



Introduction of Unemployment Insurance in Bangladesh

Assessing Legislative and Institutional Readiness

Study Team

Dr Khondaker Golam Moazzem

Research Director, CPD

Ms Jebunnesa

Visiting Associate, CPD

Mr Abu Saleh Md Shamim Alam Shibly

Senior Research Associate, CPD

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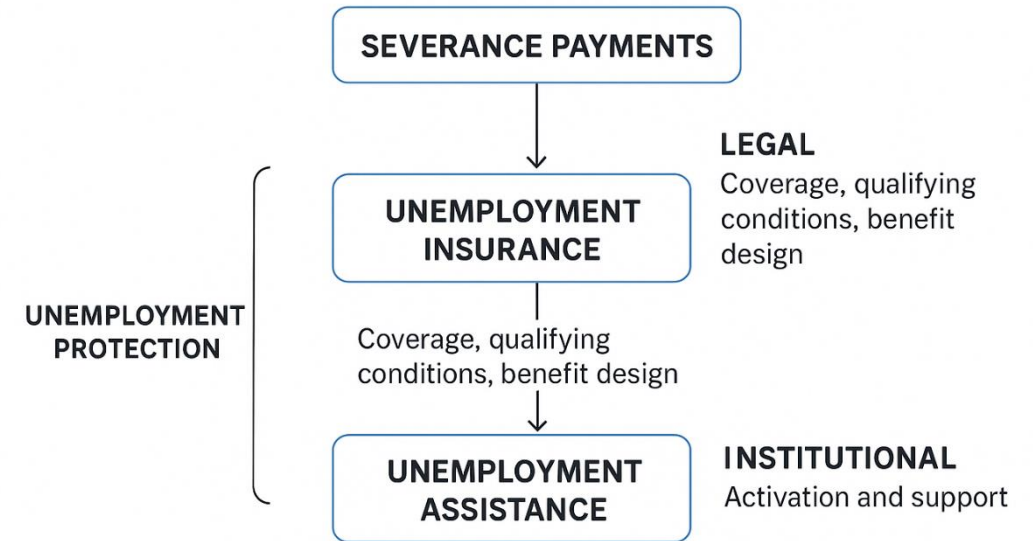
1. Introduction

- Unemployment Insurance is identified as a core element of the National Social Insurance Scheme under the NSSS 2015, with both Action Plan phases prioritising its introduction. It is intended to ensure income protection for workers who lose their jobs.
 - The Ministry of Labour and Employment is responsible for feasibility studies, operational design, and institutional preparations. Its mandate covers all initial reforms required for launching UI in Bangladesh.
- A feasibility study submitted in 2023 supported plans for a pilot in July 2024 and national rollout in July 2025. Progress has slowed because no dedicated law, institutional structure, or implementation mechanism is yet in place.
- The ILO submitted a detailed roadmap in December 2023 outlining legal drafting, actuarial analysis, stakeholder consultations, fund management preparation, and beneficiary identification. The roadmap stresses that UI cannot begin without a solid legal and institutional base.
- A separate UI law is needed because the current labour legislation provides only severance and retrenchment benefits. Existing laws do not offer contributory unemployment protection or ongoing income support during job loss.
 - Bangladesh has not ratified ILO Conventions 102 and 168, which leaves national laws misaligned with global standards. Alignment requires clear rules on benefit structures, financing arrangements, and administrative responsibilities.
- A dedicated UI law would define eligibility, contribution systems, benefit entitlements, financing modalities, and administrative roles. It would expand social protection to workers in both formal and informal sectors.
- CPD and FES propose a study to assess the legislative environment and examine MoLE's institutional capacity. The study will identify operational, regulatory, and administrative actions required for UI implementation.

2. Conceptual Framework of the Unemployment Insurance

- The ILO's framework conceptualises unemployment protection as a continuum linking severance payments, unemployment insurance, and unemployment assistance
 - These three mechanisms together provide structured income security and reflect a progression from employer-financed obligations to socially shared risk pooling
- UI is defined as a contributory, time-bound, and legally established system for income replacement, distinct from severance pay, which relies solely on employer liability
 - The transition from firm-based compensation to collective financing marks a major conceptual shift toward broader and more sustainable protection
- The framework identifies coverage, qualifying conditions, and benefit design as the core legal dimensions shaping unemployment protection
 - These determine who is included, what conditions must be met to qualify, and how benefits are structured in terms of replacement rates, duration, and linkage to activation measures

