Universal Pension Scheme in Bangladesh: Exploration potential scopes for RMG worker's greater inclusion

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BANGLADESH INSTITUTE OF LABOUR STUDIES - BILS

MONDIAAL FNV

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ACRONYMS

BDT	:	Bangladeshi Taka
BILS	:	Bangladesh Institute of Labour Studies
CSO	:	Civil Society Organization
DCC	:	Dhaka City Corporation
DPS	:	Depository Pension Scheme
FGD	:	Focus Group discussion
GDP	:	Gross Development Product
GOV	:	Government
ID	:	Identity Document
ILO	:	International Labor Organization
MFO	:	Multinational Financial Institution
MNO	:	Multi-National Organization
NID	:	National Identity Document
NGO	:	Non-Government Organization
NTUF	:	National Trade Union Federation
OECD	:	Organization for Economic Co-operation and Development
RMG	:	Ready Made Garments
SDG	:	Sustainable Development Goal
TU	:	Trade Union
TUF	:	Trade Union Federation
UN	:	United Nations
UPS	:	Universal Pension System

SECTION ONE

Introduction and Methodology

The Setting

Readymade garments (RMG) is the lifeline of our national economy and the workers who are associated with this sector are its main artisans, the lifeblood. Despite this, it is well reported and accepted that RMG workers in Bangladesh are not protected. They are vulnerable to employment security. They are paid only a meager wage. More importantly, RMG workers' social protection has always been a grave concern. COVID-19 pandemic was the eye opener. RMG worker's social protection came to the forefront suppressing all other demands.

Unlike in some other countries, there is no government redundancy pay-outs or a guarantee of long-term social security payments in Bangladesh for RMG workers. When an economic shock hits, the only thing workers left to rely on is their fate. Although, there are some national scheduled structures like the Bangladesh Labour Welfare Foundation and Central Fund for RMG workers to address social security protection of RMG 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 time, 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 Probash – 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 RMG workers having least employment security, and who cannot meet basic needs and majority live below the poverty line, it is difficult for them 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 the RMG workers is also questionable. Thus, whether RMG workers, who have little to no resources and are often illiterate can avail of such a scheme is a matter to be investigated.

In the underlying circumstances of above, this research has been thought of. The mainstay of this research is to study in-depth the Universal Pension Scheme (UPS) and identification of potential opportunities, and gaps for RMG workers to be included into the scheme. To the extent, this research is expected to come out with a sustainable and effective way out towards safeguarding social protection of RMG workers in Bangladesh. This will surely help BILS and to the extent TUs to act meaningfully in accelerating the stands for ensuring social protection for the RMG workers in an effective manner. This research constitutes an essential part of a BILS-FNV collaborative development project, in which BILS is the implementing partner and ILO is the funding partner.

Research Objectives

General

To assess the government declared Universal Pension Scheme (UPS) and identify the potential opportunities, scopes, structures, processes and mechanism in UPS for ensuring Social protection of RMG workers in Bangladesh.

Specific

- To review the government declared Universal Pension Scheme (UPS) in Bangladesh.
- To analyse the potential opportunities, scopes, structures, processes and mechanisms in UPS and identify the gaps to ensure social protection of RMG workers in Bangladesh.
- To review the available national and international policy frameworks/ initiatives and identify the best practice on major contributions of employers for ensuring social protection of RMG workers.
- To draw a comprehensive set of recommendations and sustainable way forwards through implying a model UPS for ensuring social protection of RMG workers in Bangladesh.

Research Questions

Relevant to research objectives, this research dealt with the following eight (8) sets of research questions:

1) What are the few decent employers-contributory universal pension schemes in overseas countries with similar socio-economic reality? What are the ten/twelve (10/12) most important standards/features (structures/processes/mechanisms)? What about the supportive legal and administrative frameworks?
2) Comparative to identified best features, what about the analysis of the structures, processes and mechanisms in the different schemes included in the UPS in Bangladesh? What are the different inherent features? To what extent do they comply with the national and international legal set standards?
3) What are the scopes and opportunities for RMG workers to be included in the UPS? What is the best scheme for them and how? What are the comparative advantages?
4) What are the major challenges for RMG workers to be included into the UPS? Any issue with contribution? Any structural and institutional issues? Any economic issues? Any issues related with work and wages? Any social issues? Any cultural issues? Any religious issues?
5) How do the RMG workers perceive the UPS? What are the positive aspects? What are the negative aspects? What is the current level of understanding of the RMG workers on the UPS? Do they willing to participate? What restricts them from participating?

6) What is the real status of inclusion of RMG workers into the scheme? Which scheme is preferred most and why? What have been the driving forces to be included into the scheme? What are the barriers worth taking care of?

7) How do the trade unions perceive the UPS for RMG workers? What is the level of understanding and knowledge of the trade unions (Basic/federation level/top level) on the UPS? Are they willing to act on UPS? If yes, why and how? What are the barriers/challenges for trade unions? What are their major demands?

8) What are the ways forwards? What deserves to be a model scheme for RMG workers? Should a model scheme be contributory or non-contributory? What are the rationales? If non-contributory, who shall pay for workers? What should be the structure? What should be the processes? What should be the legal status? What should be the role for the right holder stakeholders? What role for trade unions? What role for employers? What role for the government? What role for CSO/NGO?

Research Approach and Methodology

A combination of 1) quantitative and 2) qualitative research approaches, methods, and associated tools and techniques are used. Data collected from both 1) primary and 2) secondary sources.

Scope and Coverage

Dhaka city corporation area covers up the study locales. Only RMG sector workers are covered under this research. Following table shows the scope and coverage under this research:

Table 1: Scope and Coverage

Coverage	Sector	Issue
1) Dhaka North (Uttara)	RMG Sector	Universal Pension Scheme Social security protection
2) Dhaka South (Jatrabari, Demra, Motijheel, Sutrapur, Lalbag)		
3) Dhaka East (Gulshan, Badda, Sobujbag)		
4) Dhaka West (Mirpur, Pallabi, Mohammadpur)		

Sampling Strategy

- Considering time and budget line, we have surveyed only 200 RMG workers from the Dhaka City Corporation Areas. Surveyed workers are all women RMG workers.
- To ensure representativeness of the respondent selection, the entire DCC areas are divided into four (4) main zones such as A) Dhaka South (Jatrabari, Demra, Motijheel, Sutrapur, Lalbag), B) Dhaka North (Uttara), C) Dhaka East (Gulshan, Badda, Sobujbag), and D) Dhaka West (Mirpur, Pallabi, Mohammadpur).
- Purposively, 50 RMG workers are surveyed from each of the mentioned four (4) zones. Purposively in the sense that availability and communication easiness were the prime criteria

for respondent selection. Following table presents the sample design for the quantitative survey:

Table 2: Sample Design

Coverage	Sampling	
	Men RMG Workers	**Women RMG Workers**
5) Dhaka North (Uttara)	25	25
6) Dhaka South (Jatrabari, Demra, Motijheel, Sutrapur, Lalbag)	25	25
7) Dhaka East (Gulshan, Badda, Sobujbag)	25	25
8) Dhaka West (Mirpur, Pallabi, Mohammadpur)	25	25

- Since, all the respondents are RMG workers and since survey locations have no major differences in terms of socio-economic constructs, surveying 200 workers appears rational by all considerations.
- Along with post-graduate level interns, young trade unionists are deployed as data enumerators who have survey zones in a base working area. Data collectors are trained adequately to minimise response & non-response error during data collection.
- A structured questionnaire consisting of dichotomous, polychotomous, multiple response, Likert scale, and some open-ended variables are used for data collection in the survey.
- It is basically a descriptive research and univariate analysis is particularly used.

