

Technical Note

Options for Improving Unemployment Protection in Bangladesh

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Possible Options for Improving Unemployment Protection in Bangladesh

I. Introduction

The provision of unemployment protection is a combination of measures and policies aimed at guaranteeing a certain standard of living for the workers in the event of job loss until they can return to work, supporting them to increase their employability and search for new jobs (ILO, 2017). Such protection measures should be an integral part of any country's development efforts. The presence of strong protection measures can shield the workers against the undesired consequences arising from enterprise restructuring and economic transformation that can cause labour displacement. It is essential to support workers who are suffering from the adverse effects of technical advancements and environmental and climate changes by facilitating structural adaptation and a just transition for enterprises and workers in all sectors (ILO, 2021a). In the context of Bangladesh, unemployment protection measures and policies are extremely limited within its social protection sphere and development strategies.

In light of the above, the National Social Security Strategy (NSSS) adopted in 2015, duly recognised the gap and recommended for exploring the possibilities for establishing a National Social Insurance Scheme (NSIS) including unemployment insurance (UI) for the working age people. However, the progress towards implementing the NSIS has rather been limited. It is worth mentioning that some of the essential prerequisites for introducing the NSIS (i.e., social dialogues, active labour market policies for unemployment insurance schemes) are not in place. Moreover, the international standards and best practices in setting up unemployment protection measures are least understood in the country. The massive job loss caused by COVID-19 exposed a major fault line in the prevailing social security system that failed to provide any support to the people who became suddenly unemployed. Thus, unemployment protection measures and policies have recently been under renewed policy attention.




Against this backdrop, this technical note provides a brief snapshot of the existing unemployment protection measures and the associated challenges in implementing those policies. It puts forward several potential options for strengthening unemployment protection in Bangladesh.

II. Available unemployment protection measures in Bangladesh

Unemployment protection measures include unemployment protection schemes, employment retention schemes, and public employment programmes according to the World Social Protection Report 2020–22 (Box 1). Such measures are usually provided as temporary and/or income support to the workers who become unemployed or are underemployed, upgrade their skills and capabilities for employability in the changing labour market scenario and support their return to decent work quickly following the guiding principle of ILO standards and conventions (ILO, 2021a). The measures are also intricately linked with Active Labour Market Policies (ALMPs) namely skills development training programmes, apprenticeships, public employment programmes, support for entrepreneurship, job searching and matching services etc.

(ILO, 2018). ALMPs aim to increase or improve employment opportunities of the unemployed or inactive persons and thus work as a catalyst for unemployment protection measures.

Box 1: Major unemployment protection measures around the world

	Unemployment protection schemes provided through social insurance or social assistance, to support jobseekers while they look for suitable employment.
	Employment retention schemes , which provide full or partial income replacement during a temporary suspension of work without any break in the employment relationship
	Public employment programmes including employment guarantee schemes, whereby the state guarantees employment (as the employer of last resort), usually to provide local assets or services, in cases of unemployment or severe underemployment.

Source: ILO (2021a).

An evaluation of the existing protection measures for the unemployed in light of the stated definitions suggests that most of such measures are virtually absent in Bangladesh. It does not have a state unemployment insurance scheme (i.e., no one can claim unemployment benefits). Employment retention and promotion services like job searching and matching, counselling, placement services etc. are generally unavailable with very limited provisions for workers' protection being mentioned in the country's labour act. Public employment programmes in the form of workfare schemes are available as part of the country's social protection programmes on a limited scale and are only available to rural poor and vulnerable groups who find it difficult to find employment opportunities during the agricultural lean seasons. There are however various skills enhancement training programmes but those are grossly inadequate given the size of the labour market.

Labour laws and regulatory framework

In the event of employment termination, workers are entitled to receive their due compensations and wages as stipulated in the Bangladesh Labour Act 2006 (BLA 2006).¹ These payments depend on workers' employment status (e.g., permanent, temporary, etc.) and termination types (e.g., termination by the employer and voluntary resignation). According to Article 30 of the Act, when the employment of a worker ends due to retirement, retrenchment, dismissal, termination, or any other reason, all amounts due to him/her shall be paid by the employer within a maximum 30 (thirty) working days following the date of cessation. Dues may include wages, provident fund payments, gratuities, festival bonuses, etc. However, the stated measures do not meet the requirements of ILO social security standards, and consequently do not qualify as unemployment benefits (ILO, 2017).