Figure 1: ILO Framework for Unemployment Insurance



2. Conceptual Framework of the Unemployment Insurance

- UI functions through large-scale risk pooling that spreads the financial burden of unemployment across employers, workers, and the state. Because this can create job-search disincentives, the framework embeds UI within activation policies that require registration, job seeking, or participation in training.
- The conceptual model notes a negative relationship between severance and UI coverage, as countries with strong severance schemes tend to have limited UI systems. When balanced effectively, both instruments can coexist to combine immediate employer responsibility with broader social risk sharing.
- The framework is grounded in the standards of ILO Conventions 102 and 168, which define rights to income security and outline benchmarks on coverage, adequacy, and activation. Effective protection depends not only on legal provisions but also on administrative capacity, data systems, and enforcement.
- Unemployment assistance is presented as a state-funded, means-tested mechanism for those excluded from UI, including informal workers, the self-employed, and those lacking required contributions. It provides basic income support to prevent poverty and complements the contributory UI scheme within national social protection systems.

3. Methodology

- The study uses a qualitative research approach to assess Bangladesh's legislative and institutional readiness for unemployment insurance. This method is suitable because the topic is exploratory and seeks to identify gaps, opportunities, and stakeholder perceptions at an early stage of scheme development
- The research design combines a desk review with key informant interviews to produce a comprehensive analysis. These two strategies complement each other by linking documented evidence with grounded stakeholder insights
- The desk review examines international experiences, policy reports, and legal documents, with particular focus on the Bangladesh Labour Act 2006, Labour Rules 2015, and related statutory provisions on employment security and severance. It also reviews ILO standards to identify alignment gaps within the national legal framework
- Primary data were collected through semi-structured interviews with officials from key government agencies, employer representatives, trade union leaders, and development partners. These interviews provide detailed perspectives on feasibility, institutional capacity needs, and the practical challenges of introducing a UI scheme in Bangladesh

4. Overview of UI Scheme: A Global Trend Analysis

- The global review draws primarily on authoritative legal databases, especially the ISSA Social Security Database and the ILO's Employment Protection Legislation Database. These sources provide direct access to primary legislation and verified policy information across countries
- Comparative analysis examines UI within broader employment protection systems, focusing on how legal design, benefit structures, and activation measures differ across advanced and emerging economies

4.1 Global Trends in Unemployment Insurance

- Across countries, UI schemes function within the wider framework of Employment Protection Legislation and labour market institutions. While objectives of income protection are universal, implementation varies significantly depending on national economic and institutional contexts
- Advanced economies typically pair UI with strong activation measures, while emerging economies rely more heavily on severance pay and limited social protection instruments. Research shows that severance pay offers one-off compensation and does not redistribute risks across the labour force
- The European Commission's EMCO IG benchmarking framework evaluates UI systems using two strands. The unemployment benefit strand examines duration, replacement rates at different unemployment stages, and qualifying periods required for access.
- The activation strand assesses availability-to-work rules, job-search obligations, suitable work criteria, and the strictness of sanctions. These indicators show substantial variation in how member states balance protection with incentives for reemployment.

4. Overview of UI Scheme: A Global Trend Analysis

- UI systems differ in eligibility criteria, benefit duration, replacement rates, financing mechanisms, and qualifying periods. Activation policies include job-search obligations, monitoring procedures, sanctions, and early interventions by employment services
- Benefit levels in many countries are linked to recent earnings, commonly calculated over three to six months. Some countries apply progressive replacement rates to support low-income workers more effectively, acknowledging their higher risk of poverty
- Benefit generosity usually declines over time to encourage job search, with studies showing that longer coverage can increase unemployment durations. Countries use varying rules to regulate voluntary job leavers, balancing moral hazard with protection needs
- Most UI systems exclude informal workers and the self-employed, although a few countries provide voluntary or partial coverage. Qualifying conditions often require minimum contribution periods, commonly around twelve months
- Strict eligibility criteria and sanctions can limit programme misuse but may also reduce inclusiveness in economies with large informal sectors. This challenge is more severe in developing contexts where administrative capacity is low and unemployment-linked poverty risks are higher
- Effective UI design must balance the need to prevent abuse with the need to ensure equitable access for vulnerable groups, particularly women and workers exposed to workplace harassment or coercive conditions