Qualitative Research Plan

Following table presents the qualitative research plan:

Table 3: Qualitative Research Plan

SL	Method	No	Participants
A	**Interview with employers**	**4**	**1 from each survey location**
B	Interview with CSO/NGO & Expert	4	2 NGO/CSO and 2 Experts
C	Interview with Government	3	MoL, MoW, MoSW
D	Consultation	3	1 with NTUF leaders, & 1 with NTUC leaders
E	Desk-based review	1	Secondary literature

Research Design

Having interfacing research questions with planned methodology, following research design is considered:

Table 4: Research Design

Research Questions	What data to be collected	Proposed Methods	Tools/ Techniques
1) What are the few decent employer-contributory universal pension schemes in overseas countries with similar socio-economic reality? What are the ten/twelve (10/12) most important standards/features (structures/processes/mechanisms) ? What about the supportive legal and administrative frameworks?	- Decent employers-contributory universal pension schemes - 10/12 best features - Supportive legal & administrative framework	▪ Desk-based review ▪ Interview with experts	▪ Pre-developed Checklist ▪ Pre- developed Guidelines
2) Comparative to identified best features, what about the analysis of the structures, processes and mechanisms in the different schemes included in the UPS in Bangladesh? What are the different inherent features? To what extent do they comply with the national and international legal set standards?	- Different schemes - Structure, processes, and mechanisms - Inherent features - Status of compliances with global legal standards	▪ Desk-based review ▪ Interview with experts ▪ Interview with GOV	▪ Pre-developed Checklist ▪ Pre-developed Guidelines
3) What are the scopes and opportunities for RMG workers to be included in the UPS? What is the best scheme for them and how? What are the comparative advantages?	- Scope/ opportunities for inclusion - Best scheme for RMG workers - Comparative advantages	▪ Survey ▪ Desk-based review ▪ Consultation with the TUs ▪ Interview with CSO/NGO ▪ Interview with employers ▪ Interview with experts	▪ Pre-developed Checklists ▪ Pre-developed Guidelines
4) What are the major challenges for RMG workers to be included into the UPS? Any issue with contribution?	- Challenges	▪ Survey ▪ Interview with employers	▪ Questionnaire ▪ Pre-developed Checklists

Any structural and institutional issues? Any economic issues? Any issues related with work and wages? Any social issues? Any cultural issues? Any religious issues?	- Issue of contribution/ non-contribution - Structural/ institutional issue - Economic issue - Job security related - Wage related - Social issue - Cultural issue - Religious issue	▪ Consultation with TUs ▪ Interview with CSO/ Expert ▪ Desk-based review	▪ Pre-developed Guidelines
5) How the RMG workers perceive the UPS? What are the positive aspects? What are the negative aspects? What is the current level of understanding of the RMG workers on the UPS? Are they willing to participate? What restricts them from participating?	- Perception of workers - Understanding - Willingness - Barriers	▪ Survey ▪ Desk-based review ▪ Interview with employers ▪ Consultation with TUs ▪ Interview with NGO/CSO ▪ Case study	▪ Questionnaire ▪ Pre-developed Checklist ▪ Pre-developed Guidelines
6) What is the real status of inclusion of RMG workers into the scheme? Which scheme is preferred most and why? What have been the driving forces to be included into the scheme? What are the barriers worth taking care of?	- Status of participation - Preferred scheme and reasons - Driving forces - Barriers Challenges	▪ Survey ▪ Interview with employers ▪ Consultation with TUs ▪ Interview with CSO/ Expert ▪ Desk-based review	▪ Questionnaire ▪ Pre-developed Checklist ▪ Pre-developed Guidelines
7) How do the trade unions perceive the UPS for RMG workers? What is the level of understanding and knowledge of the trade unions (Basic/federation level/top level) on the UPS? Are they willing to act on UPS? If yes, why and how? What are	- TU perception - TU's level of understanding - Rationale for engagement	▪ Consultation with TUs ▪ Interview with employers ▪ Interview with GOV	▪ Pre-developed Checklist ▪ Pre-developed Guidelines

the barriers/challenges for trade unions? What are their major demands?	- Barriers/challenges for TUs - TU Demands		
8) What are the ways forward? What deserves to be a model scheme for RMG workers? Should a model scheme be contributory or non-contributory? What are the rationales? If non-contributory, who shall pay for workers? What should be the structure? What should be the processes? What should be the legal status? What should be the role for the right holder stakeholders? What role for trade unions? What role for employers? What role for the government? What role for CSO/NGO?	- Desired structure - Desired processes - Who shall pay - Acceptable legal framework - Role for workers - Role for TUs - Role for employers - Role for Government - Role for CSO/NGO	▪ Survey ▪ Consultation with TU ▪ Interview with Employers ▪ Interview with GOV ▪ Interview with CSO/Expert	▪ Questionnaire ▪ Pre-developed Checklist ▪ Pre-developed Guidelines

SECTION TWO

Universal Pension System: Understanding Basic Elements

Universal pension system worldwide involves many technical elements, terms, and definitions. To successfully assess the Universal Pension Scheme (UPS) and to identify the potential opportunities and gaps linking to RMG workers it is important to understand first those technical elements, terms, and definitions. This section of the report endeavors to make a precise listing and defining of all core ingredients commonly used in the UPSs. We emphasize most to provide simple trade union friendly definitions and meaning to the identified technical elements.

Two Dimensions of pension systems

There are two important dimensions of pension systems:

Horizontal dimension: guarantee a minimum level of adequacy for everyone. This is the logic at the heart of the idea of a social protection floor set out by ILO Recommendation No. 202.

Vertical dimension: minimum income replacement relative to previous earnings. ILO Convention No. 102 defines a minimum replacement rate of 40 per cent of the reference wage, while the ILO's Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128) defines a minimum of 45 per cent.

Horizontal equity requires that individuals in similar circumstances be treated similarly, whereas vertical equity requires treating individuals according to their needs (McDaniel and Repetti, 1993).

Pensions Schemes: Elements need to know

Contributory: monthly financial contribution for a specified duration determines pension benefits. Contribution can either be voluntary or mandatory. Contributory pension schemes can be financed in different ways:

- **Fully funded:** means that the target level of assets or reserves at a point in time aim to cover the value of pension liabilities determined at that same point.

- **Partial funding** means that at any point in time, the pension scheme must have a minimum level of reserves – generally defined by law.

- **Pay-as-you-go (PAYG)** is an arrangement under which benefits are paid out of current scheme revenue and no pre-funding is made in respect of future benefit obligations. Individuals from each generation donate a portion of their current salary to a pension fund.

Non-contributory/Tax-financed: General/universal pension benefit for all. Pensions are financed from general government revenues popularly referred to as "tax-financed". More particularly, collecting general tax and payroll taxes make up the pension fund. No direct contribution or subsidy is required. All citizens and/or residents above a certain age are guaranteed a minimum pension. Brunei, Thailand, Timor-Leste, and Vietnam have adopted this. Residency/citizenship determine eligibility. Non-contributory pension schemes come in three main forms.

- **Universal pensions:** provide a benefit to all older people over a defined age, solely on the basis of citizenship and/or residency.

- **Means-tested:** targeted to those with a defined, limited set of resources (in terms of income and/or assets).

