***Rev 1: 27 November 2017[[1]](#footnote-1)***

**Bangladesh 2041 Study: Employment and Labour Market Policies for a Maturing Economy**

**By**

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**Contents**

Executive Summary

1. Introduction

**Part 1: An Overview of the Employment and Labour Market Situation**

2. The Supply Side: Demographic and Labour Force Situation

3. The Employment Situation: An Overview

4. Youth Unemployment and Unemployment of the Educated

5: Overseas Employment: Trends, Prospects and Challenges

6. The Employment and Labour Market Situation: A Summing Up

**Part 2: Looking at the Future: Projections of Employment**

7. Employment Projection and Prospects

**Part 3: Strategies and Policies for Employment**

8. An Overview of Employment Strategies and Policies

9. Towards an Employment Strategy

**Executive Summary**

**Objectives**

The basic objective of the present study is to develop a long-term strategy for productive employment in Bangladesh within the framework of the Perspective Plan for 2041. The study includes the following:

* Quantitative estimates of possible employment creation that would be associated with the envisaged output growth;
* Strategies and policies needed to make economic growth more employment oriented – at least over the period when surplus labour will continue to exist in the economy;
* A strategy for making employment more productive and for improving the quality of jobs when a large informal economy continues to persist; and
* An outline of a strategy for building human capital needed for the changing economic landscape

The above is built on an analytical review of the employment and labour market situation in the country. While gender issue is used as a cross-cutting theme, particular attention is given to youth employment.

The paper is presented in three broad parts. While Part 1 provides an overview of the employment and labour market situation in the country, Part 2 looks at the future and presents projections of employment. Part 3 is devoted to developing strategies and policies for employment.

**An Overview of the Employment and Labour Market Situation**

Labour force

The overview of the employment and labour market situation shows a mix of good and bad news. The share of working age population in total population increased up to 2013 and declined after that (i.e., between 2013 and 2015-16). This is surprising because according to the projection of population made by the Bureau of Statistics, this proportion is expected to increase till 2041.

There was acceleration in the growth of labour force between 2000 and 2010, after which the rate of growth declined. That has happened despite increase in female labour force participation rate. There has been a gradual increase in female labour force participation rate. Although the trend was disrupted in 2013, data from the labour force survey of 2015-16 shows that it is rising again. If the overall trend continues, this can be positive factor for future economic growth of the country.

Although projections of population show that the share of working age population is expected to increase till 2041, the observed decline in the share and deceleration in the growth of labour force raise the possibility that the advantage of demographic dividend may come to an end earlier than expected. Another unknown factor in this respect is what is going to happen to enrolment in education.

Another piece of good news from the supply side is the improvement in the level of education of the labour force. This is evidenced from the decline on the proportion with no education and increase in the proportion with primary and secondary education.

Employment

The good news here is a rise in the growth of employment in manufacturing between 2010 and 2013. Although this came at the cost of falling labour productivity, it created an expectation that labour-intensive industrialization could serve as a mechanism for absorbing surplus labour in the country. However, that good news did not last long; data from the LFS of 2015-16 shows a decline in the absolute numbers employed in the sector. So, one is left to wonder as to what is happening to growth and employment in the sector. While official statistics indicate decent output growth, the most recent data on employment point to the possibility that output growth has not been accompanied by growth in employment.

There was a rise in the real wages of workers – till about 2010-11. And it is interesting that the rise was more pronounced for the agriculture sector. The rise in real wages coupled with a rise in the growth of manufacturing employment during 2010-13 created an impression that surplus labour may have been exhausted. However, data from various sources including the labour survey of 2015-16, the website of BGMEA, and data on wages and prices from the Bureau of Statistics (and Ministry of Finance) show that the good news on employment and real wages did not last long.

