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Bangladesh's Labour Law & Employment Regulations

Overview

Bangladesh is a dynamic and rapidly growing economy in South Asia, strategically positioned between India, China, and Southeast Asia, which continues to gain global attention as a manufacturing and investment destination. With a population exceeding 170 million ([IMF, 2025](#)) and an increasingly urbanised workforce, Bangladesh is emerging as a regional hub for textiles, technology, and services.

Fuelled by a large labour force, expanding industrial base, and rising foreign direct investment, the country's economic momentum is supported by key sectors such as agriculture (11.2% of GDP), industry (34.1%), and services (51.4%) and manufacturing (21.9%) ([World Bank, 2024](#)). These sectors are essential to job creation and national development. With recent updates to the Bangladesh Labour Act 2006 (including all amendments up to 2022) and the Labour Rules 2025, the regulatory landscape is evolving to support both employer needs and workers' rights.

Basic Country Facts



Capital
Dhaka



Population
173 million
[IMF](#)



Currency
Bangladeshi Taka (BDT, ট)



GDP per Capita
USD 2,690 (as of 2025)
[IMF](#)

Labour Law & Employment Regulations

Bangladesh Labour Law

Governing Laws & Recent Amendments

- Bangladesh Labour Act, 2006 (Amended in 2010, 2013, 2015, 2018, 2022)
- Bangladesh Labour Rules, 2015
- Overtime calculation and limits defined more clearly.

Key 2022–2025 Amendments:

- Maternity Benefit provisions revised to ensure better access and clarity.
- Leave encashment calculation clarified using gross wages, not basic.
- Daily/weekly overtime restrictions clarified — capped at 10 hrs/day and 60 hrs/week.
- The Basic Wage rate defined which is at least 50% of the total Gross Wage

Employment Contracts

Type of Worker	Definition/Use
Permanent	Regular workers with indefinite tenure after successful probation
Temporary	Employed for a defined short-term period or specific project
Probationer	On trial (6 months clerical, 3 months others); may become permanent
Apprentice	Under training with or without stipend
Casual	On-call/irregular basis, typically not long-term
Substitute	Employed temporarily to replace absent or unavailable permanent staff.
Seasonal	Employed during specific seasons or periods when workload increases.

Working Hour

Working Hours	Entitlement
Daily Work Limit	8 hours/day (can extend to 10 with OT provisions)
Weekly Work Limit	48 hours/week (can extend to 60 with OT provisions)
Working Hour for Women	No woman shall work between 10 PM and 6 AM without her written consent

Types of Leave

Leave Type	Entitlement
Casual Leave	10 days per year
Sick Leave	14 days per year with full pay
Weekly Holiday	Minimum 1 full day
Annual Leave (Factory)	1 day per for 18 days worked
Annual Leave (Shop/Commercial)	1 day per 11 days worked
Annual Leave (Tea Plantation)	1 day per 22 days worked
Maternity Leave	112 days (56+56) with full pay
Miscarriage Leave	28 days (4 weeks) with full pay
Festival Leave	Minimum 11 days/year
Compensatory Leave	Eligible for compensatory leave with full wages if worked on weekly or festival holiday, to be given within 3 days before or after the holiday.

Overtime

Legal Basis (Section 108) of the Bangladesh Labour Act, 2006
Rule 102 of the Bangladesh Labour Rules, 2015 (updated 2025)

Overtime Allowance Entitlement

When a worker works beyond the legally fixed working hours (normally 8 hours/day and 48 hours/week), the employer must pay extra allowance for overtime.

