



Still Waiting

Rana Plaza compensation update

On October 24, 2013 the Clean Clothes Campaign and the International Labor Rights Forum released a report on the situation faced by the workers who were injured and the families who lost loved-ones in the Tazreen Fashions fire, which killed at least 112 workers and in the Rana Plaza building collapse where at least 1,138 people lost their lives. The original report is available at www.laborrights.org/stillwaiting.

This update, published on the April 24, 2014 – the first anniversary of the Rana Plaza collapse – provides the latest information relating to the compensation process for the victims of that disaster. To date just one-third of the funds needed for victim compensation have been contributed to the Rana Plaza Donors Trust Fund and only half of all brands associated with factories in the collapsed building have made any contribution.

CALCULATING COMPENSATION

Under the UN Guidelines on Business and Human Rights, companies have a responsibility not only to carry out due diligence with regard to the protection of human rights, but also to provide remedy should the worst happen. In the case of Rana Plaza and Tazreen, the deaths and injuries arose out of the failure of government, factory owners, and multinational buyers to carry out due diligence, despite widespread knowledge that building safety risks were endemic in the industry. It is therefore the responsibility of all these parties to contribute to the remedy, which in this case is the provision of full and fair compensation. This includes all brands that had a direct or indirect relationship with a Rana

Plaza factory or Tazreen, regardless of the length or nature of this relationship, whether production was authorised or not, or whether they were sourcing from the factory at the precise moment of the disaster.

There is no nationally-based system to calculate or deliver compensation to victims of industrial disaster, and the laws that do exist relating to compensation are woefully inadequate. Furthermore, the scale of the disaster meant that a coordinated approach was required if victims were to have any chance of accessing compensation payments that were accessible, equitable and transparent.

In September 2013 IndustriALL Global Union convened a meeting in Geneva, bringing together brands, trade union representatives, compensation experts and non-governmental organizations. The meeting agreed to form a Coordination Committee, comprised of representatives from government, industry and labour to develop a credible and predictable scheme for providing compensation to the victims.

Assisted by experts from the International Labour Organization (ILO), the Coordination Committee developed and agreed upon a formula that could be used to calculate the amounts due to each beneficiary, based on the financial losses and medical costs incurred as a result of the building collapse. The formula was based on international standards established under ILO Convention 121. The concept of pain and suffering, which had been included in a previous formula, was not included, although payments for this can still be pursued through different means.

LOSS OF INCOME CALCULATIONS

The amount of the payments made in respect to the losses suffered will be calculated on the basis of the earnings of the victims and the life expectancy of the beneficiary. The following principles form the basis of each claim.

Loss of income will be based on the actual earnings of the worker at the time of collapse. Since the minimum wage structure in Bangladesh was revised in October 2013, the Coordination Committee agreed the claims will be calculated using the new minimum wage. For example, for a worker who was earning the minimum wage of 3,000 taka per month at the date of disaster, the wage that will be used to calculate the amount of the payment is 5,300 taka, the current minimum wage level for that grade.

Compensation is calculated as a percentage of the wage that was earned by the worker, in recognition that the dependents making the claim would not have received the full income paid out. The percentage of the wage used is known as the replacement rate. For the purposes of claims calculations for Rana Plaza victims, the Coordination Committee agreed upon the following replacement rates:

- **Totally disabled worker:** receives 60% of the reference wage payable for his or her lifetime.
- **Partially disabled worker:** receives a percentage of the amount for a totally disabled worker, according to the degree of the worker's disability.
- **Surviving dependent(s) of a deceased or missing worker:** for as long as they would have been a dependent, receive 60% of the current wage payable in the case of three eligible dependents or more; 55% of the current wage in the case of two eligible dependents, and 50% in the case of only one eligible dependent. Payments will be divided between each eligible dependent.

HEALTHCARE AND RELATED BENEFITS

The awards also address healthcare needs of victims injured in the disaster. A medical assessment will be carried out and will estimate what medical care and treatment will be required to restore them to

pre-injury health, to the extent that is possible. The scheme will ensure that those with injuries have access to needed treatment and related benefits, such as hospital care, doctors, drugs, physiotherapy, prosthetic appliances, and services to permanently disabled needing help for daily activities. Follow-up is organized through local and international service providers active in Bangladesh.

HEALTHCARE AND RELATED BENEFITS

The Rana Plaza Arrangement has not established percentages that each responsible party (government, employer and brands) should pay, after brands, the government and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) refused to accept such a division. Instead the experts involved in calculating claims produced an estimate of the costs of paying out all claims and medical expenses. This figure has been set at \$40 million. All brands, the government and the BGMEA have been urged to make payments into the Rana Plaza Trust Fund, established under the Arrangement. Payments made prior to the establishment of the Fund that meet the criteria of payments (e.g. direct payments to victims for the specific expenses covered by compensation) will be offset from the final claim. For example, a family who received compensation from the Prime Minister's Fund in the months after the disaster will declare this payment during the process and some or all of this will be deducted. These amounts will be calculated and taken as a contribution to the Fund.

RESOURCES

- Donors who have publicly declared their donations to the Rana Plaza Trust Fund:
www.ranaplaza-arrangement.org/fund/donors
- Companies associated with Rana Plaza that haven't anything and companies that still need to pay more:
www.cleanclothes.org/ranaplaza/who-needs-to-pay-up
- Further information about the Rana Plaza Arrangement and Trust Fund:
www.ranaplaza-arrangement.org/