The Department of Inspection for Factories and Establishment (DIFE) under the Ministry of Labour and Employment (MoLE) is working to enforce labour laws. The DIFE installed the Labour Inspection Management Application (LIMA) – a digitised labour inspection management system aiming to improve

¹ This legislation governs issues related to workers such as employment and termination.

the collection, storage, and analysis of labour inspection data, benefiting workers, and employers in all industrial sectors. Proper implementation of the LIMA is expected to strengthen the monitoring mechanism of labour law enforcement.

Skill development training programmes

Most of the available unemployment-related protection measures are highly concentrated on imparting skills development training. Some of such initiatives are provided within the social security programmes.²

- In total, some 24 ministries and 20 agencies provide a range of skill development, technical and vocational educational training (TVET), and non-formal education programmes. The number of students in TVET is just above one million (in 2018) With private sector providers accounting for almost 95 per cent of all TVET institutions and around 75 per cent of all enrolments. The major public providers of TVET are the Department of Technical Education under the Ministry of Education; the Bureau of Manpower, Education and Training (BMET) under the Ministry of Expatriate Welfare and Overseas Employment; and the Ministry of Youth and Sports.
- The Ministry of Labour and Employment (MoLE) and the Department of Labour (DoL) implement ALMPs and provide employability improvement support services on a limited scale. For instance, the MoLE currently through public and private training institutes offers Technical and Vocational Education and Training (TVET) facilities for different target groups e.g., women, qwami madrasah (religious institutions) graduates of various age groups and ethnic minority groups.
- The DoL is facilitating short-term skills development training programmes for 1 to 5 days and implementing programmes to enhance ICT knowledge among the representatives of labour and women workers by establishing labour welfare centres in different regions.
- Under the National Service Programme, training facilities are provided to the educated unemployed youths to create temporary career opportunities. Moreover, the Department of Youth Development, under the Ministry of Youth and Sports, has been operating two credit service schemes for the youth population, namely, i) self-employment programme (individual loan) to help recipients set up their self-employment projects and ii) family-based employment programme (group loan) for small business ventures.
- Aspire to Innovate (a2i) programme under the ICT division, is offering various services to prepare the youth, especially the disadvantaged youth for the job market under two major initiatives titled, Skills for Decent Employment (SDE) and Digital Skills for Decent Jobs for Youth (Access to Information, 2020). The SDE initiative with financial support from the government, aims to produce more than 340,000 apprentices between 2019 and 2023. Under the other initiative, 250,000 youths will be trained with advanced digital skills through 2,500

² There are as many as 16 skills development and training-based social security programmes.

government-owned digital centres. The a2i programme is also providing training on readymade garment sector jobs through apprenticeships and skills for employment programmes.

- Under the Skills for Employment Investment Programme (SEIP), among many other population groups, males and females aged over 15 from ethnic minority and disadvantaged groups receive training to develop managerial and entrepreneurship skills.³ For instance, the DoL has established skill development activities targeting Rangamati Hill Tracts tribal workers who are regarded amongst the disadvantaged population groups.
- The Ministry of Expatriate Welfare and Overseas Employment is implementing ‘Workers’ Reintegration and Rehabilitation Programme’ funded by Wage Earners’ Welfare Board to support the returnee migrant in reintegrating back into mainstream economic activities. There is some loan support under this scheme.

Public workfare programmes

Currently available public employment programmes (known as workfare programmes) operate mainly to address the seasonal job drought during the lean seasons when agricultural activities are slow with a lack of demand for manual labour. The workfare options are mostly low-wage employment targeting the unskilled people in poor and vulnerable households in labour-intensive projects such as construction and reconstruction of rural roads, pond excavation, repair or maintenance of rural infrastructure, waste disposal, etc. The major workfare programmes include Test Relief, Food for Work, Work for Money and Employment Generation Programme for the Poor.

