Support for effective and inclusive Trade Unions in Bangladesh

Trade Union Position Paper

WOMEN WORKERS' PARTICIPATION IN THE UNIVERSAL PENSION SCHEME

This position paper is developed by the trade unions with the technical support of the Bangladesh Institute of Labour Studies – BILS. This is the outcome of extensive consultations with stakeholders, including national trade union centers, labour rights support national and international organizations and other social partners. It reflects the collective insights and consensus achieved through a series of discussions.

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Background

The Labour Force Survey 2022 estimated that Bangladesh has now 119 million working age population. Of them, 60 million are women and 59 million are men. Of this total working age population, only 73 million are estimated as the active labour force, meaning engaged in economic activity. Of this economically active labour force, inversely, only 35% are women and 65% are men. Differently, among the working age women labour force participation rate is estimated at only 43%, whereas for men it is 80%. In 1999-2000, the women's labour force participation rate was only 24%. A second estimate counts that among the active labour force, 70.5 million are employed and only 2.5 million are unemployed. Of the employed labour force, 85% are employed in the informal economy, meaning they lack basic social or legal protection or employment benefits. 97% of employed women are informally employed, and for men, this figure is estimated at 78% only. These are not all. The majority of women are employed in precarious and low-quality jobs. Even among those 3% who are employed in the formal sector, a vast majority of them are paid only a meager wage, such as Ready-Made-Garments workers and teachers in kindergarten jobs. It is indiscriminately reported that these workers most often fail to meet their basic necessities of living. For the informal sector workers like the domestic workers and sales girls, the situation is rather worse. Unlike in some other countries, there is no government redundancy pay-out or a guarantee of long-term social security payments in Bangladesh for workers. When an economic shock hits, the only thing workers are left to rely on is their fate. Although there are some nationally scheduled structures like the Bangladesh Labour Welfare Foundation for both formal and informal sector workers, availing aid from such structures is very onerous.

The Universal Pension Scheme, introduced in Bangladesh only in 2023, is a vital governmental initiative in recent times, aimed at providing financial security to elderly citizens. The initiative is intended for all individuals above 18 years of age in the country, who will receive pension benefits for life upon reaching the age of 60. Initially, four pension schemes out of six – **Pragati, Surokkha, Samata,** and **Prabash** – have been launched, while two others will be introduced later. However, one of the foremost challenges with these schemes is that they are all contributory schemes, either fully or partially. Now, the working women who have the least employment security, and who cannot meet basic needs and live below the poverty line, find it difficult to afford to even contribute partially for a long period of time to such schemes and to avail benefits from these. The level of knowledge and understanding about universal pension schemes by these vulnerable women workers is also questionable. Thus, whether working women, particularly those engaged in low-paying jobs like domestic work or RMG, or salesgirls, who have little to no resources and are often illiterate, can avail themselves of such a scheme is a matter to be investigated.

Trade union rights of the workers (RMG, kindergarten female teachers, domestic workers, and salesgirls)

Ready-made garment industry, domestic workers, kindergarten female teachers, and salesgirls, among them, only garment workers are included in the Bangladesh Labor Act, 2006, and legally have trade union rights, while workers in the remaining three sectors are still deprived of trade union rights. As a result, trade unions in Bangladesh are not able to make workers in the three sectors mentioned above members. Due to this, workers and workers in these three sectors are deprived of overall protection in the labor field, and trade unions are not able to represent them at the policy level or in any case with the owners. Since trade unions have no connection with workers in the remaining three sectors, except for garments, they have no idea about trade union protection.

Pension schemes in different countries

- In India, on January 1, 2004, the National Pension System (NPS) was introduced, which was designed to ensure earnings for all citizens after retirement.
- China's public pension system is moving towards universal coverage, featuring four distinct programs which were designed to serve the entire eligible population.
- In Malaysia, the Employee's Provident Fund, also known as Kumpulan Wang Simpanan Pekerja (KWSP) is the primary retirement savings scheme for the private sector which was established in 1951 and it is among the oldest provident funds in the world

- In Japan, all registered residents 20 to 59 years old are mandatory to contribute to the National Pension system.
- Based on individual status, this system is divided into three categories, whereupon entering Japan, individuals are classified as Category I insured persons until they qualify for either Category II or III status.
- In many countries, including Australia, Chile, and Hong Kong SAR, pension systems are established by the government but are directed by private organizations. Choosing from a range of private pension fund managers, contributors in these pension schemes have the flexibility.
- The pension systems in China, Indonesia, Malaysia, and Singapore are categorized as either defined contribution (DC) or notional defined contribution, whereas those in Korea, the Philippines, Thailand, and Vietnam fall under the defined benefit (DB) category.
- In the Philippines, there is a minimum pension that offers further benefits for a retired person with low earnings.