- **Pensions-tested:** eligibility (and/or the benefit level received) is influenced by whether an individual receives other pension income. A tapered pensions test is one in which the amount of non-contributory benefits received is reduced gradually according to the level of contributory pension.

Defined-benefit: pension benefits are defined and fixed based on the calculation of a formula and typically depends on the number of years of contributory service and the insurable earnings.

Defined-contribution: Monthly contribution amount is prior defined**.** Contributions are saved or invested in an account that typically belongs to the individual (although group defined-contribution schemes exist).

Notional defined-contribution: operate on a similar principal to defined contribution plans. Members have individual defined contribution (DC) accounts. Upon retirement, the notional money in the member's account is transformed into a life annuity using an annuity.

Beveridgean pension scheme: Provides a subsistence support to the pensioners. The UK and the USA, have Beveridgean social security systems.

Bismarckian: Provides generous support without any additional arrangements. Germany, Italy and France have Bismarckian social security systems.

Universal points system: Several OECD nations employ a points system. Contributions are used to buy points, and at retirement, the pension is equal to the total of accumulated pension points multiplied by the point value. Points may be allocated for each child and for career breaks (related to unemployment, maternity leave, sickness, disability, etc.), and for specific situations such as long careers, hazardous work, handicaps etc (Boulhol, H. 2020).

Occupational Pension Schemes: the contributions paid by the employer and worker

Social pensions: A noncontributory, flat pension can ensure that all citizens, regardless of earnings or occupation, have an income in old age. Noncontributory pensions are helpful to women and to workers in the informal sector. For people in low income, informal jobs, noncontributory pensions are better than anything else.

Gender sensitivity consideration in pension schemes: Women's age-specific labor force participation rates differ from those of men. Women in general live longer. Job security, contribution periods, and pay levels are different.

SECTION THREE

UPS in different countries: Global standards and practices

A well-developed pension system creates income security to the people under its coverage, a source of funds for developing viable sectors of the economy, enabling available fund for the capital market. 186 countries provide at least one pension scheme to their elderly citizens in the form of periodic cash benefits (ILO, 2017). A variety of contributory and non-contributory schemes is being followed worldwide. A majority of countries have adopted either only contributory pension schemes or a mix of contributory and non-contributory means-tested pension schemes. Some countries have explored the possibility of expansion of contributory social pensions financed through payroll taxes. Some nations have financed pensions using government revenues. Most countries have a three-tiered pension system - the first tier is a basic scheme for the poor funded by the government; the second tier is for those who are employed and the third-tier pension is voluntary and designed for those with higher incomes who wish to invest more and earn higher pension income in their old age.

In this section of the report, based on an extensive literature review, we have analysed in detail the global standards and practices particularly relating to the pension systems. Relevant facts and findings particularly related to the private sector workers like the RMG workers are given a core focus while analyzing. This is expected to help in assessing Bangladesh's UPS in a later initiative and to draw appropriate alternatives for better inclusion of Bangladesh's clothing workers into the existing UPS.

Global legal standards

Initially we reviewed the global legal frameworks particularly related to pension systems and set the global legal standards in this. Particularly, ILO's multi-pillar pension model and the world bank's five pillar model we find have set most appropriate legal standards regarding incorporation of private sector employers in the pension system. Following table makes a precise summary of our review findings:

Table 5: Global Legal Standards

Legal documents	UPS related standard setting
SDG 1.3, SDG 3.8, SDG 5.4, SDG 8.5 and SDG 10.4.	SDG target 1.3 emphasizes the creation of a comprehensive social protection system based on the principle of universality.
The UN General Assembly Resolution 24/20 (Agenda Item 3), adopted by the Human Rights Council (2013)	Calls upon states to promote and ensure the full realisation of all human rights and fundamental freedoms for older persons.

Universal Declaration of Human Rights (1948) and the International Covenant on Economic, Social and cultural Rights 1966.	Recognized social security in old age as a basic human right. Article 22 of the UDHR reads, "Everyone, as a member of society, has the right to social security". Article 25 states that everyone has a right to necessary social services, and the right to security in the event of old age which is beyond his/her control.
ILO Social Protection Floors Recommendation, 2012 (No. 202),	Defines "basic income security, at least at a nationally defined minimum level, for older persons" as one of four social security guarantees comprising the social protection floor (ILO 2012).
ILO Multi-Pillar Pension Model (ILO, 2018)	Have proposed following principles for designing and reforming pension systems: **Principle 1:** Universality **Principle 2:** Social solidarity and collective financing **Principle 3:** Adequacy and predictability of benefits **Principle 4:** Overall and primary responsibility of the state **Principle 5:** Non-discrimination, gender equality and responsiveness to special needs **Principle 6:** Financial, fiscal and economic sustainability **Principle 7:** Transparent and sound financial management and administration **Principle 8:** Involvement of social partners and consultations with other stakeholders
World Bank	**World Bank has prescribed a Five Pillar Pension Model** **Zero pillar**: a noncontributory zero pillar aims to provide all the elderly with a minimal level of protection; **First pillar:** a mandatory contribution based on earnings aims to replace some portion of lifetime preretirement income; **Second pillar:** a mandatory savings account with a defined contribution plan; **Third pillar:** a voluntary savings, employer-sponsored benefit, a defined benefit, or a defined contribution **Fourth pillar:** nonfinancial support such as health care or housing.

Pension schemes in different countries: basic features

We have studied in-depth quite a large number of pension schemes and systems currently in practice in different countries and regions. Following table presents a precise summary of our review findings:

Table 6: Standards and Practices in Different Countries

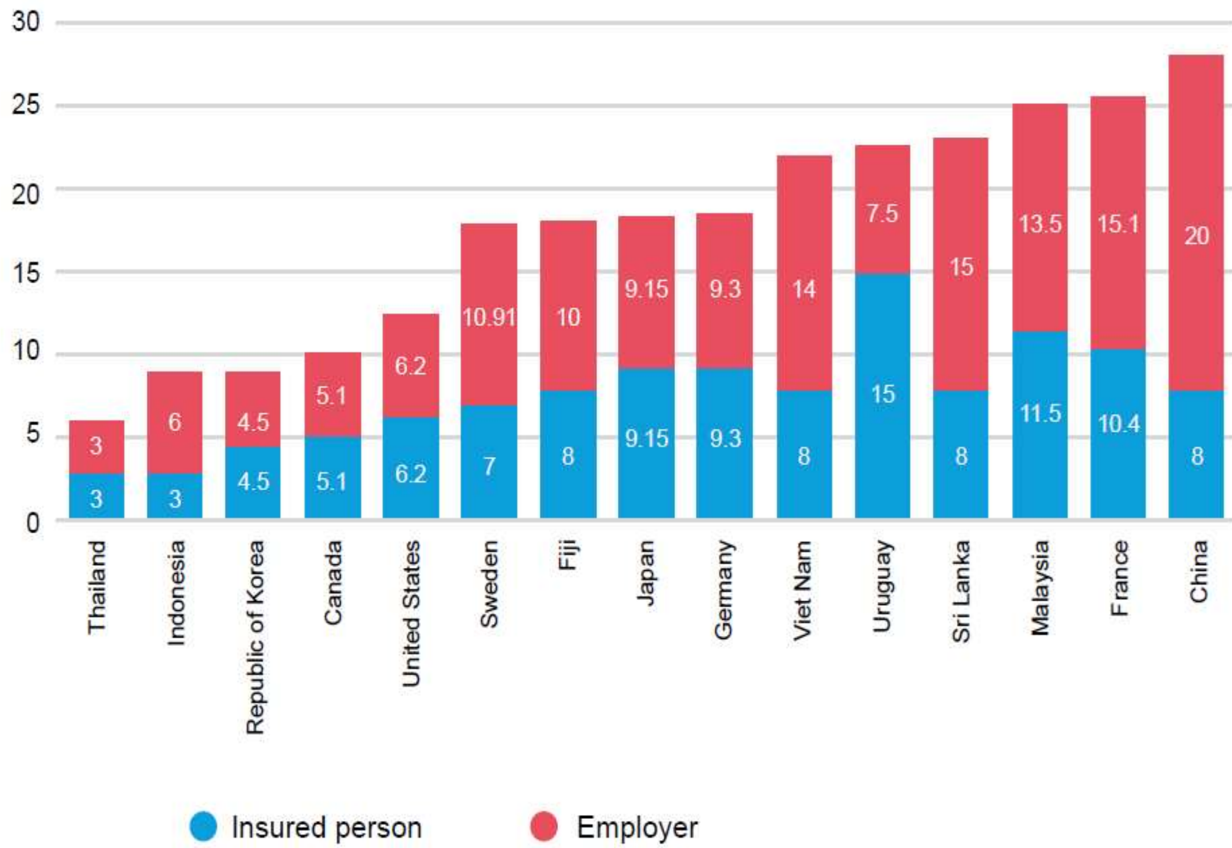
Elements	Available design alternatives
Different types of pension systems	- Contributory pension scheme (Brazil, Uganda, Thailand) - Mandatory contributory (Turkey, Uruguay-Domestic worker, Portugal, Brazil, Ghana) - Voluntary contributory (where individuals can choose to contribute more, Brazil, Ghana, Rwanda) - Non-contributory/tax-financed/Government sponsored pension (Netherland, Thailand, Canada, Japan, South Africa and Australia, USA, China) - Pay As You Go (Sweden/Pakistan) - Notionally defined contribution: depends on contributions (China, Indonesia, Malaysia, and Singapore) - Subsidized pension (Korea, Austria, Finland, Germany) - Includes some basic services like health and education - Multi-pillar pension scheme: Tunisia has as many as 10 different pension schemes for different groups - Three pillar pension scheme (Netherland, Korea, India) - Integrated pension scheme - Mandatory/compulsory enrollment (Egypt) - Recovery-conditioned pensions work (the pensioner is required to return part or all of it out of other income receives during the pension-taking years (Sweden) - Social assistance pensions: non-contributory old age pension (Denmark, Iceland, Norway, Canada, Iceland, Denmark) - Universal (Canada, Russia)
Contribution options	- Defined contribution: China, Indonesia, Malaysia, Singapore - Employees directly make contributions - Employers make social security contributions - Government make social security contributions (Japan, Greece) - Employers and employees combinedly make pension contributions (Ghana, Uganda, Thailand, Sri Lanka, Malaysia) - Employees, employers and government combinedly make social security contributions (Morocco, Kuwait, Thailand) - Flexible contribution (Denmark) - Lower contribution with comparable benefits (Poland)

	- Tax-financed contribution through general taxation - Contribution payment start from a later date (Greece)
Investment consideration Funded/unfunded contributions	- Funded: invested by the government/organization/private enterprise to get the market rate of return. - Unfunded: contributions/taxes are converted straight into benefits (Pay as you go)
Scope of coverage	- Universal: All, residence/nationality requirements (New Zealand, Mauritius, Namibia, Botswana, Bolivia, Nepal, Samoa and Brunei.] - Only employees are covered - Sector-specific schemes - Spouses/families of the insured are covered - Cover only self-employed/informal sector workers
Eligibility	- Those pass a means-test - Contribution requirement. Comparatively lower contribution requirement for women. - Earning requirement - Older than a certain age - Specific years of contribution - Specific age for contribution - Continuous employment - Employment with break (Uruguay) - Residence-based (Norway, Netherland)
Incentives/ opportunities	- Tax break on occupational and private pension - Tax relief - Subsidies to saving - Allow labour mobility (Uruguay) - Loan facilities are available from a period (Rwanda, Singapore). - Withdrawals (entire or partial) are allowed from a period.
Benefits/returns	- **Defined benefit:** depends on earnings (Korea, the Philippines, Thailand, and Vietnam, Portugal) - **Defined contribution**: depends on contributions (China, Indonesia, Malaysia, and Singapore) - **Contributions:** depends on wages, prices and/or sustainability of the scheme

	- Benefits adjusted for periods of unemployment, sickness, or leave - Supplements for dependents - Non-cash benefits alongside basic pension like healthcare (OECD countries - Flat rate pension (Netherland) - A guaranteed minimum pension - Pension levels are automatically adjusted for changes in the cost of living or wage inflation - Minimum pension levels determination relates to the poverty line,
Constraints common in different countries	- Budget constraint - Lack of institutional set up - Lack of data - Social factors - Absence of reliable and accurate records of individual income - Lack of administrative capacity - Corruption - Only a few taxpayers
Miscellaneous good practices	- Pension level increases when someone has a spouse or children under the age of 18 (Austria). - In Egypt, Jordan and Saudi Arabia, the state covers any possible deficit of the pension system through a tax payers fund. - State 'Buffer funds' available in many countries to make up any shortfall (Jordan, Egypt, 1/3rd of the GDP) - In many countries, the public pension fund is a major source of financing government debt. - Self-assessment of income: In Greece, Poland, Portugal and Spain, low income groups are allowed to self-assess their income. - In Poland, some low earner groups pay substantially lower contributions than employees but are offered comparable pension benefits. - The Greek government supports two-thirds of total pension finance for the self-employed groups. - Surplus wealth produced by Norwegian petroleum is used by that nation to fund future pension liabilities.

Our review finds that among others, both employers and employees' contribution in a contributory scheme particularly in the private sector is a massive practice worldwide. Employers contribution in majority countries having such a practice is reviewed higher than employees contribution. Out of 15 countries, data available from literature, in 8 countries employers pay more often two/three times higher in the pension fund than employees (see figure below).

Figure: Contribution rates for pensions, selected country, latest year



Source: OECD (2019)

SECTION FOUR

Universal Pension Scheme in Bangladesh: Basic Features

In Bangladesh, public sector employees covering a tiny portion of the population receive pension benefits. Private sector employees are only entitled to a Contributory Provident Fund, in which they enjoy a one-time gratuity as a retirement benefit, but with no monthly pension (BSS news March 20, 2024). To bring the country's growing elderly population under a social security system, a Universal Pension Scheme (UPS) was introduced in the country very recently. National parliament passed the Universal Pension Management Bill-2022 on January 24 and the UPS officially started operation on 17 August 2023. Initially four (4) schemes are included such as 1) Progoti, 2) Somota, 3) Probash, and 4) Surokkha. In March 2024, the government introduced another two new pension schemes such as 1) Prattay, and 2) Shebok, declared to be effective respectively from 1st July 2024 and 1st July 2025. Following table lists the basic features of the initial four pension schemes:

Table 7: Basic Features from Bangladesh's UPS

Criteria	PROGOTI	SUROKKHA	SAMATA	PROBASH
Eligibility	Private employee	Informal sector workers	Impoverished	Expatriates, stay & working abroad
Age bar	18 – 50 years	18 – 50 years	18 – 50 years	18 – 50 years
Age-bar: special consideration	For 50+ age 10 years uninterrupted deposit	For 50+ age 10 years uninterrupted deposit	For 50+ age 10 years uninterrupted deposit	For 50+ age 10 years uninterrupted deposit
Income category	All income category	All income category	>60,000 a year	All income category
Registration	Online	Online	Online	Online
Who can assist	Employer	Union Digital Center	Union Digital Center	Union Digital Center
Documents required	NID	NID	NID, No annual income certificate	NID or Passport
Contribution limit a month	Min: BDT 2000 Max: BDT10000	Min: BDT1000 Max: BDT5000	Min: BDT 1000 Max: BDT 1000	Min: BDT 2000 Max: BDT 10000
Contribution options	a) Employee alone b) Employer 50% & Employee 50%	Pensioner alone	Pensioner 500t & Gov 500t	Pensioner alone
Contribution Years	Min: 10 years Max: 42 Years	Min: 10 years Max: 42 Years	Min: 10 years Max: 42 years	Min: 10 years Max: 42 Years

Where to deposit	Designated bank of the National Pension Authority. Deposited into the employee's pension account.	Bank card, Online banking, Mobile financial services, Sonali, Agrana, City, & BRAC bank	Bank card, Online banking, Mobile financial services, Sonali, Agrana, City, & BRAC bank	Debit card, credit card, exchange houses, banking channel in foreign currency
Tax exemption	a) tax rebate against contribution b) tax-free pension	a) tax rebate against contribution b) tax-free pension	a) tax rebate against contribution b) tax-free pension	a) tax rebate against contribution b) tax-free pension
Withdrawal/Loan		50% of deposit for treatment, house building & repair & child marriage		
Loan refund		24 installments along with fee		
If dies before pensionable age	Deposition & profit return to nominee	Deposition & profit return to nominee	Deposition & profit return to nominee	Deposition & profit return to nominee
Defined benefit (Monthly)	Min: 3,060t Max: 344,655t	Min: 1,530t Max: 172,327t	Min: 1530t Max: 34465t	Min: 3060t Max: 344655t
Pension receiving means	Automatic to bank account through Electronic Fund Transfer	Automatic to bank account or mobile banking account	Automatic to bank account or mobile banking account	Automatic to bank account or mobile banking account
Years of Pension	1) After 60, lifetime 2) If dies early, nominees shall get pension up to pensioner 75 years	1) After 60, lifetime 2) If dies early, nominees shall get pension up to pensioner 75 years	1) After 60, lifetime 2) If dies early, nominees shall get pension up to pensioner 75 years	1) After 60, lifetime 2) If dies early, nominees shall get pension up to pensioner 75 years

Eligibility:

Progoti scheme is specially designed for private sector employees. Employees working in a private organization or the owner of that organization can participate in this scheme. Both individual and institutional participation are allowed.

Surokkha scheme: Only informal sector workers like farmers, rickshaw pullers, labourers, blacksmiths, potters, fishers and weavers can participate in this scheme.

Samata scheme is for impoverished peoples. Low-income people living below poverty line, who currently earn a maximum of Tk 60,000 a year, can participate in the Samata scheme.
Probash scheme is for the expatriates. Bangladeshi citizens working or living abroad can participate in this scheme.

Prattay scheme: Officers/employees of all self-governed, autonomous, state-owned, statutory/ homogeneous organizations who shall join onward July 1, 2024 or who have a minimum of ten years of service remaining can join in the newly declared Prattay scheme. Participation and eligibility for the newly declared Shebok Scheme is yet undecided.

Figure 2: Four schemes: Defined contributions and benefits

Progoti

Monthly Contribution Rate	BDT 2,000	BDT 3,000	BDT 5,000	BDT 10,000
Total deposit tenure (in years)	Probable Monthly Pension (BDT)	Probable Monthly Pension (BDT)	Probable Monthly Pension (BDT)	Probable Monthly Pension (BDT)
42	68,391	1,03,396	1,72,327	3,44,655
40	58,400	87,601	1,46,001	2,92,002
35	38,374	57,561	95,935	1,91,870
30	24,932	37,398	62,330	1,24,660
25	15,910	23,864	39,774	79,548
20	9,854	14,780	24,634	49,268
15	5,789	8,683	14,472	28,944
10	3,060	4,591	7,651	15,302

Probash

Monthly Contribution Rate	BDT 2,000	BDT 5,000	BDT 7,500	BDT 10,000
Total deposit tenure (in years)	Probable Monthly Pension (BDT)	Probable Monthly Pension (BDT)	Probable Monthly Pension (BDT)	Probable Monthly Pension (BDT)
42	68,931	1,72,327	2,58,491	3,44,655
40	58,400	1,46,001	2,19,001	2,92,002
35	38,374	95,935	1,43,902	1,91,870
30	24,932	62,330	93,495	1,24,660
25	15,910	39,774	59,661	79,548
20	9,854	24,634	36,951	49,268
15	5,789	14,472	21,708	28,944
10	3,060	7,651	11,477	15,302

Surokkha

Monthly Contribution Rate	BDT 1,000	BDT 2,000	BDT 3,000	BDT 5,000
Total deposit tenure (in years)	Probable Monthly Pension (BDT)	Probable Monthly Pension (BDT)	Probable Monthly Pension (BDT)	Probable Monthly Pension (BDT)
42	34,465	68,931	1,03,396	1,72,327
40	29,200	58,400	87,601	1,46,001
35	19,187	38,374	57,561	95,935
30	12,466	24,932	37,398	62,330
25	7,955	15,910	23,864	39,774
20	4,927	9,854	14,780	24,634
15	2,894	5,789	8,683	14,472
10	1,530	3,060	4,591	7,651

Samata

Monthly Contribution Rate	BDT 1,000 (BDT 500 by Contributor + BDT 500 as Government contribution 500)
Total deposit tenure (in years)	Probable Monthly Pension (BDT)
42	34,465
40	29,200
35	19,187
30	12,466
25	7,955
20	4,927
15	2,894
10	1,530

Source: National Pension Authority

Age-bar: All are defined contributory pension schemes as well as have defined fixed benefits. All citizens including expatriate Bangladeshis aged between 18 and 50 on the basis of a defined contribution, qualify for a defined benefit. Citizens aged over 50 years, on condition to pay a defined contribution of premium uninterrupted for the next consecutive 10 years, too are eligible for participation. Paying a defined contribution of premium for at least 10 years is a must.

Surrender other social security program benefit: Persons covered under any other Social Security Programs, on condition to surrender the benefit of the concerned program before participating shall be eligible to join in the pension scheme applicable to them (Rules 4(3)).

Registration: Any person can easily enroll in the automatic registration process. National pension authority manages and supervises the registration website (www.upension.gov.bd). To register it is a must to complete the online application using the form prescribed by the authority. Having registration processes completed, the pensioner is automatically assigned a pension ID and password. The pensioner can anytime login and view the accounts summary including deposited amounts and dividends received in the pension account.

Contribution: Contribution can be made on a monthly, quarterly, annual or advance basis. Paying a defined contribution of premium for at least 10 years is a must. If the contributory dies before contributing at least 10 years, the nominee will receive the deposited amount and the earned interest.

Special consideration on contribution: Private sector employees, if participating institutionally under progoti scheme, the concerned enterprise shall cover half of the monthly contribution. More specifically, when participating institutionally, the institution shall pay 50% of the contribution, and the employee the remaining 50%. In such a case, it will be the enterprise responsibility to deposit monthly contributions for both employees and institutions. For citizens below the minimum income threshold, registered under Samata scheme, the government will cover half of the monthly contribution that is BDT500 as a grant.