4. Overview of UI Scheme: A Global Trend Analysis

- Financing approaches vary widely across development levels. Emerging economies often rely more on severance pay due to lower administrative demands and limited public resources, while advanced economies adopt contributory models shared among employers, workers, and governments
- Most countries mandate participation in UI, although exceptions exist. Denmark is notable for voluntary affiliation, with funding drawn mainly from employee contributions and state support
- UI systems increasingly incorporate activation measures requiring recipients to engage with public employment services. Obligations may include registration, vocational training, participation in employment programmes, or job-search verification
- Effectiveness depends on enforcement capacity. Advanced economies monitor beneficiaries frequently, while developing countries have longer intervals due to administrative limitations
- Monitoring systems range from weekly reporting in advanced economies to quarterly reporting in some developing countries. Sanctions vary from temporary suspensions to full termination of benefits after non-compliance
- Strict sanctions can reduce misuse but risk pushing workers into low-quality jobs. Effective enforcement must therefore align monitoring intensity with administrative capacity and labour market realities
- International evidence shows that UI schemes perform best when benefit design, financing arrangements, EPL structures, and activation policies operate cohesively. Strong coordination helps balance income protection with incentives for rapid reemployment
- Developing economies face constraints such as informality, weak administrative capacity, and fiscal limitations, often resulting in narrow coverage, stricter sanctions, and weaker activation measures. The central challenge remains achieving financial sustainability alongside broad and equitable protection

4. Overview of UI Scheme: A Global Trend Analysis

4.2 Experiences from Emerging and Advanced Economies

- India's unemployment protection remains fragmented because there is no unified legislative framework for UI
 - Limited provisions exist under the ESIC Act and several fiscally funded schemes, but these function as partial or temporary responses
 - ESIC provides the main contributory structure for organised sector workers, yet coverage excludes most informal workers
 - Newer schemes have been criticised for short-term focus and weak integration with long-term unemployment protection goals
- Indonesia introduced the JKP programme through Government Regulation No. 37/2021, creating a legally mandated UI scheme under BPJS
 - Early rules suggest benefits of up to six months at around 60 percent of wages
 - The scheme integrates UI with job counselling and retraining, strengthening activation
 - However, narrow coverage, weak compliance, limited awareness, and administrative constraints continue to restrict effectiveness.
- Vietnam embeds UI within the Labour Code and Social Security Law, with administration carried out by VSS and MOLISA
 - Benefits provide 60 percent of insured wages for up to 12 months, financed through equal employer–employee contributions and state support
 - Compliance is strengthened through mandatory participation, yet high informality restricts coverage
 - Eligibility rules requiring minimum contributions exclude workers in short-term or unstable employment arrangements

4. Overview of UI Scheme: A Global Trend Analysis

- Thailand's UI system under the Social Security Act offers eligibility after 30 days of contributions, with benefits up to 60 percent of wages for 180 days
 - Recent increases in replacement rates aim to improve adequacy
 - Despite accessible rules, the scheme covers only formal private-sector workers
 - Persistent informality, fiscal pressures, and slow reforms have limited its broader labour market impact
- China's UI scheme, governed by the Social Insurance Law and overseen by MOHRSS, provides up to 24 months of benefits at around 50 percent of wages
 - Digital platforms for claims have strengthened administrative efficiency.
 - Regional disparities affect benefit standards, and informality continues to limit equitable access
 - Migrant and informal workers remain largely excluded from full participation and coverage.
- Germany's UI, regulated under SGB III and administered by the Federal Employment Agency, provides generous benefits at 60–67 percent of wages for 12 to 24 months
 - Strong integration with training, re-skilling, and placement supports effective activation.
 - The system maintains low long-term unemployment, yet high fiscal costs challenge sustainability
 - Contribution requirements can exclude short-term, part-time, or precarious workers despite the system's overall strength.

5. Analysis of Legislative Readiness of Bangladesh

5.1 Current Legal Provisions

- The Bangladesh Labour Act 2006 (BLA 2006) is the principal law governing employer–employee relations
 - It covers employment conditions, contract termination, wages, working hours, leave, trade union rights, and compensation mechanisms
- The Act ensures workers' rights in cases of lay-off, retirement, retrenchment, termination, dismissal, or death
 - Provisions on work stoppages and lay-offs apply only to establishments with at least five continuous workers over the preceding 12 months, exempting smaller enterprises
- Article 14 defines continuous service based on 240 or 120 days worked in the previous year, including absences for lay-offs, sick leave, maternity leave, or lawful strikes
 - Wages are calculated as the average of basic pay, dearness allowance, and interim or ad-hoc payments over 12 months
- Article 30 requires all compensation, including pending wages, provident fund contributions, gratuities, and festival bonuses, to be disbursed within 30 working days of separation
 - Eligible female workers also receive maternity benefits
- Article 16 mandates compensation for workers with at least one year of service, excluding casual or substitute workers
 - Lay-off compensation equals 50 percent of total wages, plus full housing allowance where applicable, for up to 45 days in a calendar year
- If lay-offs extend beyond 45 days, additional payments are made for each 15-day block at 25 percent of total wages plus full housing allowance
 - Employers may opt for retrenchment under Article 20, with retrenched workers receiving 30 days' wages per completed year of service or gratuity, plus an additional 15 days' wages

