Bangladesh

Tragic industrial accidents in Bangladesh over the past years, such as the Rana Plaza collapse, with 1,134 deaths and around 2,500 injured, brought international attention and highlighted the need to improve health and safety standards and to put a reliable system in place that compensates and supports victims and their dependents in cases of work accident.

building a new scheme

Since the Rana Plaza accident on 24 April 2013, the Government of Bangladesh, employers, trade unions and non-governmental organizations (NGOs) formed the Rana Plaza Coordination Committee (RPCC) that, with the ILO acting as a neutral chair and the ILO's technical assistance, developed a compensation scheme for the victims, families their and dependants.

National social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons.

185 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), an approach to achieve universal social protection.

This note presents a successful country experience of expanding social protection.

Main lessons learned

- The tragic events in Bangladesh shed light on the shortcomings of the existing compensation system in cases of workplace accidents and put enormous pressure on national and international stakeholders to develop a compensation scheme for the victims, their families and dependants.
- These events also raised awareness on the need to establish an employment injury insurance (EII) scheme in Bangladesh to protect workers and their better dependents by providing periodical benefits in cash and in kind in cases of work-related accidents and occupational disease.
- Both employers and the broader buyers' community progressively understood that contrary to employers' liability programmes, an EII scheme, through collective risk pooling, not only protects workers and their dependents, but also employers against the financial consequences of catastrophic accidents. Ell also reduces the risks for brands and buyers that are no longer held responsible for compensating injured workers in factories.





International

Labour Office

1. How was the Rana Plaza Compensation scheme developed?

The Rana Plaza catastrophe in Bangladesh in April 2013 was a wake-up call for the industry. This accident, which took the lives of more than 1,134 workers and injured around 2,500 others, made people realize that many workers still today lack adequate protection in the case of work injury.

In an initial effort after the collapse of the Rana Plaza factory building, the Government of Bangladesh, employers, trade unions and non-governmental organizations (NGOs) came together to form the Rana Plaza Coordination Committee (RPCC).

With the ILO acting as a neutral chair, the RPCC's purpose was to develop a compensation scheme that would deliver support to the victims, their families and dependants in a predictable manner consistent with relevant international labour standards.

The Rana Plaza Donors Trust Fund received contributions worth US\$30 million from companies and individuals who wished to support financial and medical delivery to the Rana Plaza victims and their families (http://www.ranaplaza-arrangement.org).

The RPCC oversees the delivery of payments to the victims and their families and safeguards the fund against fraud. Benefits are calculated in a consistent manner, taking into account the standards of the International Labour Organization (ILO) and Bangladesh laws.

2. Weakness of the employers' liability programme in Bangladesh

The Bangladesh Labour Act stipulates employers' obligations to provide lump-sum compensation in cases of deaths or permanent disabilities resulting from work-related accidents.

However, this compensation scheme suffers from major shortcomings:

- The compensation amounts under the Labour Act are paid in a lump sum and cannot guarantee lifetime income security for the injured workers or their dependents.
- 2. The compensation amounts under the Labour Act were also small and do not meet the minimum

standards of the ILO's Employment Injury Benefits Convention, 1964 (No. 121). In Bangladesh, the compensation amount payable in case of death is equal to a lump-sum payment of 100,000 Bangladeshi Taka (BDT) and BDT125,000 in the case of permanent total disability. According to Convention No. 121, a widow aged 25 with two children (aged 3 and 5) should receive a periodical benefit equal to 50 per cent of the deceased worker's wage at the time of the accident. Calculating this at the minimum wage of BDT3,000 a month at the time of the accident, the total compensation would be at least BDT600,000.

- 3. Most of the employers went out of business after the Rana Plaza collapse. Due to their insolvency or bankruptcy, most employers did not have the financial means to pay the compensation amounts.
- According to the Labour Act, only a limited list of 4. injuries qualifies a victim to receive permanent total or partial disability status. Many Rana Plaza victims did not fall into these categories of injuries. For example, the following types of injuries are not covered by the Labour Act: spinal injuries, paralysed limbs, cord kidney malfunction, head trauma, back pain, psychological consequences and damage.

3. Towards a comprehensive Employment Injury Protection and Rehabilitation Scheme

In parallel to the Rana Plaza Compensation scheme, the Government of Bangladesh, led by the Ministry of Labour and Employment, has recognized the importance to set up a long-term, rights-based and sustainable protection mechanism that provides protection, as well as prevention and rehabilitation measures, in a systematic way.

Consequently, the Government signed a letter of intent with the ILO and the Government of Germany to explore the possibility of setting up of a national Employment Injury Protection & Rehabilitation (EIP&R) Scheme in line with the ILO Employment Injury Benefits Convention, 1964 (No. 121).

Following the key principles highlighted in the Convention, the national Employment Injury Protection & Rehabilitation Scheme (EIP&R) aims at providing protection in the forms of:

- long-term periodical payments instead of lumpsum payments;
- compensation for the loss of income over the lifetime of injured workers and dependents of deceased workers;
- 3. medical and associated care provided over the lifetime of severely injured workers; and
- vocational rehabilitation programmes for reintegration of injured workers in their previous or alternative suitable occupation.

The proposed EIP&R scheme will provide the following advantages compared to the existing employers' liability programme:

- 1. It will provide adequate protection to workers and their families against the financial consequences of employment injuries.
- It will also guarantee access to health-care services, as well as physical and vocational rehabilitation for injured workers.
- 3. Thanks to its collective risk-pooling mechanism, it will also protect employers against the financial consequences of catastrophic accidents.
- The EII will not only guarantee the well-being of households, but at a macro level this will have a positive impact on aggregate demand for goods and services and the development of domestic markets.
- The EII will also contribute to reduce risks of social unrest and promote social peace and stability that are conducive to the development of business.
- The EII will finally reduce financial and reputational risks for brands and buyers that will no longer be held responsible for compensating injured workers in factories.

4. What remains to be done?

The Rana Plaza catastrophe in Bangladesh in April 2013 was a wake-up call for the industry and created momentum to improve the safety and health conditions and compensation mechanisms for workers, not only in Bangladesh but also around the world.

Yet, the set-up of an employment injury scheme is a complex task that needs joint efforts and dialogues of all relevant stakeholders.

Good communication of the scheme's principles and design to all stakeholders is essential throughout the process. Key principles, such as the importance of periodical payments of compensation, should be clearly explained.

Next to building the financial basis and administrative management of the scheme, it is important, in parallel, to drive the establishment of health and rehabilitation facilities and to ensure good coverage in urban and rural areas. Return to work facilities and programmes, providing support to victims to re-enter the job market, are essential tools that enhance the effectiveness of the scheme.

Setting incentives for different industries to reduce accidents and improve health and safety standards at work should receive adequate attention.

Collection and management of statistical data as well as appropriate management information systems and clear operational procedures and guidelines are essential for the good governance of the future scheme and for improving operations.



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Building Social Protection Floors

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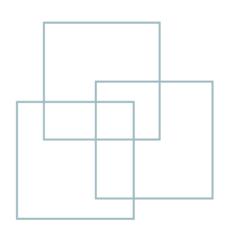
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