The disappointing news on employment starts from the fact that the overall elasticity of employment with respect to output (i.e., GDP) has been declining over time. One might, of course, argue that that this is natural in a developing economy and should be indicative of improvement in labour productivity. Indeed, growth of employment relative to output growth should leave room for improvement labour productivity. However, one needs to worry when there is a trade-off between growth in productivity and employment[[2]](#footnote-2), and the latter is insufficient to absorb surplus labour at a sufficiently fast pace. The sharp decline in overall employment elasticity and a decline in manufacturing employment observed after 2013 give rise to such worry. Moreover, since this has been happening at a time when output growth has been high, one wonders whether the country has been going through a period of jobless growth.

Apart from slow growth of employment, a particular cause of concern is high rate of unemployment among the youth. While this represents a waste from the point of utilization of an important factor of production, it is also worrisome from a social point of view. What is also noteworthy is that education is not helping the youth in finding jobs – as is indicated by the direct relationship between education and unemployment. This is an area that requires particular attention.

Another point of concern – especially from the point of view of the relationship between economic growth, employment and poverty and inequality - is the stagnation (if not a decline) in real wages of workers. Although real wages increased for a few years after 2008, the trend did not continue. If growth in money wage rates and consumer prices are any indicators, there appears to have been a decline in real wages in recent years. Policy makers need to worry about it, especially if real wages are looked at as a means of reducing poverty and improving income distribution.

On the external side, there was a substantial increase in the number of workers finding overseas employment in 2016. Although the external demand for workers is subject to fluctuations in changes in economic and other conditions in the destination markets, increase in overseas employment helps relieve the pressure on the domestic labour market (and also contributes to the foreign exchange earnings of the country). In addition to the rise in numbers, there was a gradual increase in the share of skilled workers in the total number of overseas employment – thus indicating the possibility of a change in the skill composition of such jobs. However, Bangladesh is still looked at by the receiving countries primarily as a supplier of unskilled and low skilled workers. There are a number of challenges that policy makers still face in this field. They include the following:

* A much better understanding and monitoring of markets would be needed, and the overseas employment strategy will have to be geared accordingly.
* Once the surplus labour available in the country is exhausted and workers with low education and skills will no longer be available (or availability will decline sharply), the strategy will have to change in a substantial way. Preparations for such changes will have to start during the next five to ten years.
* The perception in receiving countries about Bangladesh as a supplier of only low skilled workers will have to be changed.
* Preventing abuses of migrant workers at both the sending and receiving ends, guaranteeing their rights and ensuring their welfare remain major challenges.
* High cost of migration is a serious problem. More disconcerting is that much of the excess cost does not reflect the true expenses of travel and related costs. Payments to intermediaries represent a large part of the total costs of migration. This needs to change, and the cost needs to be aligned more closely to actual costs.

**Employment Projection and Prospects**

For purposes of looking at the future in terms of employment prospects and challenges, the period up to 2041 has been divided into two broad phases: the first phase is expected to last till 2030 while the second phase is expected to start after 2030. It may be recalled that 2030 represents the terminal year for attaining the SDGs of which full and productive employment is one. The present study postulates that attaining this target for the economy of Bangladesh would imply that surplus labour available in the country would be exhausted by then. Growth of employment that would be required to attain that turning point has been projected by using alternative assumptions about GDP growth and the relationship between output and employment growth.

The second phase of the employment challenge would start after the turning point mentioned above has been attained which is expected to be by 2030. By then, the economy is expected to move to the stage of upper middle income and on the path towards higher income status. The employment challenge for that period (i.e., 2030 to 2041) is analysed in both quantitative and qualitative terms, although no formal projections have been made for that period.

The basic results and conclusions based on the projections for the period up to 2029-30 may be summed up as follows:

* Assuming that (i) labour force will grow at a rate of 2.28 per cent per annum (which is the long-term average growth observed during 2002-03 to 2015-16, (ii) Some half a million workers will find jobs overseas annually, and (ii) full absorption of surplus labour by 2030 will entail the creation of jobs in excess of that required to absorb the new additions to the labour force, it is postulated that the economy will need to create 1.93 million jobs annually during the period of 2015-16 to 2029-30.
* If the economy grows at an annual rate of 8.5 per cent (as projected by the Planning Commission’s Perspective Plan macroeconomic analysis for 2025), the elasticity of employment will have to be in the range of 0.3 in order to attain the employment target mentioned above.
* It may be recalled that during 2013 to 2015-16, the observed employment elasticity was 0.1765. If that pattern of growth continues, even an annual GDP growth of 8.5 per cent will be inadequate for purposes of generating the required growth of employment. If GDP growth turns out to be lower, the pattern of growth will have to change towards more labour absorbing path in order to attain the employment goal.
* The present study argues that with appropriate economic policies, the pattern of growth should be able to continue the labour absorption ability observed till about 2013. And in that case, even with GDP growth of 8 per cent, it should be possible to attain the employment goal mentioned above.
* In real terms, the above would imply that the manufacturing sector will play the role of the real driver of growth with output growth of around 15 per cent per annum and employment growth in the range of 9 per cent per annum. Given the experience of the successful cases of labour-intensive industrialization in East and South East Asia, this should be feasible. The requirement, of course, is a diversification in the composition of the manufacturing sector and much faster growth of a few more labour-intensive industries like shoes (both leather and non-leather), leather products, electronics, furniture, etc. – of course, alongside ready-made garments.

During the second phase of the period under study, i.e., 2030 to 2041, growth of labour force will decline further. One projection (by BBS) puts it as 0.83 per cent per annum which appears to be unrealistically low. Assuming a labour force growth of 1.5 per cent per annum (which is based on the recent experience) and using 85.2 million as the base figure for 2030 (the figure projected by this study), one gets an estimate of 100.36 million for 2041. That would imply an annual addition of 1.38 million from 2030 to 2041. Assuming overseas employment of about 400,000 per year, this indicates an annual job requirement of about one million.

If a GDP growth of 9 per cent per annum can be attained (as projected by the Planning Commission’s macroeconomic projections), and employment elasticity does not drop below 0.2, the economy would be able to generate around 1.7 million jobs annually (against a requirement of about one million). If that happens, the economy will face a labour shortage. In reality, even when the economy matures, employment elasticity may remain well above 0.2 (possibly in the range of 0.3). In that case, the labour market is likely to become even tighter. These estimates indicate that it should be possible to maintain full employment with a GDP growth of around 8 per cent per annum.

**Towards an Employment Strategy**

Mention has already been made above of two phases of the period up to 2041 and differences in the nature of the employment challenge during the two phases. The strategy will naturally have to be different also. While attaining full employment has to be the major focus during the first phase, maintaining it alongside the quality of jobs will be the challenge for the second phase. Accordingly, the emphasis during the early period would have to be on structural transformation in the economy – especially, high growth of manufacturing and transfer of surplus labour to that sector, and reducing underemployment and employment in the informal economy through such a process. Simultaneously, progress has to be made towards improving conditions at work, providing social protection to workers and improving the situation regarding their rights at work.

When the economy matures, the qualitative aspects would have to receive greater attention. In other words, full and productive employment and decent work for all on a sustained basis has to become a reality. On the supply side, levels of education and skills of the workforce has to be further improved during the first phase. During the second phase, economic growth will be driven more by factor productivity, and the economy will be much more knowledge and skill-based. Hence, there has to be a much greater qualitative transformation of the workforce.

The issue of technological progress and the possibility of automation will also have to be taken into account in formulating a longer-term employment strategy. However, rather than taking a pessimistic view of the danger of job destruction, it would be advisable to adopt a pro-active policy so that the economy can benefit from the positive aspects of new and better jobs.

As for the **informal sector**, there are three aspects that need attention: (i) productivity, wages and earnings, (ii) obstacles and barriers faced by the informal sector enterprises, and (iii) conditions of work and social protection. During the first phase of labour absorption, more emphasis will have to be given to the first two issues, though the third should not be neglected altogether. However, as the economy attains the upper middle-income status, the quality of jobs with respect to conditions in which work is carried out and social protection of workers will have to reach a level that is commensurate with its income status. And work in that direction has to be initiated now. A beginning can be made with innovative measures for protection against ill health and old age.