5. Analysis of Legislative Readiness of Bangladesh

- The Act requires payment in lieu of unused leave upon separation, ensuring workers are compensated for accrued entitlements.
 - Workers covered by a provident fund must receive both their own and employer contributions at the time of separation, safeguarding retirement savings
 - Enforcement is carried out by the Department of Inspection for Factories and Establishments under MoLE, which conducts routine inspections to ensure compliance
- Article 33 establishes a grievance process for severance disputes, allowing workers to first submit complaints to employers within 30 days and then approach Labour Courts if unresolved
 - Non-compliant employers may face penalties of up to three months' imprisonment or fines of up to BDT 5,000, though the low monetary threshold limits the deterrent effect
 - These enforcement gaps highlight the need for timely reforms to strengthen worker protections and ensure meaningful accountability
- The Labour Rules 2015 operationalise the BLA 2006 by clarifying procedures, compliance obligations, and administrative responsibilities for layoffs, termination, severance, and benefits
 - Rule 19 mandates maintenance of a service book for each worker, recording appointments, promotions, wage increases, leave, misconduct, punishments, and termination. Records must be preserved for at least six years after employment ends (Rule 75)
 - Rules 3–7 classify workers into permanent, temporary, probationary, and apprentice categories, which determine eligibility for severance and lay-off benefits, while casual and substitute workers remain largely excluded
- Rules 28–30 specify notice periods and termination compensation. Permanent workers discharged due to incapacity or ill health must receive 30 days' notice or wages in lieu, along with other entitlements
 - Monthly-rated workers resigning must provide 60 days' notice, while others provide 14 days. Employers must settle all dues within 30 working days, consistent with Article 30 of the BLA
 - These provisions reinforce the legal framework for fair treatment during employment separation but require effective enforcement to protect workers

5. Analysis of Legislative Readiness of Bangladesh

- **Lay-off Procedures (Rules 62–71)**

- Employers must issue written lay-off notices, inform the Labour Director or Inspector, and record workers in a muster roll
- Compensation is 50 per cent of total wages plus full housing allowance for 45 days, followed by reduced rates
- Lay-off benefits operate as short-term cash support rather than structured unemployment protection

- **Retrenchment Requirements**

- Retrenchment requires 30 days' written notice or wages in lieu and prior notification to the Labour Director and CBA
- Compensation must be at least 30 days' wages per year of service or gratuity, whichever is higher
- Procedures focus on termination settlement rather than income continuity or job transition support

- **Dismissal for Misconduct**

- Rules 34 to 41 require a written charge sheet, worker response, fair hearing, and written decision
- Non-compliance with due process can make the dismissal legally invalid
- These rules establish procedural fairness but do not guarantee post-dismissal income security

5. Analysis of Legislative Readiness of Bangladesh

- **Wage Definitions and Gratuity (Rules 75 and 98)**

- Wage definition includes average basic wage, dearness allowance, and ad-hoc allowances over 12 months to standardise severance.
- Rule 75(2) requires gratuity to be based on last-drawn wages and paid in a lump sum within 30 working days.
- These clarifications improve consistency of compensation but do not extend the duration of protection.

- **Leave Encashment (Rules 115–118)**

- Workers are entitled to encash unused annual leave at separation at the same rate as leave wages.
- Leave encashment ensures workers receive accrued benefits even if terminated or laid off.
- The provision remains limited to one-time payment, not ongoing protection.

- **Enforcement and Compliance (Rules 320–325)**

- DIFE inspectors may conduct unannounced visits, review records, interview workers, and issue compliance directives.
- Employers must maintain statutory registers, including lay-off and accident registers, to support inspection.
- Enforcement capacity remains limited, and compliance is inconsistent.