Existing laws and schemes on the UPS

The Universal Pension Management Act, 2023, and the Universal Pension Scheme Rules, 2023, are the key legal documents on the UPS. The Universal Pension Management Act, 2023, is made with the objective of including the people of all strata of the country in a sustainable pension structure.

This Act was published as a gazette on 31 January 2023. And the rules were published as a gazette on 13 August 2023.

At a Glance: Universal Pension Management Act, 2023

This Act has a total of 32 sections, in which descriptions and instructions are provided on various issues. Some important issues and instructions of this Act are mentioned below:

- A 'National Pension Authority' will be established under this Act, whose head office will be in Dhaka; however, with the approval of the government, it may have branch offices in other places of the country (Sections 4 and 5).
- A 'National Pension Authority' will be formed, consisting of an Executive Chairman and four members. The Authority will perform the duties and functions assigned to it (Sections 6, 7, 8, and 9).
- A Pension Board of Directors will be formed under this Act, which will advise the Pension Authority on policy and strategy, and investment matters (Sections 10 and 11).
- The Pension Authority shall have a fund called the 'National Pension Authority Fund' in which the grants made by the Government, various fees and charges, money received for services, loans taken, and money received from any other source shall be deposited (Section 12).
- The Government shall introduce a universal pension system with specific features or conditions, or methods (Section 14).
- The field offices of the Scheduled Banks and the Postal Department, and any other government or private institution specified by the rules, shall act as the front offices of the pension. These front offices shall be the institutions directly connected with the subscribers.

The headings of each section are mentioned below:

Section 1. Short title and Commencement.
Section 2. Definitions:
Section 3. Predominance of the Law:
Section 4. Establishment of National Pension Authority.
Section 5. Office of Authority:
Section 6. Structure of the authority etc.
Section 7. Roles and Functions of the Authority:
Section 8. Authority to obtain loans:
Section 9. The power to seize properties by the authority:
Section 10. Board of Directors.

Section 11. Functions of the Board of Directors.
Section 12. National Pension Authority Fund.
Section 13. Recruitment of employees by the Authority etc.
Section 14. Universal Pension Management.
Section 15. Pension Support Offices.
Section 16. Universal Pension Fund.
Section 17. Central record keeping:
Section 18. Universal Pension Fund Management.
Section 19. Banker of the Universal Pension Fund:
Section 20. Annuity Service Provision:
Section 21. Universal Pension Distribution Framework:
Section 22. Universal Pension Fund Management Committee.
Section 23. Laws Applicable to Universal Pension: The r
Section 24. Annual Report of the Authority.
Section 25. Annual Budget Statement:
Section 26. Accounting and auditing.
Section 27. Submission of reports, etc., to the Government:
Section 28. Government Employees:
Section 29. Power to make rules:
Section 30. Power to make regulations:
Section 31. Powers of Government to Resolve Complications:
Section 32. Publication of the translated version in English-

Universal Pension Scheme Rules, 2023 at a Glance

These rules consist of a total of 18 rules and one schedule. The following headings are mentioned:

Rule 1. Title and Introduction
Rule 2. Definitions
Rule 3. The Schemes
Rule 4. Eligibility and Registration in the Schemes
Rule 5. Payment of Monthly Subscription
Rule 6. Provisions for Physically and Mentally Incapacitated Donors
Rule 7. Provision for Payment of Subscription if a Mentally Unstable Person is the Subscriber
Rule 8. Provision for Payment of Subscription in case of Absence of Subscriber or Pensioner
Rule 9. Deposit of Government Money in Favor of the Subscriber to Samata Scheme, etc.
Rule 10. Nomination of the Nominee by the subscriber
Rule 11. Front Office of the Scheme
Rule 12. The Pension Account or Corpus Account of the Subscriber
Rule 13. Converting the Scheme
Rule 14. Scheme proprietorship
Rule 15. Taking a Loan from the Subscriptions Paid
Rule 16. Payment of Due against the Scheme after the Death of the Subscriber or Pensioner
Rule 18. Preservation of Records

