Rana Plaza Arrangement: How were claims for deceased and injured workers calculated?

The formula used to calculate the awards was designed in accordance with ILO Employment Injury Benefits Convention No. 121. It aimed to provide life-time benefits to those who were affected by the Rana Plaza incident, either disabled workers or surviving dependents and family members of deceased workers.

The formula aimed to ensure that payments provided by the scheme matched the specific losses of each claimant, and those those injured were provided with appropriate medical and allied care

Formula for calculating loss of income payments

The formula was based on specific "parameters," which were determined by the Coordination Committee and guided by the general framework of Convention No. 121.

The calculation was based done on the basis of:

A) The wage of a workers, using an agreed "reference wage."

The reference wage used for calculations was based on the 2013 Workers Classification Wage Structure, brought into law in October 2013. Actual wages earned by Rana Plaza workers at the time of collapse were adjusted to reflect this structure.

B) A "replacement rate," which applied to the reference wage.

A "replacement rate" is a percentage, which reflects the amount of wage that has been lost to the claimant as a result of death or injury. For Rana Plaza the following reference wages were applied:

<u>i) Totally disabled worker:</u> 60 % of the reference wage payable for his or her lifetime

<u>ii) Partially disabled worker:</u> variable percentage of the amount calculated for a totally disabled worker. The percentage here matched the extent of the disability as identified through medical assessement

<u>iii) Surviving dependent(s) of a deceased or missing worker:</u> The replacement rate varied depending on the the number of dependents as follows:

- 60% of current wage for 3 or more eligible dependents;
- 55% of the current wage in the case of 2 eligible dependents,
- 50% in the case of only 1 eligible dependent. Payments were divided between each eligible dependent.

Eligible dependents were defined, in accordance with the Bangladesh Labour Act 2006, as

(a) a widow, minor child, unmarried daughter, or a widowed mother; and

(b) if wholly or partly dependent on the earnings of the worker at the time of his/her death, a widower, father or widowed mother, a daughter if unmarried or widowed, a minor brother, an unmarried or widowed sister, a widowed daughter-in-law, a minor child of a deceased son, a minor child of a deceased daughter where no father of the child is alive or, where no parent of the worker is alive, a paternal grandparent and illegitimate son or illegitimate unmarried daughter.

A minor was defined as a child below age 18.

C) Economic assumptions, used to adjust the current value of the wage to take into account inflation and interest.

The present value of monthly benefits were calculated using the following economic assumptions:

- Discount rate: 8.1% per year
- Indexation of the monthly benefits: 6.0% per year

D) Length of payments:

Payments were calculated taking into account the life expectancy of the beneficiaries (with the exception of minor dependents, where payments were be calculated until 18). The system relied on the UN mortality table, which predicts the observed life expectancy at birth in Bangladesh for males and females.