5. Analysis of Legislative Readiness of Bangladesh

5.2 International Standards

- Social Security (Minimum Standards) Convention 1952 (No. 102)
 - Convention 102 establishes the international baseline for unemployment protection and defines UI as one of the nine core branches of social security. Ratifying states must provide income support to persons available for work but unable to secure employment
 - Coverage must extend to at least 50 per cent of employees or to all economically active persons who meet set eligibility conditions, based on prior contributions or means testing
 - Benefits must be provided through a public or publicly supervised institution, delivered regularly in cash, and financed through contributions or taxation with strong governance, grievance systems and tripartite oversight
 - Bangladesh has not yet ratified Convention 102, and current social protection arrangements fall short of its standards. Establishing UI would help bring Bangladesh closer to alignment with this core convention
- Employment Promotion and Protection against Unemployment Convention 1988 (No. 168)
 - Convention 168 provides a more advanced framework linking income protection with labour market reintegration through active employment services and training. It applies to all working-age persons, including those in non-standard and informal work, where feasible
 - It prescribes benefit adequacy at no less than 50 per cent of previous earnings or at a nationally fixed flat rate and requires reasonable eligibility conditions that do not restrict access
 - Benefit entitlement is conditional on active job seeking, participation in employment services, and vocational training, ensuring UI encourages re-employment rather than dependency
 - The convention also requires transparent financing, non-discriminatory access, and specific protections for youth, women, persons with disabilities, and disadvantaged groups. Bangladesh has not yet ratified this convention

5. Analysis of Legislative Readiness of Bangladesh

- Employment Promotion and Protection against Unemployment Recommendation 1988 (No. 176)
 - Recommendation 176 supplements Convention 168 by providing practical guidance on designing UI systems that combine contributory insurance, tax-financed assistance, and labour market interventions
 - It emphasises the integration of unemployment benefits with public employment services to deliver job counselling, skills development, and job matching more effectively
 - The recommendation promotes decentralised or one-stop service delivery models, digital registration systems, and adaptable crisis-response mechanisms, including public works
 - It also stresses coherence between unemployment protection and other social protection measures such as health insurance, pensions, and maternity benefits to reduce fragmentation
- Social Protection Floors Recommendation 2012 (No. 202)
 - Recommendation 202 introduces a rights-based social protection floor that guarantees minimum income security for all individuals of working age facing unemployment, sickness, or maternity, even in the absence of contributory UI.
 - It is particularly relevant for countries with large informal economies because it allows tax-financed measures like cash transfers or public employment programmes as transitional steps toward UI
 - The recommendation advocates universal access to essential healthcare, income security for children and older persons, and protection against poverty due to job loss, reinforcing social protection as a fundamental human right

6. Analysis of Institutional Readiness of Bangladesh

6.1 Institutional setup required for implementing Unemployment Insurance

- International experience shows that effective UI systems are built on four core institutional pillars: a legally established insurance fund with efficient contribution collection and benefit payment systems, a capable public employment service linked directly to UI, strong compliance and data management functions, and tripartite governance to ensure accountability and fiscal sustainability
- Germany's UI reforms demonstrate how integrating UI with activation measures through a strengthened Federal Employment Agency and local job centres improves re-employment outcomes
 - The Hartz reforms also show the importance of profiling, case management, and sanctions in boosting labour market performance.
- Korea's Employment Insurance model provides a unified system where the same scheme finances both income support and active labour market policies
 - It is administered by the Ministry of Employment and Labour in close coordination with its public employment service network, ensuring a direct policy link between benefits and re-employment
- Viet Nam embeds UI in its Social Insurance Law, with administration delegated to provincial employment centres
 - Early evaluations highlight that contribution collection through the social insurance authority and strong operational linkages with job matching and training are essential for UI effectiveness

6. Analysis of Institutional Readiness of Bangladesh

- Thailand's UI operates within the Social Security Fund under tripartite financing, but persistent challenges include weak enrolment, limited coverage beyond formal workers, and administrative friction
 - Research stresses the need for digital enrolment systems, coordinated outreach, and integrated PES conditionalities
- In all of these countries, real-time administrative databases support contribution tracking, eligibility verification, benefit disbursement, and linkage to labour market services
 - These systems allow dynamic and transparent delivery of unemployment protection
- For Bangladesh, these lessons imply that UI must be anchored in a dedicated insurance fund with statutory contribution collection, linked to public employment services for registration and job-search verification, supported by integrated data and record-keeping systems, and governed by a tripartite board responsible for actuarial soundness and policy oversight