Schedule

Schemes on the UPS (Ref: Rule 3 & 4)

Rule 3. The Schemes - A person registered under Rule 4 may participate in any of the following Schemes, namely:

a) **Probash Scheme (for Non-Resident Bangladeshi Citizens):** Any Bangladeshi citizen working or residing abroad can participate in this scheme by paying the amount of subscription in foreign currency equivalent to the amount mentioned in the Schedule, and he may pay the equivalent amount in local currency after his return to the country and, if necessary, change the Scheme, provided that upon maturation of the pension scheme the pensioner shall be entitled to receiving pension in local currency;

b) Progoti Scheme (for Employees of Private Organizations): Any employee working in a private organization or the owner of the said organization can participate in this scheme by paying the subscription at the rate mentioned in the Schedule; and in case of participation in the scheme by the private organization for its employees, 50% (fifty percent) of the Scheme contribution shall be paid by the employee and the remaining 50% (fifty percent) by the organization; and if any private organization does not participate in this scheme institutionally, any employee working in the said private organization can participate in this Scheme on his initiative;

c) Shurokkha Scheme (For Self-employed Citizens): Persons working in the informal sector or engaged in self-employment, such as farmers, rickshaw pullers, laborers, blacksmiths, potters, fishermen, weavers, etc., can participate in this Scheme by paying the subscription at the rates mentioned in the Schedule; and

d). Samata Scheme (Part-payment based Pension for Self-Employed Citizens with Low Income): Based on income limit published by the Bangladesh Bureau of Statistics, from time to time, the low-income persons living below the poverty line [whose current income limit does not exceed BDT 60 (sixty) thousand] can participate in this Scheme by paying subscription at the rate mentioned in the Schedule; and the Authority shall, following Rule 9, deposit an equal amount in the Samata Scheme.

Rule 4. Eligibility and Registration in the Schemes – (1) All Bangladeshi citizens holding national identity cards aged between 18 (eighteen) years or above and 50 (fifty) years may register to participate in any Scheme applicable to them:
Provided that, under special consideration, citizens above 50 (fifty) years of age can also participate in the scheme, and in that case, they will be entitled to a pension for life from the age they reach after continuous payment of the subscription for 10 (ten) years.

Key findings from the research: A Glimpse

- Approximately 55% of RMG workers get monthly salaries ranging from 5001 to 10000 taka whereas about 61% of kindergarten teachers get a salary of up to 5000 taka and about 72% of domestic workers' monthly salary ranges from 5001 to 10000 taka, and the maximum 42% of sales girls salary ranges from 5001 to 10000 taka. Only 4% of RMG workers and 2% of kindergarten school teachers get a salary from 15001 to 20000 taka monthly, and notably, the domestic workers and the sales girls are not attaining this salary level. The majority, 69% of RMG workers, 63% of kindergarten workers, 72% of domestic workers, and 84% of sales girls are unable to save money for their future security.

- As disadvantages associated with UPS intake, 52.7% of domestic workers said about their poor job security, whereas 42.0% of RMG workers, 25.3% sales girls, and 15.2% kindergarten teachers shared the same concern. On the other side, 66.3% of kindergarten teachers mentioned that it is uncertain about continuing their premium as their income is low, and 19.8% of domestic workers, 20% RMG workers, and 27.3% sales girls shared the same issue. Importantly, 41.4% of salesgirls mentioned their anxiety about financial loss, and 25% of RMG workers, 24.2% domestic workers, and 13% kindergarten school teachers shared a similar issue.

- Among the RMG workers, kindergarten teachers, domestic workers, and salesgirls are 81.6%, 82.6%, 83.0%, and 93.9%, respectively, interested in UPS.

- Only 38.0% of RMG workers, 31.5% of kindergarten female teachers, and 2.0% of sales girls have a minimum level of knowledge about trade unions, whereas domestic workers have no idea about trade unions. But 12.09% of RMG workers, 4.44% of kindergarten school teachers, 19.78% of domestic workers, and 46.46% of salesgirls do not have the interest to participate in a trade union.

- Since the pension scheme is contributory, there is a lack of interest in the participation of workers. The financial capacity of the workers is also a factor.

Expectations and recommendations to the government

- Review and amend the Universal Pension Management Act, 2023, based on discussions and opinions with various stakeholders.

- Include representatives of the workers' side in the Pension Management Board (Section 10) and the Universal Pension Fund Management Committee (Section 22).