Although the employment challenge needs to addressed in a general manner, the **youth** deserve specific attention for a variety of reasons – not least because their unemployment represents a greater waste of resources and is socially more dangerous, and they face difficulties that are specific to the group. While overall economic and employment growth are critical, the difficulties faced by the youth in accessing their first job and in becoming self-employed need to be addressed. Other serious problems include the mismatch between skills obtained in the world of learning and those required in the world of work. Experience, especially of countries with lower youth unemployment indicates the importance of carefully calibrating the education and skill development system to the needs of the labour market, a strong apprenticeship system, packaging entrepreneurship development programmes with credit and marketing support, and labour market intermediation to match job-seekers and employers. Special employment programmes may also be conceived for the youth by drawing on ideas from public works programmes but changing the types of jobs to suit the qualifications of job-seekers. It would be useful to package all such measures through what is known as active labour market policies (ALMPs). This class of measures would become more important as the economy matures, but a beginning has to be made now.

As for the employment of **women**, the challenge at the present stage of the economy remains one of raising the rate of their participation in the labour force which, in turn, would need a combination of measures ranging from promoting the growth of sectors that are more amenable to their employment (e.g., labour intensive industries like garments, shoes, electronics, etc.) to removing barriers to their employment and establishing infrastructure to facilitate their employment.

In addition to activities that are women-friendly, there are variables that influence female participation in the labour force; they include education, fertility rate, affirmative action and direct intervention, and other measures like maternity leave.

* As female participation in labour force is seen to be related positively to education, spread of education, especially of technical education among women would be a good policy.
* Likewise, making family planning services more easily available would be helpful.
* The existing policy of reservation of a certain proportion of jobs in the public sector has been useful in increasing women’s participation in the sector. The case for raising the quota may be looked at.
* The implementation of the existing provision for maternity leave needs careful examination.

Apart from women’s participation in the labour force, their status at the place of work is another major concern. Issues that are relevant in that area include the nature of employment and their vulnerability, differences in wages, working conditions and opportunities for advancement. In order to address these issues, a variety of measures including stronger legislation and better implementation of such legislation, and changes in overall attitude are required.

**Strategy for Developing Human Capital**

A comprehensive strategy for developing human capital has to be part of the overall development strategy as well as the employment strategy because human capital is not only an important element in the growth equation but employability would be an important determinant of the success of the employment strategy. Bangladesh has already made important strides in this field as an LDC. However, as the economy moves to the upper middle income status, it would be necessary to focus on the more difficult aspects of human capital development, viz., combining good quality general education that is not only relevant for the labour market but also can lay the foundation for further skill development with technical and vocational education. During the first phase of the employment challenge mentioned earlier, the emphasis now has to be on improving the quality at all levels and types, and further expansion of secondary and technical education. At the same time, the tertiary education system has to gear itself to meeting the requirements of a knowledge-based economy where both mechanical and information and communication technology will be on high demand. While it is not practical to make quantitative projections of the requirement of human resources with such education and skills, the experience of countries that have gone (and are going) through similar paths of growth can provide useful guide. For example, enrolment rate at the tertiary level was 36 per cent in Malaysia in 2011 compare to 13 per cent in Bangladesh in 2015. Likewise, enrolment in technical and vocational education in Bangladesh was 3 per cent in 2015 compared to 12 per cent in the Republic of Korea in 2008. These are the kind of targets that Bangladesh could aim at for 2030.

**Towards an integrated strategy for employment**

Employment has to be looked at as an outcome of economic growth, and hence, a strategy for employment has to be part of the overall growth and development strategy of the country. It would, therefore, be essential to have an integrated employment strategy combining necessary economic and labour market policies. The starting off point for such a policy has to be macroeconomic policies that would look beyond their conventional function of maintaining macroeconomy stability and give due consideration to what happens on the employment front. Coordinated application of monetary, fiscal, trade, exchange rate, and industrial policies is required to attain high rates of economic and employment growth simultaneously.