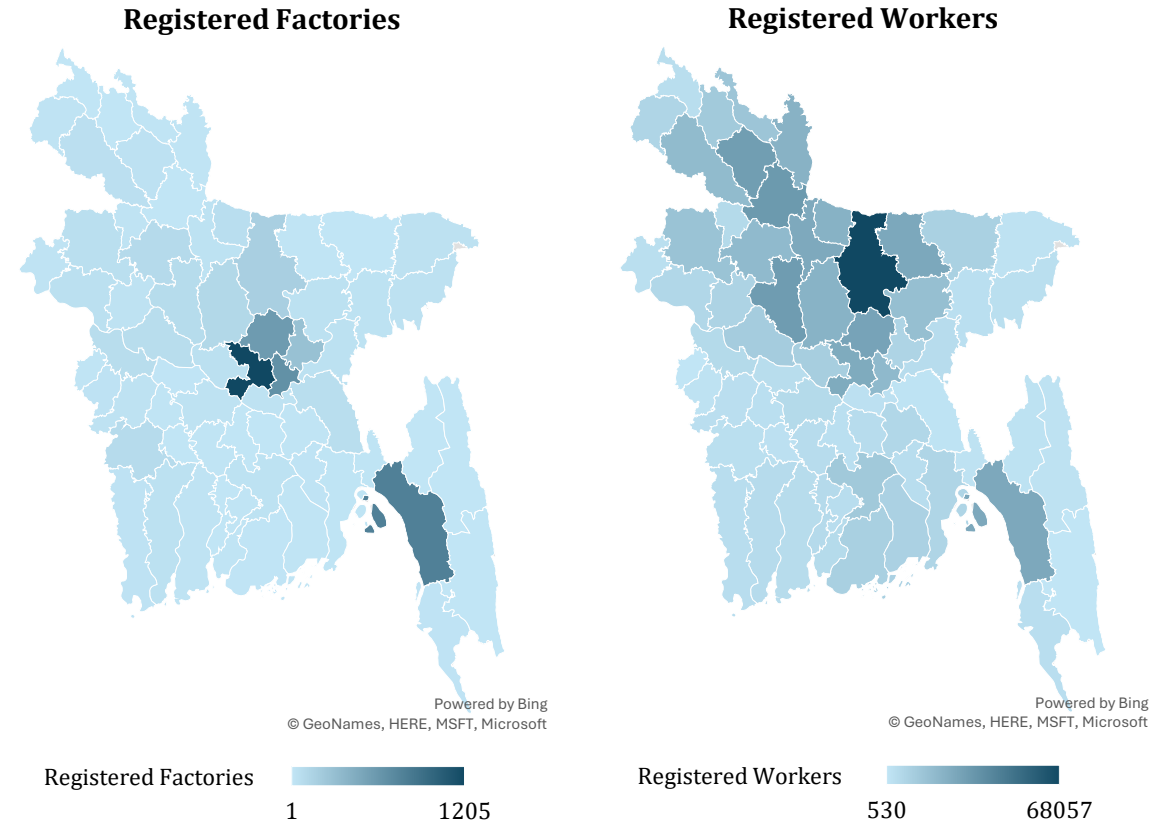
6.2 Existing Institutional Structures

- Bangladesh already possesses core institutional components across several agencies, including the MoLE for policy leadership, the DoL for dispute resolution and union registration, the DIFE for enforcement, and the Finance Division for fund management
- Additional sectoral funds such as the BLWF and the Central Fund provide targeted benefits to specific groups of workers

6. Analysis of Institutional Readiness of Bangladesh

- Despite these structures, significant efficiency gaps remain in the implementation and monitoring of labour laws
 - Reforms introduced after the Rana Plaza collapse strengthened DIFE through improved legal authority, expanded staffing, and enhanced inspection tools, yet enforcement remains fragmented and uneven across sectors
- Coordination challenges persist across institutions, with weak data sharing, parallel monitoring efforts, and limited integration between regulatory actors
 - In the garment sector, for example, public inspectors, private auditors, and brand-led compliance systems operate in parallel rather than through a unified enforcement framework

Figure 2: Bangladesh Labour Information Management System (LIMS) Data



6. Analysis of Institutional Readiness of Bangladesh

- Bangladesh lacks a centralised national registry of workers and employers to support real-time verification and monitoring
 - MoLE's Labour Information Management System is an emerging platform, with 5,007 factories and 709,761 workers registered, offering potential to unify compliance systems if regularly updated and integrated across agencies
- A functional UI system would require accurate individual records, reliable contribution tracking, and verification capacity for benefit eligibility and job-search conditions
 - Without interoperable data systems, large-scale UI administration would be difficult to implement effectively
- Bangladesh has policy, inspection, and fiscal institutions, but UI implementation will require a legal mandate for contribution collection and benefit delivery, a unified claimant interface through public employment services, and interoperable databases linking MoLE, DIFE, revenue bodies, and payment systems

7. Identifying Readiness Gaps to Introduce the UI Scheme in Bangladesh

- Global UI systems are built on contributory finance, employment services, and active labour measures, while Bangladesh currently relies on short-term severance and lay-off compensation only.
- The Bangladesh Labour Act 2006 and Labour Rules 2015 provide no legal basis for unemployment insurance, including no contributory mechanism, benefit entitlement, or administrative structure.
- The framework does not meet ILO Convention standards due to missing statutory benefits, financing arrangements, and links to re-employment services.
- A UI scheme requires a unified fund, integrated databases, and coordination with public employment services, none of which currently exist.
- Despite major gaps, existing welfare funds and labour administration institutions could be used as entry points for a phased or pilot UI approach.

