

The EIS Pilot Towards Employment Injury Insurance for Bangladesh's RMG Sector

An Investment in the Fair and Sustainable Supply Chain of Tomorrow

The Legacy of Accord and NTPA

In an unprecedented initiative, more than 200 international brands joined forces with global trade unions, establishing the **Accord on Fire and Building Safety** in Bangladesh in May 2013.

Following the **National Tripartite Plan of Action on Fire Safety and Structural Integrity in the Ready-Made Garment Sector of Bangladesh** (NTPA), the *Accord* brands committed to conduct thorough inspections of their Bangladeshi sourcing factories, implement rigorous fire safety, building security as well as safety training and ensure necessary remediations. In 2020, the *Accord's* work was institutionalised through the fully nationally organised **RMG Sustainability Council** (RSC).

In its scale, effectiveness and level of commitment, the *Accord* transcended all previous business and human rights initiatives not only in Bangladesh but globally. Thereby, a new standard was set against which all future initiatives must be measured.

In addition to its direct accomplishments, the *Accord* fuelled a **political dynamic** that led to improved labour legislation. Moreover, statutory compensation payments for occupational accidents resulting in death and permanent disability were increased and a new *Central Fund* as central governmental agency for the administration of compensation benefits was created by law.

In order to guarantee sufficient funding for compensations, it was decided to finance the *Central Fund's* benefit payments by a levy on the exports of direct exporters of the ready-made garments (RMG) sector.

Lack of a Comprehensive Solution

Despite these significant achievements, however, a comprehensive social insurance system that protects workers against multiple work-related life risks is still not in place. While workplace safety has been greatly improved in the dimensions of building and fire safety, other aspects of occupational accident prevention are still largely absent. Moreover, the *Central Fund's* **compensation benefits are not in accordance with international standards** as defined in the ILO Employment Injury Benefits Convention (No. 121, 1964/1980) **and, thus, cannot prevent impoverishment** of accident victims and their families. Apart from the work of fragmented private sector and civil society initiatives, the area of rehabilitation and return-to-work (RTW) remains completely unaddressed in Bangladesh's current employment injury protection system.

Next Step Forward: the EIS Pilot

The task remains to pull all existing threads together, close the remaining protection gaps and combine them into a comprehensive **employment injury scheme** (EIS).

This is where the **EIS Pilot**, officially launched on 21 June 2022, comes in (Figure 2). In September 2019, the Government of Bangladesh adopted the concept of a pilot for an EIS covering all factories contributing to the export-oriented RMG sector. After several tripartite stakeholder consultations, including constructive collaborations with international brands and the formation of the *Tripartite Technical Committee on the Pilot* chaired by the Ministry of

