

# Compensation falls short and fails workers, it needs urgent reform

In conversation with AKM Nasim, Country Programme Director at Solidarity Center Bangladesh and a former member of the Labour Reform Commission.



▲ Relatives of Rana Plaza victims protest to demand justice and fair compensation.

PHOTO: TASLIMA AKTER

**What provisions currently exist in Bangladesh's labour laws and related policies regarding compensation for workers affected by industrial accidents?**

The legal framework is primarily governed by the Bangladesh Labour Act, 2006, which establishes employer liability for workplace injuries and occupational diseases. On paper, workers are entitled to compensation depending on the nature of injury. In cases of death, compensation is Tk. 200,000, and for permanent total disablement Tk. 250,000. Partial disablement is calculated proportionately, while temporary disablement provides limited wage replacement for a short duration.

Supplementary mechanisms exist under the Bangladesh Labour Rules, 2015, particularly the Central Fund for export-oriented sectors. Under Rules 212-215, the fund is financed through a 0.03% levy on export orders and voluntary contributions. It provides additional benefits such as Tk. 300,000 for death or permanent disability, Tk. 200,000 in certain non-work related cases, and up to Tk. 100,000 for loss of limb, along with support for treatment, education, and welfare initiatives.

Further support is provided under the Bangladesh Workers Welfare Foundation Rules, 2010. Rule 4 allows certain financial assistance for death

or permanent disability, for medical treatment, and educational stipends for workers' children.

In addition, the ongoing Employment Injury Scheme (EIS) Pilot introduces a more structured approach to compensation. Under this pilot, eligible workers or their dependents can apply for benefits through standardized application procedures, which include documentation of employment, injury, and medical assessment. The scheme provides monthly pension payments as income replacement, calculated based on the worker's age and previous earnings, rather than relying solely on lump-sum compensation. It also includes provisions for disability assessment and, in some cases, rehabilitation-related support. While this represents a significant shift toward a more sustainable and rights-based model, the scheme is currently limited in scope, primarily covering the ready-made garment sector, and operates alongside existing mechanisms rather than fully replacing them.

Despite these provisions, entitlements remain limited. In most of the cases, compensation is largely one-time and capped, with no guaranteed system for long-term income replacement, structured rehabilitation, or reintegration. Medical and welfare benefits exist but are fragmented and

often discretionary rather than rights-based.

**In practice, how effectively are these legal provisions implemented following industrial accidents? Where do the biggest gaps lie between law and practice in delivering reparations?**

In practice, implementation is weak and inconsistent. Although legal provisions establish employer liability and supplementary funds, workers face major barriers in accessing compensation.

A key gap is the inadequacy and stagnation of compensation amounts. Even when combined with Central Fund or Welfare Foundation support, payments remain insufficient to meet long-term needs. Moreover, these benefits are not always paid promptly, and delays are common.

Enforcement remains limited. Employers often underreport accidents or negotiate informal settlements below legal standards. Oversight institutions lack sufficient capacity to ensure compliance across sectors.

structured system ensuring long-term medical care, disability management, or reintegration into employment.

Overall, the system operates as a fragmented and limited safety net rather than an effective and accessible reparation mechanism.

**How effective have past legal reforms been in addressing compensation and justice after incidents like Rana Plaza?**

The Rana Plaza collapse led to significant attention and reforms, including improved safety measures, creation of the Rana Plaza Trust Fund, and establishment of the Central Fund for the garment sector.

However, these reforms have had limited structural impact. Statutory compensation under the Labour Act remains unchanged and inadequate. Much of the progress has relied on ad hoc arrangements driven by international pressure rather than systemic legal reform.

The introduction of the Employment Injury Scheme (EIS) through the 2026 amendment is a positive development. The current pilot in the garment sector covers millions of workers and provides monthly pensions as top-ups to lump-sum compensation, moving closer to international standards.

Despite this, the EIS remains limited in scope, sector-specific, and dependent on voluntary contributions. It is not yet a universal or fully institutionalized system.

Justice outcomes also remain weak. Twelve years after Rana Plaza, multiple labour and criminal cases are still pending, with several accused absconding and trials ongoing. This reflects serious delays in accountability and highlights the limited effectiveness of legal reforms in delivering timely justice and compensation.

**What role do courts and legal precedents play in shaping compensation outcomes for victims?**

Courts in Bangladesh play a limited role in shaping compensation outcomes. There is a lack of strong judicial precedents that expand or clarify workers' rights to compensation.

Most cases do not progress through formal litigation due to barriers such as cost, delay, and complexity. Workers often rely on administrative mechanisms or informal settlements instead of pursuing court remedies.