7. Identifying Readiness Gaps to Introduce the UI Scheme in Bangladesh

Table 1: Gaps in BLA compared to global experiences

Dimension	Global / ILO-Aligned Practice	Bangladesh (BLA 2006, amended 2018 & Labour Rules 2015)	Identified Gaps / Observations
Legal Framework	- UI schemes are established through standalone social security or employment insurance laws defining eligibility, benefits, financing, and administration (e.g., Germany, Viet Nam, Thailand) - These are aligned with ILO Conventions 102 and 168, ensuring contributory financing, public administration, and legally enforceable entitlements - Severance operates alongside UI as a short-term employer liability, complemented by unemployment assistance for those ineligible for UI	- The BLA and Labour Rules govern termination, retrenchment, lay-off, and severance payments - These provide employer-funded compensation but no contributory UI system or income replacement during unemployment - No statutory mechanism links severance to an insurance-based scheme or activation measures	- Absence of a legal framework for UI and unemployment assistance - Current provisions address termination compensation only, not sustained income security - No enabling clauses for contributory financing or tripartite administration
Institutional Framework	- UI funds are administered by public or tripartite bodies (e.g., Social Security Offices or Employment Insurance Funds) connected with Public Employment Services (PES) for registration, job-matching, and benefit delivery - Institutions operate under unified governance, ensuring coordination between benefit administration, labour inspection, and training	- Fragmented welfare funds are managed separately by MoLE, DIFE, DoL, and BLWF - The Central Fund covers limited sectoral benefits - LIMS is being developed to link worker and factory data - No UI fund or coordinating authority exists	- Institutional fragmentation limits coordination between employment services, skills training, and welfare benefits - No single agency is mandated to manage UI - Weak integration between labour market databases and welfare disbursement

7. Identifying Readiness Gaps to Introduce the UI Scheme in Bangladesh

Dimension	Global / ILO-Aligned Practice	Bangladesh (BLA 2006, amended 2018 & Labour Rules 2015)	Identified Gaps / Observations
Financial Framework	- UI financing is based on tripartite contributions from employers, workers, and the state - Benefit formulas are legally defined and adjusted to ensure fiscal sustainability - Severance obligations are often reduced where UI coverage is comprehensive - Unemployment assistance is tax-funded and means-tested for excluded groups	- Bangladesh relies solely on employer-funded severance and the Central Labour Welfare Fund, which is non-contributory and limited in scale - There is no tripartite or pooled financing structure for income security	- Lack of contributory financing and an actuarial framework for UI - Fiscal sustainability not embedded in labour legislation - No mechanisms for state co-funding or redistribution between sectors
Conditional / Activation Framework	- Receipt of UI benefits is conditional on job registration, active job search, or participation in skills training and other ALMPs - Legal provisions specify qualifying periods, waiting periods, and sanctions for non-compliance to maintain labour market attachment	- The BLA provides compensation only in cases of retrenchment, discharge, or lay-off, without any condition related to job search, re-skilling, or activation - No defined qualifying period beyond years of service for severance	- Absence of conditionality and activation linkage - Current protection is passive and one-off, providing no incentive for re-entry into the labour market or for workforce upskilling

7. Identifying Readiness Gaps to Introduce the UI Scheme in Bangladesh

Dimension	Global / ILO-Aligned Practice	Bangladesh (BLA 2006, amended 2018 & Labour Rules 2015)	Identified Gaps / Observations
Operational / Data and Monitoring	• Modern UI systems use real-time contribution and employment databases integrated with e-governance platforms for eligibility verification, contribution tracking, and benefit payments • Tripartite oversight ensures transparency and compliance • Countries such as Germany, Korea, and Viet Nam employ digital systems linking PES, employers, and workers	• LIMS under MoLE is being piloted for factory registration • Labour inspection and enforcement remain paper-based • Data coverage is limited to formal sector workers, with informal, domestic, and white-collar workers largely excluded	• Weak administrative capacity and fragmented databases hinder the design of contributory or needs-based schemes • Lack of interoperability between welfare, employment, and taxation systems • Informal workers remain outside any unemployment protection

Source: Government of Bangladesh. (2006) and the ILO. (Normlex, n.d.)