The overtime wage rate is twice the ordinary rate of:

- Basic wage
- Dearness allowance (if applicable)
- Ad-hoc or interim wage (if applicable)



How to Calculate Overtime Allowance (Rule 102)

General Formula:

Overtime Allowance = (Basic wages × 2 × Overtime hours) ÷ Total working hours in the period

Overtime Calculation by Payment Type:

Payment Basis	Per Hour Overtime Calculation
Daily-rated Worker	1/8 of daily wage × 2 × number of OT hours
Weekly-rated Worker	1/48 of weekly wage × 2 × number of OT hours
Monthly-rated Worker	(Monthly wage × 2 × OT hours) ÷ 208

Note on 208 Hours:

The standard 208 working hours per month is calculated based on the legally accepted full-time working schedule:

- **Weekly Working Hours** = 48 hours (as per Bangladesh Labour Act, 2006)
- **Number of Weeks in a Month** \approx 4.33 weeks (on average)
So, 48 hours/week \times 4.33 weeks/month = 208 hours

This monthly average (208 hours) is used for payroll, overtime, and productivity calculations where working time is expressed on an hourly basis.

Annual Leave Encashment

A worker who has completed at least one year of continuous service is entitled to earned leave. The number of earned leave days is usually 1 day for every 18 working days in a Leave is earned progressively and accumulates if not taken.

Unused Leave and Encashment

If the worker's service terminates for any reason (resignation, dismissal, retirement, retrenchment, etc.), and the worker has unused earned leave, the employer must pay wages in lieu of that unused leave. This means the employee receives money instead of taking the leave days off.

Leave Carry Forward

To encourage timely utilisation of leave benefits and maintain workforce well-being, employees are required to encash a minimum of 50% of their earned leave within the same calendar year it is accrued. The remaining balance of earned leave, up to 50%, that is not encashed within the year, may be carried forward to the following year. This allows employees to accumulate leave for future use or encashment, subject to company policy and legal limits.



Encashment Calculation:

$(\text{Gross Monthly Salary}/30) \times \text{Unused Leave Days}$

Minimum Wages & Payments

Bangladesh determines minimum wages based on industry/sector, worker category, and skill level through the Minimum Wages Board. The last few years have seen significant upward revisions, especially in high-employment sectors like RMG (Ready-Made Garments). The minimum wage includes basic pay and allowances such as house rent, medical, transport, and food.

Key Highlights:

- The RMG sector minimum wage is BDT 12,500/month (from Dec 2023).
- Minimum wages are not uniform—they vary by sector and grade (unskilled to skilled).
- All wages must be paid via bank or MFS within 7 working days of the wage period.
- Non-compliance attracts penalties and legal consequences under BLA

Minimum Wage in Different Sectors

No.	Sector	Skill Grade	Monthly Minimum Wage (BDT)	Effective From	Notes
1	Ready-Made Garments (RMG)	Grade 7 (Unskilled)	12,500	Dec 2023	New structure includes basic + allowances
		Grade 1 (Highly Skilled)	~18,000		Varies by designation
2	Tannery Industry	Unskilled to Skilled	13,000 – 17,000	Last notified 2018	Under review for 2025 update
3	Textile (Spinning/Weaving)	Helper (Unskilled)	10,500 – 14,000	2020	Based on machinery handling risk
4	Construction Workers	Mason, Laborer	9,500 – 12,000	Informal practice	No official gazette; industry-set rates
5	Tea Plantation Workers	All categories	170/day (~5,100/month)	2022	Wage includes food/housing allowances
6	Bidi Workers	Male/Female Rollers	6,000 – 8,000	Varies	Often paid piece-rate
7	Tailoring & Boutique Industry	Machine Operator	8,500 – 10,500	Sector-specific	Mostly SME-driven, unregulated
8	Shipbreaking Industry	Unskilled/Skilled	10,000 – 16,000	Informal norms	High-risk sector; wages fluctuate by shipyard
9	Hotel & Restaurants	Waiter/Cook	9,500 – 11,000	Notified 2019	Tips not included in wage
10	Plastic & PVC Industry	Operator/Technician	9,000 – 13,000	2021	Semi-automated factory settings
11	Footwear/Leather Goods	Stitcher/Assembler	9,500 – 12,000	2021	Similar to RMG-style setup
12	Pharmaceutical Industry	Factory Assistant	12,000 – 16,000	Company-specific	Highly formalised, often exceeds legal minimum
13	Retail/Wholesale Trade	Salesperson	9,000 – 10,500	Notified 2019	Urban rates are slightly higher
14	Security Services	Guard/Supervisor	10,000 – 12,500	Informal/Contract	Food/accommodation sometimes included
15	Printing & Packaging	Operator/Helper	9,000 – 11,500	2020	Wage depends on machine type and experience