As a result, labour courts have not developed a consistent body of jurisprudence on key issues such as

adequacy of compensation, employer negligence, or long-term rehabilitation. This weakens accountability and reduces the deterrent effect on employers.

The prolonged pendency of cases related to Rana Plaza further illustrates the limitations of the judicial system. Even where criminal and labour cases exist, delays undermine the effectiveness of legal remedies.

Overall, the absence of strong judicial intervention means that compensation remains largely governed by statutory minimums and administrative processes rather than evolving through rights-based legal interpretation.

**What specific legal or policy reforms are needed to address these gaps and strengthen the compensation system?**

A comprehensive reform approach is necessary to address existing loopholes.

First, compensation amounts under the Labour Act should be significantly increased and linked to wages, age, and loss of earning capacity, with automatic adjustment for inflation.

Second, the Employment Injury Scheme should be expanded into a universal and mandatory system covering all sectors, with sustainable financing and clear legal guarantees to ensure that benefits meet or exceed existing entitlements.

Third, enforcement mechanisms must be strengthened through improved labour inspection, strict penalties for non-compliance, and mandatory reporting of workplace accidents.

Fourth, the claims process should be simplified by creating a single, time-bound mechanism that reduces administrative burdens and removes dependence on employer certification.

Fifth, a comprehensive rehabilitation framework should be introduced, including medical care, long-term treatment, vocational training, and reintegration support.

Sixth, existing welfare mechanisms such as the Central Fund and Workers Welfare Foundation should be strengthened. Benefit limits under Rule 4 should be increased, and the discretionary nature of assistance should be replaced with clearer entitlement-based provisions.

Finally, strengthening labour courts and promoting strategic litigation can help build legal precedents, improve accountability, and reinforce a rights-based approach to compensation.

The interview was taken by Miftahul Jannat.



AKM Nasim

Procedural barriers further restrict access. Workers must navigate complex application processes for Central Fund or Welfare Foundation benefits, which require documentation, verification, and administrative approval. These processes are time-consuming and discourage claims, especially among vulnerable workers.

Additionally, most benefits under Rule 4 and Central Fund provisions are discretionary and application-based, not automatic entitlements. This creates uncertainty and unequal access.

There is also a major gap in rehabilitation. While some provisions allow treatment support or even the establishment of hospitals, there is no

## Beyond compliance, towards care

Addressing the psychosocial crisis in Bangladesh's garment industry

SHAHIDUR RAHMAN

Thirteen years ago, the Rana Plaza disaster claimed over 1,100 lives and injured thousands, exposing the deadly costs of neglecting occupational safety. That tragedy sparked global reforms to workplace physical standards. While the tragedy prompted significant reforms in structural and building safety within the Ready-Made Garments (RMG) sector, it also underscored the need to look beyond physical compliance. Ensuring a healthy psychosocial working environment encompasses the social, psychological, and organisational aspects of a workplace affecting employees' mental health, well-being, and performance. It goes beyond physical conditions to focus on how work is designed, managed, and experienced. Examples include work pressure, support from managers, job security, recognition, and work-life balance.

In a research project on declining female garment workers, initiated by GIZ, we used psychological insecurity—excessive work-related stress—to measure job insecurity. A woman worker, overwhelmed by responsibilities, may perceive inefficiency as a threat to her employment. We found that about 79% of women garment workers experienced psychological insecurity by the time they left garment factories. We asked whether they felt the workload was too much, and most responded affirmatively, highlighting the role of workload in their decision to leave. Overtime led to shifts into the night, creating social barriers.

Furthermore, the factories placed extra pressure on workers by requiring production of over 180 to 200 units per hour, while workers could only produce around 100 to 150 units. They

were asked to double their output, which was impossible to manage. Under this pressure, workers were not even allowed to leave for family or medical emergencies.

In another study supported by SITICH, workers were asked about changes in their workload following the new minimum wage announcement in December 2023. According to the survey, 65.68% of workers reported an increased workload in 2024 compared to 2023. This was due to rising hourly production targets. In this context, a union leader who participated as a KII noted, "Factories manage wage hikes by increasing individual production targets, causing worker stress and reduced job security."

This highlights how cost-cutting measures, such as higher targets, burden the remaining workforce, increasing physical and mental strain. Rights-based organisations raised concerns about the long-term sustainability of these practices, which compromise workers' well-being to accommodate wage hikes. Despite a wage increase, inflation harms workers' well-being, as one worker remarked, "We can barely live 15 days comfortably with such wages."