- Make the pension scheme truly worker-friendly by utilizing the experience and learnings of neighboring countries and countries with similar economies, such as India, Nepal, Sri Lanka, Indonesia, etc.
-A strong administrative system is necessary to effectively implement a universal pension scheme. It will manage all the problems, for example, extensive enrollment, payment distribution, compliance, governance problems, bureaucratic delays, and lack of transparency, etc., which may pose additional obstacles to the successful implementation.

-To facilitate the participation of workers in the pension scheme, establish branch offices of the authority at various industrial areas, divisional and district/city corporation levels of the country, and launch support offices in upazilas, unions, municipalities, and industrial areas populated by workers.

-Using technology, like mobile applications and online platforms, responsible authorities have to make the process of participation in the pension scheme easier, which will lower the barriers for workers to secure their financial future.

- To create an app in Bengali or make a mobile-based system with sufficient security so that less educated and illiterate male and female workers can easily manage their pension accounts.

- To increase the number of female workers in the form of pensions.

- To launch a free online helpline and payment system.

- To make the pension scheme attractive by providing special discounts to female workers during maternity leave or when the workers are unemployed.

-The government must have to take initiatives to boost financial literacy for women, particularly among informal workers, to increase participation in pension programs.

-To ensure broader accessibility and enhanced service delivery, partnerships between the government and the private sector are necessary.

- The government needs to play a positive role in terms of financial incentives, policy support, tax rebates to employers, strengthening the tripartite structure, institutionalizing the informal sector, etc.

- To ensure the participation of all workers in the pension scheme, workers should be given trade union rights so that trade unions can work with workers. Trade unions can play a role as a bridge for the positive and widespread participation of workers in the pension scheme.

- The job security of workers should be ensured. Their minimum wage should be increased.

- The government needs to conduct a responsible campaign mentioning the benefits of the pension scheme.

- The government needs to identify the benefits and disadvantages that the government is facing while implementing the pension scheme, and make an assessment and evaluation on how to eliminate various difficulties or situations by utilizing the benefits, and prepare a work plan based on that.

- To establish the scheme as a non-contributory pension scheme.

- To allocate 1% of the VAT collected by the government to support low-income working women to facilitate their participation in a non-contributory pension scheme.

- To form the pension board with representatives of workers and trade unions.

- To utilize CSR funds from the Government bank for the financing of the pension scheme.

- To develop a comprehensive database of workers with unique identification numbers and to establish a system of digital platform for the management of the pension scheme.

Recommendations on the role of employers and employees:

- Ensure timely payment of wages to workers.

- Establish a decent workplace with the cooperation of labor unions.

- Invest in the social security of workers and consider workers as the capital of the business.
- Make the responsibility of paying premiums for all workers who work in the institutional sector on the employers. In that case, keep an index in the name of the workers, as a result of which there will be no problem in depositing premiums in the name of the said worker even if the owner changes.

Role of garment purchasing organizations/brands/buyers:

- Make the factory owner conditional to ensure that the workers in the garment factory supplying the product participate in the pension scheme.

- Impose conditions on the supplier factory owner that the garment owner pays the premium money to the garment worker.

- Impose strict conditions to ensure the timely payment of wages to the workers.
What can be the role of trade unions?

- Advocating with the government to include all workers in the trade union so that trade unions can work with the workers and ensure the participation of all workers in the pension scheme.

- Involve workers in the informal sector in trade unions.

- Negotiate with the owner to encourage workers by increasing wages, providing additional bonuses or benefits to remove the financial difficulties of the workers.

- Take initiatives to include workers who are members of trade unions in the pension scheme.

Role of Non-Governmental Organizations:

- NGOs and CSOs can do research and policy advocacy with the government and international organizations.
- Can help in formulating government policies by inventing pilot projects and models. It can help in maintaining a fair environment by bringing workers and employers together through social dialogue.

Concluding Remark:

There is no doubt that the pension scheme will make a positive contribution to ensuring the social security of workers. However, if its limitations, deficiencies, problems, opportunities and potential areas can be identified at the initial stage of this program, on the one hand, a large number of working people in Bangladesh will benefit, and on the other hand, this program will develop as a model in ensuring the social security of workers. In this process, the Bangladesh Institute of Labor Studies-BILS will provide technical assistance to the trade union movement of Bangladesh so that the trade unions can sustain this effort and take it forward.

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