Termination & Severance

No.	Separation Type	Legal Reference	Applicable To	Notice Period	Severance / Benefits	Key Procedures / Conditions
1	Termination by Employer (with notice)	Sec. 26	Permanent workers	120 days (monthly-rated) 60 days (others)	30 days' wages per year of service, Leave encashment, other dues	<ul style="list-style-type: none"> Written notice or payment in lieu Final settlement within 30 working days
2	Retrenchment	Sec. 20	Surplus permanent workers	1 month or wages in lieu	30 days' wages per year of service	<ul style="list-style-type: none"> "Last in, first out" principle Notification to Labour Director Priority for re-employment within 1 year
3	Discharge (Incapacity)	Sec. 22	Unfit workers	30 days or wages in lieu	30 days' wages per year of service	<ul style="list-style-type: none"> Medical proof of incapacity required Final dues within 30 working days
4	Dismissal (Misconduct)	Sec. 23	Any worker (on misconduct)	No notice required	Not mandatory (only wages up to dismissal date)	<ul style="list-style-type: none"> Must conduct domestic inquiry Give show-cause and chance to respond
5	Voluntary Resignation	Sec. 27	All workers	60 days (monthly-rated) 30 days (others)	Gratuity if eligible, Final dues, leave encashment	<ul style="list-style-type: none"> Workers may resign by giving notice or pay in lieu Employer must settle dues in 30 working days
6	Automatic Termination (Abandonment)	Sec. 26(6)	Any worker	None (triggered by absence)	None	<ul style="list-style-type: none"> Absence without leave for 10+ days Employer sends inquiry notice, if no valid reply, termination applies
7	Probationer Termination	Sec. 5	Probationers	None required	None	<ul style="list-style-type: none"> Can be terminated at any time during probation No reason or benefits required
8	Temporary / Casual Worker End	Not specific (by contract)	Temp/casual workers	Not mandated unless specified in contract	Not mandatory	End of assignment or contract concludes relationship

Compensation for Death (Section 19)

If a worker dies after serving for more than 2 continuous years under an employer (regardless of where or how the death occurred), the employer must pay 30 days' wages as compensation to the nominee of the deceased worker. If no nominee exists, the payment shall be made to a dependent.

If a worker dies while working in the establishment or due to an accident that occurred during work, the employer must pay the nominee (or dependent):

- Employees will be entitled with either 45 days' wages for every completed year of service, or any part exceeding 6 months, or the gratuity amount, whichever is higher.

This death compensation is in addition to any retirement benefits that the worker would have been entitled to, such as:

- Provident Fund
- Gratuity (if not already used as compensation)
- Leave encashment
- Bonus, etc.

Disability

Types of Disabilities

- Temporary Disability
- Partial Disability
- Permanent Disability

Compensation for Disability

Disability Type	Compensation Details
Temporary Disability (Occupational Disease)	50% Gross Wages for 2 years
Temporary Disability (Accident)	Full Gross Wages + 2/3 of Gross Wages + 50% of Gross Wages for 1 year
Permanent Disability	Lump sum amount of 250,000 BDT (Two Hundred Fifty Thousand Taka)
Partial Disability	Percentage of 250,000 BDT based on severity
Death	Percentage of 250,000 BDT to family/nominee

Notes:

- Compensation for Temporary Disability is generally paid as a wage replacement for a defined period depending on the cause (disease or accident).
- For Permanent Disability, a fixed lump sum compensation is given (BDT 250,000), adjusted proportionally for partial disability.
- In case of death due to work injury, compensation is paid to dependents based on a percentage of the lump sum.