Provision of unemployment benefits

As mentioned, there is no such provision of providing unemployment benefits in the form of unemployment insurance (UI) to the workers. However, recognising its importance, UI as a part of the National Social Insurance scheme (NSIS) is envisioned in the National Social Security Strategy (2015). The NSSS Action Plan Phase I (2016–2021) envisaged a nationwide rolling out of the NSIS by July 2019. In line with this, the Cabinet Division and General Economics Division jointly commissioned a study to explore a potential framework for introducing the NSIS including a component of unemployment insurance in 2019. Currently, this is the only available framework proposing modalities with potential options to start with UI. However, as revealed by the Midterm Progress Review of the NSSS, the formulation of the NSIS remained at an embryonic stage.

Support measures during the COVID-19 pandemic

³ The Finance Division is the executing agency of SEIP. Three Ministries (Ministry of Expatriate Welfare and Overseas Employment, Education, and Industries), Palli Karma-Sahayak Foundation (PKSF), Bangladesh Bank, and 13 Industry associations collaborating with the Finance Division to implement this project funded by the Asian Development Bank and Swiss Agency for Development and Cooperation.

The country has seen some ad-hoc interventions to pay wages to workers and prevent job cuts in the wake of the COVID-19 crisis. and.

- The government rolled out stimulus packages in the form of loans at a subsidised rate to the export-oriented industries so that they can distribute salaries to their workers in a timely manner.
- The MoLE, with support from development partners, has been implementing a cash transfer programme. Designed for the export-oriented Readymade Garments (RMG), leather, and footwear industries, this programme aims at providing a transfer of BDT 3,000 (\$35) per month for up to three months to workers laid-off from factories.
- With a \$250 million budget, the Palli Karma-Sahayak Foundation (PKSF) is implementing a project titled 'Recovery and Advancement of Informal Sector Employment (RAISE)' to increase the employability and productivity of low-income youth, entrepreneurs, and returnee migrants, particularly those affected by the pandemic. This project aims to provide entrepreneurship development training to 90,000 youth entrepreneurs, support 50,000 self-employed business owners who were previous borrowers and need assistance to re-establish their enterprises. Moreover, the project will impart skills development training to 40,000 youths by engaging them with the master craftsman.

III. Challenges of existing unemployment protection measures

At present, unemployment protection measures have been limited and plagued with numerous challenges. Besides, currently available programmes cannot adequately support protection for all those who are in need. Moreover, legal provisions and institutional facilities are not properly in place to provide such support schemes. Therefore, the unemployed have been more prone to vulnerabilities especially in the event of a crisis like COVID-19.

- **Presence of high informality in terms of employment makes it difficult to provide unemployment protection measures, implement the provisions of the Labour Act and make progress towards the agenda of decent work.**⁴ Although the Labour Act does not explicitly distinguish between formal and informal sector employer-employee relations, unemployment protection, in practice, generally cannot be enforced for informal sector enterprises. **Even in the formal sector, ensuring compliance with the Labour Act has been challenging, with many workers still unaware of the rights accorded by the Act.**⁵
- **Lengthy judicial procedures and lenient penalties for violation of the Labour Act are pressing concerns affecting workers' protection in case of employment termination.** An absence of a

⁴ According to the Labour Force Survey (2016-17), more than 85 per cent of the employed workforce are in the informal sector.

⁵ According to one study, about 30-50 per cent of RMG workers are aware of trade unions and worker rights (Fair Wear, 2018). Despite various awareness programmes undertaken by Industrial, NGOs, and ILO, coverage of such programmes has remained very low given the considerable size and longstanding presence of the industry.

compulsory court-sponsored Alternative Dispute Resolution (ADR) system adds strains to the judiciary and continues to increase the number of backlog cases of labour disputes (ILO, 2020). Besides, the existing penalties and other punitive actions for breach of labour act are very lenient. For example, an employer can get away with only BDT 5,000 (less than \$60) for non-compliance with the Labour Court verdict. It is noted that a large number of factories and establishments are operating in the informal sectors where monitoring and applications of legal provisions are extremely challenging tasks. **Moreover, weak enforcement of the Labour Act remains a major constraint to support workers in the event of employment termination.** Limited institutional facilities and a lack of human resources of the Department for Inspection of Factories and Establishments (DIFE) result in a weak monitoring mechanism to oversee the implementation of labour laws. The DIFE has added a feature under its LIMA initiative named ‘DIFE Complaint Box’ that allows workers or employers to lodge complaints about any issues related to workers, employers, and workplaces. However, most workers are unaware of the use of this complaint mechanism, as reported by key informants.