Monetary policy has to aim not only at maintaining price stability, but also to attain the desired level of employment growth. This dual mandate of monetary policy, viz., price stability and employment, would be critical especially when the economy moves to a higher level of development.

Fiscal policy has to be pro-growth, pro-employment and counter-cyclical. A coordinated application of fiscal and monetary policies would be especially important when the economy hits a downturn – something that cannot be ruled out in a market oriented economy.

In Bangladesh, fiscal measures have played an important role in providing incentives to specific industries. Rather than such ad hoc measures, the entire incentive structure needs to be geared towards attaining a genuinely export-oriented process of industrialization. And that means an incentive structure that would not discriminate between imports and exports and also between different industries. It has long been pointed out and argued that industry-specific ad hoc measures may have succeeded in promoting one or two export-oriented industries, but this kind of discriminatory support cannot engender a real process of export-oriented growth through growth of a range of labour-intensive industries. For the latter, it is essential for the incentive structure to be neutral between exports and imports and for export-oriented sectors to receive ex ante, non-arbitrary and time-bound support. It is, therefore, time that trade, exchange rate and fiscal policies be looked at in an integrated manner to produce a policy regime that would be appropriate for the country.

Analysis of the supply side of the labour market, especially of education and skills of the workforce, shows that despite considerable improvements in the field of education and ongoing efforts in the area of skill development and vocational training, there is considerable scope for further improvements. As for general education, a sizeable proportion of the employed population is still without any education. At the other end, a very small proportion has tertiary level of education. Even with such low levels of education, unemployment of the educated is a serious problem, and seems to be getting worse. Furthermore, the enrolment ratio in technical and vocational education remains very low. On top of these, there is the issue of quality and relevance to labour market needs for all levels of education and training.

During the journey towards attaining the status of a developed and mature economy, policymakers will also have to confront the challenges of technological progress and its impact on the labour market. The education and training system will have to gear itself to meeting such challenges so that the economy as well as members of the workforce can benefit from the positive aspects rather than fall victim to forces of job destruction.

So, the challenge appears to be quite formidable and the agenda of action can be quite long. A strategy for developing human capital (outlined in this report) has to be an integral part of the employment strategy.

**1. Introduction**

1.1. The background and context

Since the 1990s, the economy of Bangladesh has witnessed acceleration in the rate of economic growth (measured by annual GDP growth). The performance of the country in social development, especially in the areas of education and health has also been quite impressive. But one area of concern is how the fruits of economic growth are being distributed amongst the people. And in that regard, the outcome of growth in terms of employment is important. There are studies pointing out that although economic growth has been satisfactory, performance in the area of employment has been less so – even taking into account the substantial number of employment generated in the export-oriented ready-made garment industry. Since productive employment plays an important role in transmitting the benefits of economic growth into incomes of the poor (and thus, in reducing poverty and improving the distribution of income), it is important to examine the nature and magnitude of the employment challenge faced by the country and to chart out strategies and policies addressing the challenge.

The employment challenge needs to be looked at not only in terms of overall numbers because an important aspect of the process of economic development is transfer of workers from sectors characterized by low productivity to sectors/activities with higher levels of productivity. It may be recalled that theories of economic development in countries characterized by dual economy (*à la* models of Lewis, 1954 and Ranis-Fei, 1961) postulate that the process of development involves a transfer of labour from traditional sectors (e.g., agriculture) where productivity is low to modern sectors (e.g., industry) where productivity and returns are higher. This is also emphasized in the post-MDG development framework articulated in the Sustainable Development Goals (SDGs). The “transformative agenda” mentioned therein needs to be interpreted in terms of a structural transformation of the economy as well as of employment. It may be noted that “Goal 8” of the SDGs emphasizes the importance of combining high economic growth with employment growth. For LDCs (of which Bangladesh is one), a GDP growth of 7 per cent per annum is being recommended while the target for employment (for all countries) is “full and productive employment” by the year 2030.