Full Pay Components & Separation Benefits Table (As per BLA 2006 & Rules 2015)

Component	Calculation Basis / Formula	Remarks
Basic Wage	≥ 50% of Gross Wage	Mandatory minimum basic wage is 50% of Gross Wage
Dearness Allowance (DA)	% of Basic Wage	Optional but common
House Rent Allowance (HRA)	Fixed amount or % of Basic Wage	Optional, based on company policy
Medical Allowance	Fixed amount	NA
Conveyance Allowance	Fixed amount	NA
Overtime Pay	Basic Salary x 2 x OT Hours / 208	For hours worked beyond normal working hours
Bonus / Festival Allowance	Fixed or % of Basic or Gross Wage	Provided based on policy or statutory requirement
Gross Wage	Sum of all above components	Before deductions
Deductions	Provident Fund, Income Tax, Loan repayments, Absence penalties	Must comply with law
Net Pay	Gross Wage - Deductions	Take-home salary
Gratuity	30 days basic wage x number of years worked	If service length is 1 year to 10 years
	45 days basic wage x number of years worked	If service length is 10 years above
Provident Fund (PF)	7% - 8% of Basic Wage	Payable at separation as per PF rules
Earned Leave Encashment	(Gross Monthly Wage / 30) x Number of unused leave days	Payable every year and end at the time of separation
Maternity Benefit	Last withdrawn gross wage/30 x 122	This benefit paid for in two installments. Before and after delivery.
Death Compensation	30 days basic wage x number of years worked	Death while in service
	45 days basic wage x number of years worked	Death following an accident
	45 days basic wage x number of years worked	Death while working
Disability	50% Gross Wages for 2 years	Temporary Disability (Occupational Disease)
	Full Gross Wages + 2/3 of Gross Wages + 50% of Gross Wages for 1 year	Temporary Disability (Accident)
	Lump sum amount of 250,000 BDT (Two Hundred Fifty Thousand Taka)	Permanent Disability
	Percentage of 250,000 BDT as per first schedule of Labour Act	Partial Disability

Component	Calculation Basis / Formula	Remarks
Termination	30 days basic salary for every complete year of service	NA
Retrenchment	30 days basic salary for every complete year of service	NA
Discharge	30 days basic salary for every complete year of service	NA
Retirement	30 days basic salary for every complete year of service	Retirement age 60 years
Resignation	14 days basic salary for every complete year of service	If Service length is more than 5 but less than 10 years
	30 days basic salary for every complete year of service	If Service length is more than 10 years

Public Holidays (2025)

Date	Day	Holiday	Type
Jan 1	Wednesday	New Year's Day	Optional
Feb 15	Saturday	Shab-e-Barat	General
Feb 21	Friday	Language Martyrs' Day	General
Mar 26	Wednesday	Independence Day	General
Mar 27	Thursday	Laylat al-Qadr	Executive Order
Mar 28	Friday	Jumatul Bidah	Executive Order
Mar 29–31	Sat–Mon	Eid ul-Fitr	Executive Order
Apr 1–2	Tue–Wed	Eid ul-Fitr	Executive Order
Apr 14	Monday	Pohela Boishakh	Executive Order
May 1	Thursday	May Day	General
May 11	Sunday	Buddha Purnima	General
Jun 5–12	Thu–Thu	Eid ul-Adha	Executive Order
Jul 1	Tuesday	Bank Holiday	Bank Holiday
Jul 6	Sunday	Ashura	General
Aug 5	Tuesday	Mass Uprising Day	National
Aug 16	Saturday	Janmashtami	General
Sep 5	Friday	Eid-e-Milad un-Nabi	General
Oct 1–2	Wed–Thu	Durga Puja & Dashami	Executive Order
Dec 16	Tuesday	Victory Day	National
Dec 25	Thursday	Christmas Day	General

Statutory Contributions & Group Insurance

A. Workers' Profit Participation Fund (WPPF)

- Mandatory for companies with profits.
- Contribution rate: 5% of net profit before tax.
- Employer's obligation: Must create and contribute to a Workers' Profit Participation and Welfare Fund.
- Employee contribution: Not required — employees do not contribute to the fund.
- Paid annually to eligible workers as a share of profit and welfare grants.