- **Currently, available workfare programmes provide minimal support to the rural unemployed for only a few months.** For instance, the Test Relief (TR) and the Employment Generation Program for the Poorest (EGPP) offers only 29–42 per cent of the average per capita gross national income (GNI) of Bangladesh. It is noted that workfare programmes are not available for the urban unemployed.
- Lack of coordination amongst different public and private agencies have generated rather fragmented and overlapping skill development, TVET, and other training programmes.
- **Limited institutional capacity of labour market programme implementing agencies, coupled with lack of skilled human resources, inhibits the country’s ability to operate various interventions to tackle unemployment-related vulnerabilities.** Despite there were some policy efforts, still there exist considerable skill gaps among the workers as evident by higher youth unemployment.⁶ Moreover, the current skills development programmes are inadequate to accommodate a large group of workers. According to a World Bank report, about 2 per cent of the overall workforce reported to have received some training in the past 12 months (World Bank, 2017). Furthermore, the effectiveness of these training programmes is not clearly understood since there is no comprehensive database on skills development training programmes. Therefore, evidence-based policymaking to protect the unemployed population has become quite challenging.
- **Quality and reputation of the training programmes have remained a cause of concern.** Job placement even after being trained is limited. This is partly due to the lack of trained teachers and instructors (almost 50% of the teaching positions are vacant particularly in public training

⁶ The government launched several projects i.e., TVET Reform Project 2008-15, the National Skills Development Project 2011, Skills and Training Enhancement Project (STEP) etc. to address the skill gaps.

institutes), inadequate provisioning of modern learning facilities, shortage of financial resources to maintain facilities, use of old-fashioned equipment, consumables and training materials, irregular updating of industry-driven training curriculum and manual, lack of managerial capacities among the providers etc. (World Bank, 2018; Khan, 2019). Also, there is a lack of internationally recognised certification on skills development programmes. Moreover, there is no periodical and systematic monitoring and evaluation of the skill development and TVET programmes running in the country. Inadequate institutional capacity is also responsible for not having extensive needs assessment on skills demand.

- **While there is some provision of active labour market policies and employment support services targeting the unemployed youths, those services can accommodate only a limited number of beneficiaries.** Moreover, data limitation also makes it difficult to ascertain how many of these youths actually received training pertinent to skills required in the labour market.
- Some effective measures to reduce unemployment such as job matching, career counselling, and placement services are unavailable in Bangladesh. Even these services are not given adequate focus while drafting the country's first-ever national jobs strategy.
- While there is an NSIS framework including a UI scheme, the modalities proposed are not compatible with ILO standards and conventions as well as international best practices. Moreover, it overlooked certain critical but very important preconditions for initiating a UI scheme. **Firstly, the concept of social dialogue is virtually non-existent in Bangladesh which is central to formulating any viable labour-related policy for instance the NSIS.** While designing such policies, the participation of the representatives from all the stakeholders is extremely limited. **Secondly, deficiency in the legal framework and insufficient institutional capacity in Bangladesh are considered key hindrances in implementing the NSIS.** Despite there was a provision to formulate a distinct law for NSIS as per the NSSS 2015 Action Plan, limited progress has been achieved yet in this regard. **Finally, absence of well-structured active labour market policies means the country is not prepared to roll out the NSIS, more specifically the unemployment insurance scheme.**
- **Lack of updated employment-related data and absence of labour market information system are major barriers to adopt evidence-based policies targeting the unemployed.** For example, the MoLE struggled to identify eligible workers to disburse COVID-19 stimulus packages.

IV. Potential options for improving unemployment protection

Improving the unemployment protection measures is subject to the strengthening of and scaling up the prevailing measures and policies. Introducing new programmes are also essential to cater for the needs

of the emerging labour market needs. Based on the preceding discussions, the following policy actions could be considered to improve unemployment protection in Bangladesh.