Delayed payment: if the pensioner fails to deposit a pension premium by the due date, he/she is allowed to pay the premium in the next month, without paying a penalty. For further delay, subject to the payment of a late fee at a rate of 1% per day, the account shall remain active. (Section 14.d.i and Rule 5.(4)). Late fee shall add to the pensioner account.

Payment method: A centralized electronic and automated online system has been created to maintain all transactions. A couple of scheduled banks and post offices act as front offices to collect premiums. Except for Probash scheme, monthly deposits for other schemes can be made directly at designated bank counters, or through mobile financial services, online banking, auto debit from bank account or using debit/credit card. Probash" scheme participants can make monthly deposits using credit card/debit card, online banking gateway in foreign currency or from the bank account to which he sends remittance in Bangladesh.

Tax rebate and exemption: All contributory premiums and pension benefits shall enjoy tax-exemption status. Contribution money is supposed to invest in safer and less risky sources like the treasury bond.

Withdraw/Loan: Only the contributing informal sector pensioner can withdraw a maximum of 50% of the deposited money as a loan. The loan amount to be repaid alongside the fixed fee.

Change/Alteration: Anyone can change the pension scheme, the contribution amount, and the nominee at any time. However, the pensioner ID will remain the same.

Pension Payment: After completing 60 years, the pensioner will start reaping the benefit. Monthly pension benefits shall be transferred automatically into the pensioner bank account through Electronic Fund Transfer (EFT). The pensioner will get a pension benefit for lifetime i.e. till death. If he/she dies before the age of 75, the nominee will get a monthly pension for up to 75 years of the deceased.

Authority/Administration: 5-member National Pension Authority and a 15-member board of directors have been formed. These authorities have been made institutionally responsible to perform all management and operational works for the Universal Pension Scheme.

Laws and Regulations Governing the UPS

On 31 January 2023: passed the "Universal Pension Management Act, 2023.

On 02 April 2023: notification issued for the "Establishment of National Pension Authority".

On 18 May 2023: notification issued for constituting the Pension Board of Directors.

On 18 May 2023: promulgated the regulations relating to the tenure and conditions of service of the Executive Chairman and members of the National Pension Authority.

On 13 August 2023: promulgated the Universal Pension Scheme Rules, 2023.

On 13 March 2024: amendments to the UPS Rules were promulgated.

On 03 July 2024: issued the UPS Fund (Investment & Protection) Rules, 2024.

SECTION FIVE

Status of RMG Workers inclusion in the UPS

RMG Industry and its workforce

RMG is a labour intensive sector, employing roughly around 3.5 million workers. It is the dominant women employer in the country. Social security protection is one of the lowest for the RMG workers. Despite that more than 85% export earnings come from RMG export, workers are in general paid bellow the upper poverty line cost of living wage. On the other hand, they are not entitled to any pension benefits and provident fund allowance. Comparatively disadvantaged workers from rural and remote locations having low levels of education come to join the RMG industry, get paid a subsistence income all through the services career, and when left the industry, they are still in the same crunch as before. They voiced for long for an appropriate pension benefit coverage. 'PROGOTI' scheme undoubtedly has created hope.

Before analyzing the current status of inclusion of the RMG workers into the UPS and particularly into the Progoti scheme, in the following sections we have analysed first a few main attributes of the RMG workers, which are very much connected with the UPS.

RMG Workers: Important Main Attributes

Age: Aged women workers have no place in the RMG industry. Our survey finds that cent percent women workers are below 45 years of age now. 43%, the highest number of women workers are below 25 years of age, 37%, the second highest number belong to the 26-35 years age category, and the rest 19% are 36 to 45 years old. Any pension scheme having RMG women workers as a key target deserves particular attention to this age factor.

Education: RMG women workers have in general poor education and awareness. Our survey finds that grade five is the highest education attainment for almost three-quarter women workers, another around 21% have studied maximum six to ten grade. A significant number of totally illiterate women workers also are detected. Any effective pension scheme needs to be sensitive to the education status of women workers employed in the private and informal sectors. There may need additional care and arrangement to enable women workers to effectively operate a digitally designed pension scheme.

Contract status and job security: Our survey finds that the maximum number of women workers (73%) work on a temporary contract, only around one-fourth (27%) work as a permanent basis. Among the temporary workers, there are again workers who work on a piece rate basis. These findings clearly indicate that the dominant portion of the RMG women workers suffers from job security. Among the permanent workers, job insecurity is also a vital concern. As such, Joblessness, interval period between job change, and sudden income shocks deserve stern consideration in designing a particular pension scheme for RMG women workers.

Wage Taking: Our survey finds that more than half of the RMG women workers (52%) earn between BDT5,001 and BDT10,000 in a month. 43% earn between BDT10,001 to BDT15,000 per month. These are the current wage takings including overtime income. These are clearly subsistence incomes, very often probably may not enable beyond an upper poverty line cost of living. Only a very few women workers (5%) reportedly earn BDT15,001 to BDT20,000 a month. We conducted this survey only in the last May-June 2024 in and around Dhaka, after declaration and effectuation of the last declared minimum wage. Taking cognizance of wage taking and income are central to any pension design worldwide.

Table 8: A few main attributes to consider about RMG workers

Age		Education	
Status	**%**	**Status**	**%**
25 years and bellow	43.4	Five grade & less	74.0%
26-35 years	37.3	VI to X grades	21.3%
36-45 years	19.3	Above X grade	4.7%
Total	**100.0**	**Total**	**100.0**
Status of Employment		**Current Wage Taking**	
Permanent	27.1%	Less than 10,000 BDT	52.0%
Temporary	72.9%	BDT10,001 – BDT15,000	42.7%
		BDT15,001 – BDT20,000	5.3%
Total	**100.0**	**Total**	**100.0**
Status of Savings		**Amount of savings**	
Yes	28.7% (43)	Less than BDT500	37.2% (16)
No	71.3%	BDT500 to BDT1000	34.9% (15)
		BDT1001 to BDT1500	27.9% (12)
Total	**100.0**	**Total**	**100.0**

Savings: Our survey finds that the overwhelming majority of the RMG employed women workers (73%) cannot save. Only 29% of women workers reported to us that they need to save but the amount is too low. These workers reportedly are forced to save to either support healthcare or education to the family members including extended family members or to support family at village homes for making a living. Those who save, of them more than one-third (37%) reportedly save less than BDT500 a month, another around one-third (35%) save between BDT501 and BDT1000 per month, and the remaining around one-quarter (28%) save BDT 1001 to BDT1500 per month. If we count against the total surveyed population, then the stated figures indicate respectively 11%, 10%, and 8%. Savings status is among others one of the main determinant factors in designing pension schemes.

Income shocks: Factory lay off and job loss are common. Workers have little to no protection against lay-off and retrenchment. Industrial injuries/deaths/occupational sickness and diseases are on an ever-increasing trend. Firing incidents in the RMG factories, factory collapse, boiler blast, firing in the water-transport vehicles are common. As such, sudden income shock is a regular phenomenon. There is only a lump-sum compensation coverage for death and disability, but casualties related to transportation are not covered.