At the national level, the macroeconomic framework of the Seventh Plan (for the period FY2016-FY2020) projects GDP growth to range from 7 per cent in FY2016 to 8 per cent in the terminal year of the Plan – an average growth of 7.4 per cent per annum during the five-year period. The Plan projects additional job creation ranging from 2.3 million in 2016 to 2.9 million in 2020. The projected addition to employment each year would be higher than the projected addition to labour force, and thus the labour market would continue to tighten.

The Perspective Plan (PP) of Bangladesh for the period 2010-2021 envisaged raising annual GDP growth to 10 per cent by the year 2021. Employment promotion and structural transformation were among the six “strategic goals” of the Plan. The PP also envisaged reducing unemployment rate from 30 per cent in 2010 to 15 per cent by 2021[[3]](#footnote-3).

Looking at the longer term future, Bangladesh expects to graduate out of the LDC status by 2021, aspires to attain the status of upper middle income country by 2030, and to become a developed country in the decade of the 2040s. A process of rapid, sustained and inclusive economic growth associated with reduction (and eventual elimination) of poverty is envisaged for this period. Given the importance of productive employment in translating the benefits of economic growth into poverty reduction, the cornerstone of an inclusive development strategy would have to be an effective employment strategy that would include structural transformation and the absorption of surplus labour available in the country.

1.2. A brief overview of the relevant literature

In recent years, there have been a number of studies dealing with various aspects of employment and labour market in Bangladesh. While some are descriptive and provide a broad overview (e.g., ADB-ILO, 2016; CDER, 2017; ILO, 2013 a; IILS, 2013; CPD, 2011)), there are others dealing with specific groups like women (e.g., Rahman and Islam, 2013) and the youth (e.g., Toufique, 2014).

The most recent and the most comprehensive of the studies mentioned above, viz., ADB-ILO (2016), provides an analysis of a number of issues including economic diversification and structural transformation that is needed as well as issues relating to the employment of women. The study also provides an outline of the quantitative dimension of the medium term employment challenge.

Another recent study (CDER, 2017) extends the analysis of the ADB-ILO report mentioned above and looks at the challenge of employment in the context of SDGs. That study also looks specifically at the employment situation in the ready-made garment industry. On the supply side, it focuses on the challenge of employment faced by the youth.

Bangladesh Institute of Development Studies (BIDS) has undertaken a series of studies to identify skill gaps for selected sectors, viz., agro-food industry, ready-made garments industry, leather products, construction, hotel and tourism, health, light engineering, ICT, and shipbuilding. The study made quantitative assessments of the availability and requirements of skills in these sectors and found that there are shortages in all sectors, although the magnitude and type varies.

It may be mentioned in this context that there has not been any study dealing with longer term employment challenges, especially when it comes to considering challenges likely to emerge in a maturing economy. Such an exercise needs to be based on a good analysis and update of the employment and labour market situation. In that respect also, there is a gap in the literature in the sense that the above-mentioned studies were undertaken before the results of the labour force survey of 2015-16 were released. They naturally provide a picture of the labour market situation up to 2013. While data from the latest survey can be used to provide an up to date picture of the labour market situation, a comparison of the data from the survey of 2015-16 with that of the earlier surveys can provide useful insights into the direction in which the employment situation has been moving.

1.2. Objective and focus of the study

The basic purpose of the present study is to develop a long-term strategy for productive employment in the country. In doing so, cognizance will be taken of (i) the SDG 8 which includes the target of full productive employment by 2030; (ii) the likely path of structural transformation in the economy, and (iii) the existence of a very large informal sector despite sustained high rate of economic growth attained over a period of time. The study includes the following:

* Quantitative estimates of possible employment creation that would be associated with the envisaged output growth;
* Strategies and policies needed to make economic growth more employment oriented – at least over the period when surplus labour will continue to exist in the economy;
* A strategy for making employment more productive and for improving the quality of jobs when a large informal economy continues to persist; and
* An outline of a strategy for building human capital needed for the changing economic landscape

The above is built on an analytical review of the employment and labour market situation in the country. While gender issue is used as a cross-cutting theme, particular attention is given to youth employment.