- Increasing the awareness among workers about their rights and protections accorded by the Labour Act is extremely important. In this connection, a public-private partnership in collaboration with ILO could be a potential way forward to raise awareness among workers employed in both the formal and informal sectors.
- The legal framework to support the workers in various situations i.e., employment termination needs to be carefully reviewed and modernised to address the existing loopholes and provide the legal basis for strong enforcement measures. Moreover, the enforcement and compliance mechanism of labour law needs to be strengthened to ensure stringent punitive measures against the Labour Act's breach and speedy dismissal of the labour court. In this regard, installing an Alternative Dispute Resolution mechanism could help release pressure from the existing system.
- It is imperative to augment the existing workfare programmes so that these schemes can reach expanded areas with greater beneficiary coverages. There is also a need to increase the duration of the usual programme operation period, e.g., going beyond the lean seasons, with a raise in the remuneration offered. Moreover, there is a need for developing suitable programmes for the urban unemployed population based on the experience of the traditional rural workfare programmes. The potential beneficiaries could work in urban infrastructure development and maintenance, cleaning and repairing public property, roadside plantation, etc.
- Fragmented labour market programmes implemented by different ministries, departments, and private agencies need to be brought under a holistic institutional framework. Bolstering coordination among the implementing agencies must be ensured under that framework to scale up the most effective programmes, avoid duplications, and ensure efficiencies of the programmes and realise the optimal outcomes.
- Effective measures should be undertaken to ensure the quality of the skills training programmes. The technical training institutes (TTCs) should recruit trained and experienced teachers in the vacant positions. Adequate financial resources should be mobilised towards the TTCs to procure state-of-the-art technologies and equipment for imparting training. Moreover, the TTCs in collaboration with the Ministry of Education can review and redesign their training curriculum and manual to cater for the needs of the industry. It is important to have a national skills qualification framework in the country to oversee the quality of the training programmes. Measures need to be taken so that all the public and private providers use the currently available 'Skills Quality Assurance System'. Moreover, the National Technical and Vocational Qualification Framework (NTVQF) needs to be fully operational. Finally, prompt implementation of the newly adopted Bangladesh National Qualification Framework (BNQF) should be given due consideration.

- Instituting structured and labour market responsive ALMPs will be critical to improve unemployment protection measures. Currently available elements of ALMPs need to be streamlined to eliminate duplication, monitor the effectiveness of the programmes, and ensure optimal functioning of unemployment protection schemes. Missing components of ALMPs should be introduced taking account of the labour market needs.
- Improving the institutional mechanism of the MoLE and its subsidiary organs is highly important to enhance unemployment protection measures. This would entail strengthening the institutional capacity, employing adequate human resources, monitoring the performance and quality of skills development training programmes, amongst others.
- The National Jobs Strategy draft version should be critically reviewed so that it is adequately primed for introducing various unemployment protection measures including unemployment insurance.
- A sustained social dialogue involving the relevant stakeholders is required to introduce unemployment insurance in Bangladesh. The MoLE and ILO should be the natural choices to facilitate this dialogue since unemployment protection is foremost a social dialogue and industrial issue.
- Before installing the NSIS including unemployment insurance, the legal provisions and regulatory framework need to be in place. Bangladesh can formulate a specific legal provision for unemployment insurance. For instance, there could be one broad Social Insurance Act comprising various elements, including unemployment insurance. Such an act should clearly outline the responsibilities of different stakeholders related to unemployment insurance and provide a legal basis for employment promotion policies and active labour market programmes.
- The MoLE NSIS champion is needed to introduce unemployment insurance within the government ministry and social partners. One entry point to progressively fast-track the NSIS implementation could be immediately starting with employment injury insurance to develop the management information system. Then, the scheme can be tried with more organised sectors (registration of employment contracts) such as the apparel industry and gradually extend to the entire formal employment.
- Gradual formalisation of the labour market should be proactively considered to tackle vulnerabilities resulting from unemployment. To make such a transition possible, identifying and addressing the underlying reasons of informality and the barriers to entry into mainstream economic activities should be investigated. There is a need for conducting an in-depth study to understand the dynamics of the informal sector and suggest pragmatic strategies to trigger such transition.
- Introducing job search mechanisms accessible to all labour market participants especially the unemployed to facilitate improved matching between prospective jobseekers and employers' needs.

The services can easily be provided through online portals. However, considering the significance of the informal labour market and limited online access opportunities, providing employment services through offices/job centres cannot be overemphasised.

- Finally, a credible employment database and a comprehensive and dynamic labour market information system should be developed to address the data gaps and drive evidence-based policymaking for designing unemployment protection measures. This can be attributed to the fact that the effectiveness of unemployment protection measures would critically depend on the availability of credible data.

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