Social protection arrangements for workers: No pension for workers. Gratuity benefit is given but there persists ambiguity regarding gratuity provision. There is only a negligible education allowance. Sections 264 to 272 of the labour Act provisioned for establishing a provident fund but no such fund is so far reported in the RMG factories and industry. There is a central fund arrangement in the RMG established in 2016 to provide special compensation support to the health victims. 0.03 percent of apparel export proceeds annually to this fund. Serious critics persisted regarding fund utilization and processes. Bangladesh Labor Welfare Foundation was formed in accordance with Article 234 of the Labor Act, 2006 (Amended 2018). The foundation is supposed to provide financial support, treatment support, education support and group insurance support to the needy workers of both formal and informal sectors. Due to politicization of the entire processes, it is reportedly difficult for general workers to obtain support from this fund.

Inclusion in the UPS: Current Status

Up to October 2024, reportedly 372,389 persons have registered with the UPS under 4 different schemes. Total deposit figure reportedly counts to BDT1326967,500 only. Participation and contributions in all four schemes are shown in the following table:

Table 9: Status of Registration in the UPS

Scheme	Registration		Contribution
	Men	Women	
Probash	831	83	4,91,42,000
Progoti	18359	4049	48,13,32,500
Surokkha	43,173	20,012	37,74,92,000
Samata	149,885	135996	41,90,01,000
Total	**212,248**	**160,140**	**1,32,69,67,500**

Source: National Pension Authority (November 2024)

Insignificant Participation of RMG Workers in the UPS

Despite a fundamental necessity and incessantly expression of interest and demand for an appropriate social protection coverage, our research finds that RMG workers participation in the UPS, particularly under 'PROGATI' scheme has been so far one of the most negligible one.

Out of total 372,389 registered participants in the UPS, 206,801 are reportedly from Chattrogram division alone. 45212, the second highest number have registered from the Rangpur division. Secondly, out of total participation, only 22,410 have been registered with the PROGOTI scheme, designated for private sector employees. This figure represents participation from the entire Bangladesh. Among them, 4,049 are reportedly women and the rest 18,359 are men. Little participation from Dhaka and with very insignificant women participation under the Progoti scheme clearly analyse that RMG workers participation in the PROGOTI scheme have been so far one of the most insignificant.

Table 10: Status of Pension and Role of TU

Pension facility in the Job		Necessity to join the UPS	
Status	**%**	**Status**	**%**
Yes	0.0	Yes	80%
No	100.0	No	20%
Total	**100.0**	**Total**	**100.0**
Status of real participation		**Reasons for non-participation**	
Participate	1.3	Financial	90.6
Didn't participate	98.7	Fear	6.7
		Unaware of UPS	2.7
Total	**100.0**	**Total**	**100.0**

Our survey also has revealed the same findings. Despite cent percent (100%) out of any pension facility and almost 80% expressed joining pension schemes as a necessity, our survey finds that only 1% RMG workers till date have participated in the UPS, and 99% didn't. Answering to an accompanying question, 91% reported poor financials as a main cause for their not participation in the pension scheme. Among others, 7% expressed fear as a main cause and another 3% said that they are totally unaware about the UPS.

SECTION SIX

RMG Workers Inclusion in the UPS: Analyzing Gaps

In the previous section, it has been analysed that RMG workers inclusion in the UPS so far is one of the lowest. But there is a clear need. RMG workers are vulnerable to poor earning, job security, living and poverty. There is hope too. Social protection through the UPS can be a starting point. Denial is no solution. A pension scheme to get everything right at first even is not expected. Building on the existing strengths of the UPS, we need to turn the existing gaps/challenges into opportunities. We need continuous reviews and adjustments to foster participation. Following the declaration of the UPS, its reform is too high on the agenda. For effectively dealing with all these, we need to know the challenges/gaps first. In this section, we endeavor to analyse the gaps that disabling RMG workers to be included in the UPS specifically in the progoti scheme. Our research particularly finds two different types of gaps/challenges such as 1) workers level gaps/challenges, and 2) gaps/challenges related to the declared UPS and progoti scheme.

Gaps/Challenges to the workers level

Financial incapacity: Financial incapacity is reportedly a main cause for non-participation of RMG workers into the UPS. Some two-third RMG workers (65%) said to us that they are incapable of making a monthly contribution to the pension scheme. “I am always in financial hardship in the last few days of every month, how shall I make a monthly contribution”, says one RMG worker from Mirpur of Dhaka. Only around one-third workers (35%) reported that they can manage a lump-sum monthly contribution. But the minimum defined contribution for private sector workers like RMG is BDT2000 a month. Unless, institutional engagement, it would be really difficult to encourage RMG workers to join the PROGOTI scheme.

Table 11: Few Workers Level Challenges/Gaps

Capacity to pay monthly primimum		UPS Awareness	
Status	**%**	**Status**	**%**
Yes	35.3	Yes	24.7
No	64.7	No	75.3
Total	**100.0**	**Total**	**100.0**
Work experience		**Reasons for non-participation**	
1-5 Years	73.3	No job security	61.3
6-10 Years	18.7	Fear of premium loss	25.3
10 + Years	8.0	Uncertainty to continue premium	13.4
Total	**100.0**	**Total**	**100.0**

Lack of knowledge and awareness about the UPS: Lack of education and poor knowledge on the UPS reportedly another dominant reason for poor participation of RMG workers into the UPS. More than three-fourth of workers (75%) said to us in the survey that they don't know about the UPS and the progoti scheme. Only around one-fourth (25%) of workers reported that they have heard about the scheme.

Poor education: As we have analysed in the previous section, the overwhelming majority of workers have only poor education, they have studied maximum up to grade five. 9% are totally illiterate, can only sign. Unless potential enabling arrangements are there like continuous education, awareness campaign and training, it is difficult to engage them in a fully automated and digitized pension system.

Poor wage: Poor wage is reportedly among others a top cause for non-participation. Relevant to a supplementary question, 39% of workers reported to us that if they only increase their wage to the level of a monthly premium then they shall join the UPS.

RMG employers are not willing: RMG employer's willingness and initiative is a must for institutional engagement in the PROGOTI scheme. They need additional spending along with a full-time dedicated employee for this. But there is no reporting reviewed from the news dailies and from the survey and qualitative research that any RMG factory as an institutional entity yet to join the UPS.

Little space for aged workers in the RMG jobs: To get a monthly pension of BDT 9854 only from the lowest defined contributory scheme under PROGOTI, a worker requires to pay 20 years non-stop a monthly premium of BDT 2000 only. But currently there is hardly any worker in the RMG who have served the industry for such long years, our research finds. Nearly three-fourth (72%) of our survey respondents reportedly have served the industry for a maximum of five years, and another 19% six to ten years. Another survey findings analyse that cent percent of the women respondents are currently less than 45 years of age.

Temporary appointment: As analyzed in the previous section, our research finds three-fourth of the RMG workers on temporary contractual appointment. Unless there is effective protection for temporary appointed workers, it is really a great challenge to mobilize them to join the UPS.

No job security: Job insecurity is reportedly another crucial challenge for Bangladesh's RMG workers to join the UPS. 61% of workers (see above table) reported to us in the survey that they don't have job security at all. In the qualitative research, both right holder and right-bearer stakeholders indiscriminately reported that there is no job security at all, any worker can be fired any time.

Fear factor: In the current system, this is another critical challenge. More than one-quarter of RMG workers (25.3%) reported to us in the survey that they fear to incur an economic loss if they join the current system. Related to a further supplementary question, nearly one tenth of workers (8%) report to us that they lack confidence in the present system.

Uncertainty to continue premium: This is another main cause of fear among RMG workers for not participating in the UPS. 13% survey respondents categorically said to us that it is really uncertain for them to continue premium payment nonstop for 10 years.