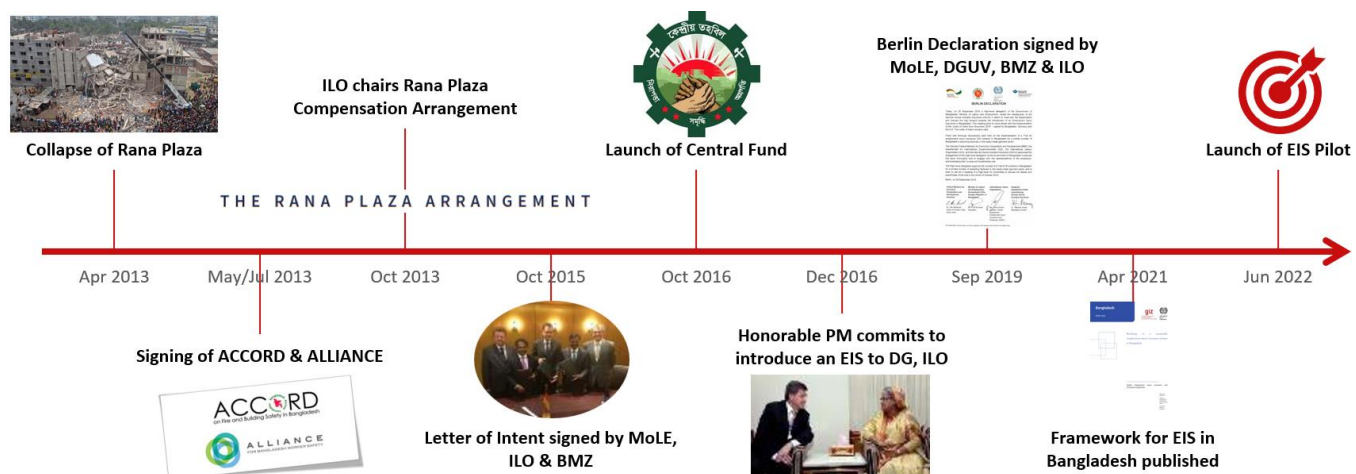


Figure 1: Timeline of previous developments

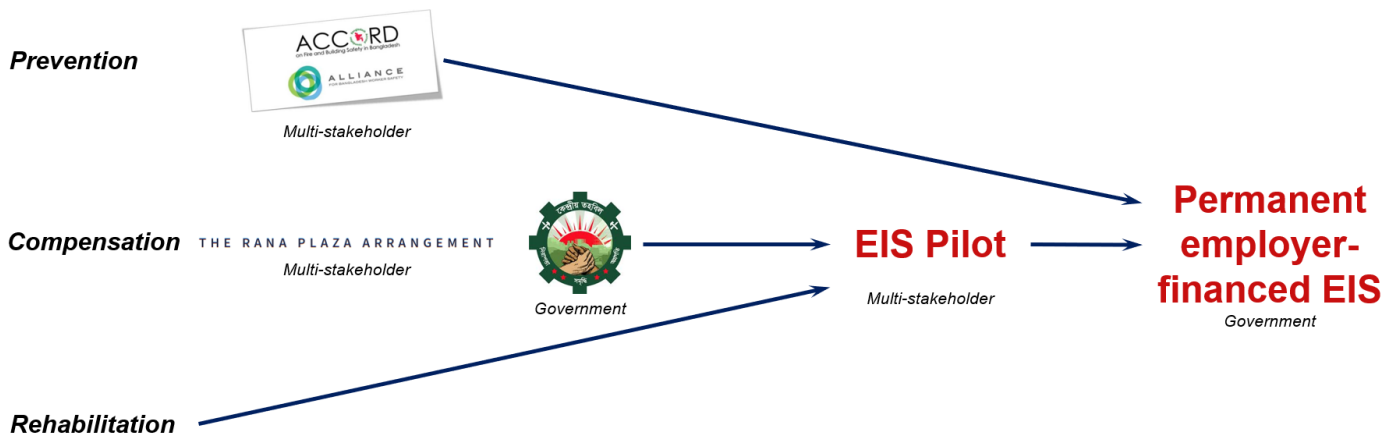


Figure 2: The way towards comprehensive employment injury protection

Labour and Employment (MoLE) of Bangladesh, an agreement on the basic design of the *Pilot* was reached. Thereby, the *Pilot* is conceptualised as a **transformative approach leading to the introduction of a permanent statutory EIS**. In close cooperation, the ILO and GIZ work on establishing the administrative processes as well as the transition to an employer-financed EIS after 3–5 years. The *Pilot* has two components (Figure 3):

- (1) **data collection** on occupational accidents, diseases and rehabilitation based on a sample of representative factories;
- (2) **payment of top-up monthly benefits** for occupational injury compensations in line with ILO Convention No. 121 in case of permanent disability and death for the entire export-oriented RMG sector.

	Component 1		Component 2
Outreach	150 factories (employing at least 150,000 workers)	Sector level information	All RMG workers
Support to be provided	Strengthening of factory level capacities to provide health services to workers: medical access & care, information on delivery of cash benefits by employers	Data on occurrences of injuries, prevalence of diseases and deaths, average medical costs, etc.	Top-up (periodical) payments for permanent disability & death as well as increased awareness as per international standards

Figure 3: The two components of the EIS Pilot

Under component 2, the *Pilot* provides **income replacements** for the permanently disabled and the dependents of deceased workers. This takes the form of **periodical payments** / pensions as top-ups for the lump-sum payments of the *Central Fund*, **rendering the level of benefits compatible with ILO Convention No. 121**.

These payments are financed on a voluntary basis by international brands, with the value of the contribution estimated at 0.019% of

the value of a brand’s total order in Bangladesh. The *Pilot*’s tripartite governance mechanism strengthens national governance structures and ownership and provides a clear exit strategy after 3–5 years. The social insurance approach effectively mitigates individual risks, ensuring the long-term sustainability of the *Accord*’s achievements. Participation by brands is based on a pledge to be signed. The pledge includes, inter alia, specifications of the financial contribution, the monitoring role of the ILO, a non-disclosure agreement as well as GIZ’s and ILO’s responsibilities and the progress indicators of the *Pilot*’s implementation.

Why Is Brands’ Involvement in the EIS Pilot Important for Investors?

Supporting the *EIS Pilot* is in line with ESG and CSR basic requirements. Indeed, **contributing brands are addressing a critical social need**: ensuring effective protection when work-related injuries occur in their supply chains. In doing so, they fulfill the fundamental workers’ right to a safe and healthy workplace, now included in most due diligence legislative trends. With a minimal contribution, brands gain a competitive edge by attaching a social dimension to the production of their garments. This engagement is highly valued by a new generation of consumers. Furthermore, the *Pilot* protects brands’ supply chains, workers and suppliers against workplace accident disruption and work stoppages. There is thus a **clear measurable social as well as financial return in supporting the *Pilot* for brands**.

The *Pilot* provides the framework under which key national and international actors can engage in the EIS transformative process and work together to achieve in the long-term a fully nationally owned social insurance scheme against workplace injury from which all will gain.

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