8. Stakeholder Perspectives on Legal and Institutional Issues

8.1 Government

- MoLE is developing a Social Security Unit and has already drafted a UI scheme awaiting cabinet approval, with plans to pilot once approved
- The pandemic revealed the need for UI, leading MoLE to temporarily provide BDT 5,000/month for three months to workers terminated without notice or due to factory closure
- The absence of a central worker database is the main barrier; LIMS is being developed to track unemployment and profiles, but reliability depends on employers and NID coverage
- Legal conflicts exist between BLA provisions and ILO standards, requiring new UI legislation that complements rather than overrides existing benefits
- Officials stressed the need for a centralised contribution-collecting authority, possibly under MoLE, with DIFE enforcing compliance and inspections
- Inter-ministerial coordination remains weak due to bureaucratic resistance and institutional silos, affecting any future UI rollout
- MoLE cannot deliver job placement or training directly; NSDA was suggested for skills and reintegration, with MoLE facilitating referrals
- Lessons from the slow EIS rollout indicate UI will require a long implementation horizon, and broader formalisation (e.g. ride-sharing, self-employed workers) is important for coverage

8. Stakeholder Perspectives on Legal and Institutional Issues

8.2 Employer

- Employers acknowledged they would bear the main cost of UI contributions but requested consolidation of all social insurance payments to reduce fragmented obligations
 - They urged a separate UI law, noting the complexity of existing labour legislation and the need for multiple legal representatives for compliance
- Employers highlighted the RMG sector's overburden from piloting and screening processes, and argued that more vulnerable industries also need UI protection.

8.3 Worker

- Worker associations were concerned about exclusion from early policy discussions and stressed that they should be engaged before policy drafting.
- They strongly supported a separate UI law, recommending piloting first to ensure operational clarity, accountability, and effective implementation.
- Concerns about moral hazards were raised; gradual benefit payments, similar to EIS, were suggested to prevent extended unemployment while ensuring reintegration.
- Trust issues exist due to past incomplete staggered payments; workers proposed a statutory body to manage and disburse UI funds, avoiding direct management disputes.
- Database reliability was another concern; workers recommended including union representatives in monitoring LIMS to prevent misuse against unionised or outspoken employees.
- Piloting in the RMG sector was seen as feasible, but worker representatives suggested including other high-density industries such as leather and tannery for broader coverage.

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8. Stakeholder Perspectives on Legal and Institutional Issues

8.4 Development Partners

- ILO, UNDP, and GIZ have supported the social insurance agenda, with ILO developing a UI Roadmap and recommending a unified law covering unemployment, maternity, sickness, and disability under MoLE.
- Partners emphasised alignment with international labour standards while noting potential overlaps with existing BLA provisions.
- GIZ highlighted workers' reluctance to prepay without guaranteed returns, suggesting phased piloting with government subsidies for contributions.
- All partners stressed the need for a robust central database to track unemployment incidents, contributions, and reintegration efforts.
- Existing training programs are fragmented; development partners recommended integrated approaches and improved inter-ministerial coordination.
- EU COVID-19 emergency funds could provide initial financing for a pilot UI scheme, with ILO offering ongoing technical assistance.
- Public Employment Services (PES) are largely absent, though critical for job matching, counselling, reintegration, and migration support.
- Inclusive social dialogue among government, workers, employers, and development partners is essential for legal design, financing, and operational sustainability of UI in Bangladesh

9. Way Forward

- **Dedicated Legislation:** Introduce a standalone Social Insurance Act including UI, avoiding conflicts with existing BLA termination and severance provisions
- **Scope and Eligibility:** Define coverage, eligibility, and benefits, aligning minimum replacement rates with ILO Convention 168 and including provisions for economic crises
- **Fund Management:** Establish procedures for contribution collection, central Social Insurance Fund management, and transparent oversight to maintain solvency
- **Compliance and Enforcement:** Include clear penalties, dispute resolution mechanisms, coordination with labour laws, and reintegration facilitation
- **Policy Oversight:** MoLE should provide strategic guidance and supervision over UI implementation and operations
- **Administrative Structure:** A dedicated Social Insurance Unit under MoLE should manage administration, contributions, and benefits; DIFE ensures compliance and record verification
- **Reintegration Coordination:** NSDA to oversee training, reskilling, and reemployment programs for beneficiaries

9. Way Forward

- **Financial Management and Governance:** Centralised financial control, independent auditing, periodic actuarial reviews, and a tripartite advisory board for balanced decision-making
- **Worker Registration and Data Management:** Mandatory NID-based registration, LIMS tracking for employment history, benefits, and terminations, with mechanisms for informal, gig, and self-employed workers
- **Conditionality of Benefits:** Link eligibility to active labour market program participation, including job search, training, or placement services
- **Accountability and Transparency:** Worker/union representation in monitoring, periodic benefit payments with gradual decline to incentivise reemployment while maintaining protection

Thank You