Negative critic persisted: A critic persisted that the public pension system will function as a government revenue source as the authority will receive a premium for the initial 10 years. During this period no pension will be paid. The government will invest these funds in profitable ventures. Additionally, in case of expatriates, premium will be received in foreign currency and pensions will be disbursed in local currency. It will thus bolster the country's foreign exchange reserves.

UPS level gaps/challenges

Lowest premium of PROGOTI scheme is relatively bigger: Lowest premium amount for PROGOTI scheme, which is specially designed for private sector workers like RMG, is fixed BDT 2000 a month. This is even bigger than two other scheme Surrokkha and Samata. Having majority of the RMG workers a subsistence wage, this is really a great challenge.

Automated and digital operation and maintenance: Registration in the UPS and its day to day operations are fully digitized and automated. RMG workers in general have a negligible education status. They need additional spending for online commercial operations. There is too much possibility of cheating.

No protection for income shocks: The UPS lacks appropriate coverage against income shocks such as job loss, disability, disease, death, economic cycles, natural calamities or personal reasons. It is very likely that RMG workers shall be subject to some income shocks, may exempt them from making nonstop contribution payments for 10 years.

No withdrawal/loan facility: Under Surokkha scheme, informal sector workers are entitled to take loan or withdraw 50% of their deposited contribution during a personal emergency. But RMG workers under Progoti scheme are not entitled to such loan or withdrawal.

Don't allow job changes: Job changes for increase benefit, factory lay-off and job firing is common in the RMG industry. Only a few fortunate consistently work for 10 years in a single factory. Our survey finds that only 8% workers have 10 plus years of working experience in a single factory. Many countries allow pensioner to change job and factory with the same pension ID. Although progoti scheme allow premium amount and scheme changes, but job changes are not allowed.

Institutional participation is voluntary: Under progoti scheme though institutional participation is allowed but it is completely voluntary. The entire factory participation as an institutional category implies a condition of 50-50 sharing of monthly contribution payment by both employer and employees. Because of voluntary participation provision, institutional participation is a yet to a known practice in any factory.

Voluntary contributory participation: Participation in the progoti scheme is voluntary. Except for institutional participation, individual participation of RMG workers in the scheme totally depends on his/her personal choice. Secondly, it is a contributory scheme meaning giving a monthly contribution is a must if a worker participates. These voluntary and contributory provisions are reportedly two main reasons for poor participation of RMG workers in the scheme.

Fixed benefit: Pension benefit is defined and fixed, inflation-adjustment benefit is not a consideration. 25 years later, defined benefits may not prove same as worthy as of today.

Awareness raising/training is a missing component: Systematic awareness raising and/or training of the workers and services providing agents and institutions deserves to be an integral part of a well-designed pension system. Many countries have practices on the same. Despite being a completely digitized operating system, the UPS didn't include any provision for a massive awareness campaign and education.

In-equal not universal: Few trade union leaders claimed to us that it is not at all a universal pension scheme. "Universal implies that it is for all citizens of Bangladesh. It should also be under the principle of 'Samata' or 'Equality'. But the current pension scheme is neither universal nor equal", said one TUF leader.

No insurance guarantee to the deceased: The scheme doesn't allow life insurance coverage. In the event of the participant's demise during the period of contribution, the UPS only promised to pay designated recipients only a lump-sum but not complete nominal value of contributions.

Less return with higher investment: One national expert opined to us that the inflation-adjusted return of a comparable bank DPS with a similar maturity shall provide a higher return.

Lack of control: Experts critic that investment in a private fund provides control over capital and options to reinvest, which is not the case for investing in the UPS.

SECTION SEVEN

RMG Workers Inclusion into the UPS: Different Alternatives

Social protection of RMG workers has been a hot topic in the labor rights debate and discussion for the last couple of years. Among all social protection mechanisms, pension is the most basic and core. RMG workers don't have a pension facility in their job and employment. The UPS particularly progoti scheme has created a window of opportunity. But the overall status of participation of the RMG workers in the UPS is one of the poorest. Better participation is both a need and a demand, has potential production linkage, as well as connected to the prosperity of the industry and economy. Relevant stakeholders including workers, trade unions, and experts have recommended a good number of different alternatives for this. Following section provides a precise summary and listing of these recommendations.

- **Lower the lowest premium amount:** Like the Surrokkha scheme, lowering the lowest premium amount to BDT1000 only in the progoti scheme is among others a top choice expressed at all levels. The contribution rate would need to be low enough to incentivize workers with modest incomes to contribute.

- **Mandatory institutional participation:** This is another top priority recommendation expressed by almost every stakeholder to change the provision of voluntary institutional participation to a mandatory one. Mandatory institutional provision shall cause a legal obligation for both workers and employers to affiliate with the UPS. The progoti scheme can establish the principle that all workers and employers shall be legally obliged to affiliate with the UPS.

- **Mandatory employer contribution:** This is among others one of the top preferences by the RMG workers. 30% of our survey respondents suggested the same to us. This is also a practice in a good number of countries.

- **Mandatory government contribution:** This is another workers level top recommendation. 30% of our survey respondents suggested the same to us. In some countries there is a shared contribution of premium between three parties such as government, employers and workers.

- **Subsidization:** Some form of subsidization would be important to boost-up confidence of workers/employers with low contributory capacity to join the scheme. The Government could provide a) a matching of contributions; and/or (b) higher benefit levels could be subsidized via minimum contribution. A redistribution of benefit between higher and lower earners can also be thought of.

- **Increase wage for a defined premium height:** 39% of workers suggested to us in the survey to increase the wage to a level that covers up the minimum monthly premium payment.

- **Equal decent pension for all private sector workers:** 35% of workers have suggested in the survey to ensure equal decent pension for all private sector workers.

- **Pension according to job status:** 59% of workers have recommended for pension according to the job status and position.

- **Role from TUs in the implementation stage:** Half of the respondents demanded in the survey an effective role from the trade unions at implementation stage. Among others, TU role for awareness raising of workers and bargaining with employers are preferred most.

- **Educating and awareness rising of workers on the UPS and operating system:** This is another top-rated priority. Almost every stakeholder we talk suggested to us the same. Experts want that an integral training and education system should be built in with the UPS itself to systematically enable workers, agents and institutions to the operation and processes.

- **Communication strategy:** A communication strategy should be designed and implemented to raise awareness and build trust among workers in relation to the benefits of the pension schemes. Governments should seek collaboration with potential public and private stakeholders in the implementation of a relevant communication strategy, including MFIs, MNOs.

- **Medical insurance coverage:** A good number of stakeholders including workers and trade unions have suggested to us to integrate a medical cost plan including hospitalization and treatment cost within the ongoing pension scheme. This is also a practice in a few countries we find in the review. The UPS can establish the principle that RMG workers having served RMG industry for a fixed term and contributed a minimum of 5 years, shall be entitled with free medical services to government hospitals.

- **Effectively address income shocks:** To address income shocks experts have suggested three (3) main alternatives. 1) Like the Surokkha scheme it has been recommended to allow withdrawal and loan facility during income shocks under the Progoti scheme. 2) Allowing moratorium payments also has been suggested most, meaning enabling temporary suspension of contributions for a specified period. 3) A third alternative suggestion has been to enable job changes having the same pension ID.

- **Tax-financed non-contributory pension:** Last but not the least, the majority of RMG workers have suggested a government budgeted non-contributory universal pension scheme. Experts too have suggested to the tops a tax financed universal pension scheme for all. The existing system should be complemented by a noncontributory or zero pillar pension for all which would be universal rather than means tested.

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