Taking into account the background, the framework and objectives mentioned above, the paper is presented in three broad parts:

Part 1: An Overview of the Employment and Labour Market Situation

Part 2: Looking at the Future: Projections of Employment

Part 3: Strategies and Policies for Employment

**Part 1: An Overview of the Employment and Labour Market Situation**

**2. The Supply Side: Demographic and Labour Force Situation[[4]](#footnote-4)**

2.1. Demographic characteristics

During the first one-and-a-half decade of the millennium of 2000, population growth in Bangladesh has been around 1.5 per cent per annum. This is confirmed by the growth of population recorded by the labour force surveys of 1999-2000 and 2015-16 (see the last row of Table 1). What is surprising is the big difference in the growth of male and female population shown by the successive surveys which is difficult to explain. The second notable demographic feature is the high rate of growth of urban population which shows the process of urbanization that has been taking place in the country.

The third notable demographic feature is the increase in the share of working age population that has taken place over time, especially up to 2013 (Table 2). And that increase applies to both males and females as well as for rural and urban areas. This implies the oft mentioned possibility of reaping the so-called “demographic dividend” – if of course the people of working age could be converted to human capital and utilized in an effective manner for productive purposes. It is also important to note that there has been a decline in the share of working age population between 2013 and 2015-16. Future surveys will tell us whether this marks beginning of the end of the possibility of demographic dividend or whether it is a temporary blip. From the point of view of formulating long-term strategies with respect to employment and labour market, this would need to be taken into account.

**Table 1: Growth of Population (Numbers are in million), 2000 to 2013**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Total** | **Male** | | **Female** | **Urban** | **Rural** |
| **2000** | **127.5** | **66.6** | **60.9** | | **27.3** | **100.2** |
| **2006** | **137.3** | **70.0** | **67.3** | | **32.3** | **105.0** |
| **Annual growth (%) : 2000 to 2006** | **1.24** | **0.83** | **1.68** | | **2.84** | **0.78** |
| **2010** | **148.7** | **74.2** | **73.6** | | **34.0** | **114.7** |
| **Annual growth (%) : 2006 to 2010** | **2.01** | **1.47** | **2.26** | | **1.29** | **2.23** |
| **2013** | **154.2** | **76.6** | **77.5** | | **43.2** | **110.9** |
| **Annual growth (%) : 2010 to 2013** | **1.22** | **1.07** | **1.74** | | **8.31** | **-1.12** |
| **2015-16** | **158.5** | **79.6** | **78.9** | | **44.6** | **114.0** |
| **Annual growth (%) 2013 to 2015-16** | **1.38** | **1.94** | **0.90** | | **1.61** | **1.39** |
| **Annual growth between 2005-06 to 2015-16** | **1.45** | **1.29** | **1.60** | | **3.28** | **0.83** |
| **Annual growth (%) : 2000 to 2013** | **1.47** | **1.08** | **1.87** | | **3.59** | **0.78** |
| **Annual growh (%) :**  **2000 to 2015-16** | **1.46** | **1.20** | **1.74** | | **3.33** | **0.86** |

Source: Calculated from LFS data

**Table 2: Working Age Population, 2000 to 2013**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2000** | **2005-2006** | **2010** | **2013** | **2015-16** |
| **Total population (million)** | **127.5** | **137.3** | **148.7** | **154.2** | **158.5** |
| **Working age population (million)** | **74.2** | **84.6** | **95.6** | **106.3** | **106.1** |
| **Working age population as % of total** |  |  |  |  |  |
| **Total** | **58.2** | **61.6** | **64.3** | **68.9** | **62.3** |
| **Male** | **57.5** | **61.4** | **64.5** | **68.0** | **60.8** |
| **Female** | **58.9** | **61.8** | **64.8** | **69.9** | **63.6** |
| **Urban** | **60.8** | **65.3** | **68.2** | **70.1** | **65.8** |
| **Rural** | **57.6** | **60.5** | **63.1** | **68.5** | **61.0** |

Source: Labour Force Survey, various years.