This statement illustrates the perceived inadequacy of wage adjustments and failure to keep pace with inflation and living costs. Under these circumstances, the concept of a living wage entered discussion, not without debate. From a poverty line perspective, an academic insightfully pointed out, "For a four person family, 12,500 taka divided per head is below the poverty line even in Bangladesh. If someone works 10 hours a day and his family's earnings per head are below the poverty line, this is an unsustainable model." This reflects how wage adjustments, while significant in percentage terms, fail to bring meaningful improvements in workers' lives and end in unhealthy

mental conditions.

Aside from fair wages, automation introduced new types of psychological and emotional stress. Integrating automated systems raises productivity goals and stricter performance monitoring, creating an environment of pressure and anxiety. Workers report feeling overwhelmed by the need to meet unrealistic expectations while adapting to new technologies. Additionally, while automation



VISUAL: ANWAR SOHEL

reduced manual workload for some tasks, it increased the intensity of others. Workers operating automated knitting machines must remain constantly vigilant to ensure smooth operation, which leads to fatigue and mental strain. Fear of being replaced by machines also contributes to job insecurity, hurting workers' morale and motivation.

One of the biggest impacts of automation has been a decrease in overtime hours. Weekly overtime dropped from an average of 20 hours to 11 hours, mainly due to faster production cycles enabled by automated machines. While this allows workers more time for personal and family responsibilities, it significantly

lowers take-home pay, as overtime bonuses often made up a large part of income. This is supported by the worker survey in my study, conducted by BLF, which found 88% agreed that since automation was introduced, they needed fewer overtime hours than before. Fewer overtime opportunities mean less financial security for those who depend on extra hours to support families. This trade-off between income and work-life balance remains

a key concern. However, job losses to automation are also an important issue for psychosocial well-being. To address this, Sarah Krasly, CEO of Shimmy Technology, argued that digital literacy should focus on digital skills such as reading, changing, evaluating, troubleshooting, and, at the highest level, creating.

Education is essential for digital literacy. The benefits of educated workers who quickly understand English-language instructions and machine guidelines include reduced dependence on supervisors to operate machines. Reflecting this, a worker said, "The new machines show errors on the display. Even if a needle is broken, you can see it on

the display; you don't have to search for everything manually. If someone doesn't understand English, they can't read the display. If I had a better education, I could easily read and understand the functions. Even if I don't have experience, I might learn quickly if I am educated. Otherwise, I will have to learn by experience, which takes time."

To upskill workers, the Asian University for Women in Bangladesh initiated a program to provide primary education in English, Math, and computers to women garment workers. The former president of BGMEA argues that this education is essential for participating in digital-based training on tablets, understanding machine instructions, and absorbing training effectively. The trade representative also believes that workers with 11-12 years of education are better positioned to use changing machines and technologies.

The final concern is the connection between mental health and the negative effects of climate change on the workplace, based on research on EIT's efforts to promote a just transition. Rising temperatures pose a significant problem for factory workers. The ILO (2019) estimates that by 2030, 4.84 per cent of working hours in Bangladesh will be lost due to heat stress, equivalent to 3,833,000 full-time jobs. Women bear the brunt of these issues, as they are more likely to miss work due to disproportionate caregiving duties at home (ILO, 2019).

Green buildings can help reduce problems caused by climate change. There is a legal requirement to display a thermometer on every floor to monitor room temperature. Ideal settings are 30 °C, with humidity maintained between 55-65%. If anything unusual is detected, staff alert owners. Auditors check for worker suffocation during site visits, as it is not always visible on the thermometer. If the

brand finds the work environment unusual, they inform factory management. One brand noted that workers sometimes express needs directly to management. In sections prohibiting cooling systems, factory management provides workers with saline at intervals and a separate heat allowance.

Factories address worker issues through various committees, including health and safety, participation committees, and anti-harassment bodies. These platforms help brands understand worker needs and gather suggestions, particularly on environmental concerns.

"The health and safety committee plays a significant role in this aspect," one brand stated.

Programmes focusing on worker awareness remain the most effective approach. According to a buyer, "When management imposes things upon workers without teaching them, it gives us the required KPI, but in the long run, it does not sustain as the workers are not aware."

It illustrates how the psychosocial work environment links to fair wages, automation, and climate change, each of which generates stress due to the evolving nature of work. The Rana Plaza tragedy remains a powerful reminder that worker safety cannot be reduced to mere structural compliance.

On this 13th anniversary, Bangladesh must confront less visible risks shaping workers' lives: unrealistic workloads, inadequate wages, technological insecurity, and climate-related stress. The government, trade associations, factories, and labour organisations must monitor workloads and address mental stress through effective counselling and training.

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