B. Compulsory Group Insurance (Section 99)

(1) Mandatory Coverage

- Applies to Establishments with 100 or more permanent workers.
- Must introduce group insurance under existing national insurance laws.

(2) Coverage Scope

- The insurance amount is separate from other legal dues (like gratuity, compensation, etc.).
- In case of a worker's death, the employer must:
 - Recover the insurance claim,
 - Ensure direct payment to the dependents of the deceased.

(3) Settlement Timeline

- Insurance claims under this section must be settled within 120 days.
- This is a joint responsibility of the insurance company and the employer.

C. Optional Group Accident Insurance (Section 160(11))

- Applies to: Establishments with 10 or more workers.
- The employer may introduce a group accident insurance scheme.
- Use of funds: Insurance benefits must be used for the treatment of injured workers.
- This provision is optional, but recommended for risk mitigation and welfare.

Types of Companies in Bangladesh

Private Limited Company

A Private Limited Company is the most common form of business entity. Any person who is above the age of 18 can register one. The law requires a minimum of two and a maximum of fifty shareholders, and at least two directors. Foreign companies may also form joint ventures with local entities, which allows both parties to share strengths and minimise risks.

Public Limited Company

A Public Limited Company is allowed to offer shares to the general public. It is usually listed on a stock exchange. To register with a public company, there must be at least seven members and at least three directors. There is no maximum limit on the number of shareholders. Shareholders may be either individuals above the age of 18 or legal entities, provided they are qualified under Bangladeshi law.

Branch Office

A Branch Office is considered an extension of a foreign parent company. It is not treated as a separate legal entity. All liabilities of the branch are fully borne by the parent company. A branch office is primarily used for executing business operations in Bangladesh that reflect the parent company's activities.

Representative Office

A Representative Office, also called a Liaison Office, is similar to a branch office in that it is dependent on a parent company abroad. However, a liaison office is only allowed to perform non-commercial activities such as market research, promotion, and communication. It cannot engage in profit-generating activities. It mainly serves to coordinate and facilitate business processes or support between the parent company and stakeholders in Bangladesh.

Subsidiary Company

A Subsidiary Company is a separate legal entity incorporated under Bangladeshi law, but owned by a foreign company. It is registered as a private limited company and is treated independently, meaning it is fully liable for its own operations. Foreign investors are eligible to own 100 percent of the shares of a subsidiary in Bangladesh.

Company Registration Process in Bangladesh

1. **Step 1:** Name Clearance. The applicant must obtain approval of the proposed company name from the Registrar of Joint Stock Companies and Firms (RJSC). This is usually done online.
2. **Step 2:** Drafting of Required Documents. After name clearance, the company must draft and prepare the Memorandum of Association (MoA), Articles of Association (AoA), and other statutory forms as required by RJSC.
3. **Step 3:** Opening of Bank Account. A bank account should be opened in the proposed company name. If the company intends to hire foreign employees, it must make an inward remittance of at least USD 50,000 to this account.
4. **Step 4:** Submission of Documents. All prepared documents must be submitted to the RJSC along with the prescribed registration fees. After successful submission and verification, the RJSC will issue the Certificate of Incorporation.
5. **Step 5:** Post-Registration Compliance. After incorporation, the company will receive its MoA, AoA, and incorporation certificate. From this point, the company is officially registered and allowed to conduct business in Bangladesh.

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