strategies, and trust-building to encourage uptake, particularly among informal workers and other hard-to-reach populations.

### **Implementation Challenges**

The expansion of social insurance faces several structural and operational constraints. Enrolling informal sector workers and collecting regular contributions remain complex due to irregular incomes and limited financial literacy. Ensuring financial sustainability without imposing excessive burdens on contributors or the national budget remains critical. Public trust in contributory schemes is still evolving, influenced by limited awareness and uncertainty regarding long-term benefits. Administrative capacity constraints,

particularly at the field level, pose challenges for enrollment, service delivery, and system management. Addressing these barriers is essential to achieving inclusive coverage and ensuring that the system functions effectively across both formal and informal labour markets.

### **Strategies and Emerging Directions**

Moving forward, the cluster emphasizes trust-building, institutional strengthening, and gradual expansion. Strategies include expanding awareness campaigns to clearly communicate scheme benefits and contributor responsibilities, establishing field-level structures to support enrollment and service delivery, and developing additional schemes tailored to diverse occupational groups. Particular attention is given to informal sector workers, expatriates, and remittance-based contributors, reflecting the need for flexible and context-sensitive insurance models. Digital integration, including linking enrollment platforms with broader social registries, is critical to ensure efficient coverage, monitoring, and responsiveness to evolving risks.

### **Policy Directions and Recommendations**

Key policy recommendations include launching targeted outreach campaigns in informal employment hubs, securing pilot financing through development partners, strengthening administrative capacity through staff training, and piloting sector-specific schemes before nationwide rollout. A phased expansion approach is emphasized to allow learning, system adjustment, and financial calibration. These measures aim to balance inclusivity, sustainability, and public confidence in the emerging social insurance system, ultimately embedding contributory

mechanisms as a durable pillar of Bangladesh's social protection architecture.

### **Conclusion**

The Social Insurance Cluster represents a strategic shift in Bangladesh's social protection landscape, complementing non-contributory programs with contributory mechanisms. While the Universal Pension Scheme demonstrates strong institutional commitment, scaling social insurance to reach

the predominantly informal workforce remains a significant challenge. Sustained focus on trust-building, administrative readiness, fiscal sustainability, and phased implementation will be essential to embed social insurance as a durable and inclusive pillar of Bangladesh's national social protection system, providing long-term income security across life-cycle risks.

**Acknowledgment:** This policy note has been prepared by Arju Afrin Kathy, Research Officer, SSPS Programme.

The Social Security Policy Support (SSPS) Programme is a flagship initiative jointly led by the Cabinet Division and the General Economics Division (GED) of the Bangladesh Planning Commission, implemented with financial and technical support from the Australian Government (DFAT) and the United Nations Development Programme (UNDP). In September 2025, SSPS provided technical assistance to the Cabinet Division to organize the National Conference on Social Protection in 2025 under the theme "Journey Towards an Equitable Society." The conference served as a national platform to discuss inclusive, resilient, and rights-based social protection reforms, marking a key milestone in Bangladesh's efforts to strengthen its social protection system.