Bangladesh Move towards Employment Injury Insurance: The Legacy of Rana Plaza

To know more, visit our Website http://www.ilo.org/geip or watch the video on a legacy of Rana Plaza (https://youtu.be/pDUdRRBk)

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 the case of work accidents.

Since the date of the Rana Plaza accident, 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 ILO’s technical assistance, developed a compensation scheme for the victims, their families and dependants.

Main lessons learned

- The tragic events in Bangladesh shed the light on the shortcomings of existing compensation system in cases of work-place 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 in Bangladesh an employment injury insurance (EII) scheme to better protect workers and their 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. EII also reduces the risks for brands and buyers that are no longer held responsible for compensating injured workers in factories.

I. 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 made people realize that many workers still today lack adequate protection in case of work injuries.

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 that wish to support the financial and medical delivery to the Rana Plaza victims and their families (http://www.ranaplaza-arrangement.org).

The RPCC oversees the delivery of the 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.

II. The Weakness of the Employers Liability Programme in Bangladesh

The Bangladesh Labour Act stipulates employers’ obligations to provide lump sum compensations in cases of deaths or permanent disabilities resulting from work-related accidents.
However these compensations suffer from major shortcomings:

1) The compensation amounts under the Labour Act are paid in a lump sum and cannot guarantee a life time 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 in the case of permanent total disability 125,000 BDT. 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 accident. Calculating this at the minimum wage of BDT 3,000 a month at the time of the accident, the compensation would be of at least BDT 600,000.

3) Most of the employers were 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.

4) According to the Labour Act, only a limited list of injuries qualify 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 cord injuries, paralysed limbs, kidney malfunction, head trauma, back pain, psychological consequences and damage.

III. Towards a Comprehensive Employment Injury Protection & 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 a 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:

1) Long-term periodical payments instead of lump sum payment.
2) 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.
4) 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 existing Employers Liability Programme:

1) It will provide an adequate protection to workers and their families against the financial consequences of employment injuries.
2) 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.
4) 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 a domestic market.
5) 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.
6) 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.

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