2.2. Labour force[[5]](#footnote-5)

Data on labour force growth during the period of 2002-03 to 2015-16 are presented in Table 3. From this data, a few observations may be made on the growth of labour force and variation in growth during the inter-survey periods. First, labour force growth registered a sharp increase during the period between 2005-06 and 2010 compared to the earlier inter-survey period of 2002-03 to 2005-06. From 2.25 per cent per annum, it increased to 3.45 per cent. Second, growth of labour force slowed down quite sharply after 2010 - to 2.3 per cent per annum during the 2010-2013 period, and further down to 1.15 per cent during 2013 to 2015-16. Third, after a sharp rise in the growth of female labour force during 2005-2010, there was a reversal during 2010-2013. However, that decline has been reversed after 2013. Fourth, acceleration in the growth of urban labour force continued during 2010-2013, but growth of rural labour force declined very sharply during the latter period. But the opposite happened during 2013 to 2015-16. It is difficult to explain such sharp fluctuations in the growth of labour force in rural and urban areas.

**Table 3: Annual Growth of Labour Force (per cent per annum)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2002-03 to**  **2005-06** | **2005-06 to 2010** | **2010 to 2013** | **2013 to**  **2015-16** |
| Total labour force | 2.25 | 3.45 | 2.30 | 1.15 |
| Male | 1.19 | 1.44 | 2.47 | 0.70 |
| Female | 5.52 | 9.19 | 1.90 | 2.44 |
| Urban | 1.17 | 3.23 | 8.74 | 0.58 |
| Rural | 2.60 | 3.51 | 0.08 | 1.48 |

Notes: Labour force is defined as economically active population over 15 years of age.

Source: Calculated from Reports of *Labour Force Survey*, various years

It is not easy to explain the various patterns in the growth of labour force mentioned above. For example, increase in the growth of labour force during 2005-2010 is not surprising, and could be explained by several factors. First, those who entered the labour force during the 2005-10 period were already born in the early 1990s. Given the continued high growth of population at that time, high growth of labour force is not surprising. However, what is surprising is the increase in the *rate* of growth, because the factor of population growth was present in the earlier inter-survey period. What may have caused the difference during the 2006-2010 period is a more flexible interpretation of the term economic activity that resulted in a larger proportion of population being included in the labour force by the survey of 2010 compared to the earlier one. This brings one to the second possible factor in explaining the rise in labour force growth, viz., very high growth of female labour force which was already much higher than the growth of male labour force in the earlier inter-survey period. During the 2005-2010 period, female labour force grew at an annual rate of 9.2 per cent compared to 5.5 per cent during 2002-05[[6]](#footnote-6). The above two factors possibly could not counteract a negative factor on labour force growth, viz., growth in enrolment in education.

If the factors mentioned above were active during the 2005-2010 period, one would have to argue that they reversed direction during the subsequent period (i.e., 2010-2013). Indeed, female participation rate declined during the latter period (although it remains to be examined and explained what may have caused this reversal). Whether this single factor outweighed the demographic factor of population growth is another question.

Looking at the difference between locations, one can note the much higher growth of urban labour force which continued. This is not surprising as rural-urban migration in a country like Bangladesh is a continuing phenomenon. However, the sharp decline in the growth of rural labour force is surprising. The sharp decline in urban labour force growth during 2013 to 2015-16 is also worth noting. One would wonder whether rural-urban migration has come to a complete halt after 2013, and if so why.

An important aspect of the labor force of the country is the difference in the participation rates between men and women. One notable and positive development in this regard is the substantial rise in female labour force participation rate (FLFPR) over time, although the level still remains substantially below those attained in a number of East and South East Asian countries. Table 4 presents relevant data. It needs to be noted, however, that after continuous increase in FLFPR for two decades, there was a decline during 2010-2013. Although that decline was reversed during 2013-2015-16, it would be important to monitor the trend in women’s labour force participation rates and analyze factors influencing this. Women’s participation in the labour force participation is important from the point of view of economic growth as well as household income.

**Table 4: Male and Female Labour Force Participation Rates, 1991 to 2015-16**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Female** | **Male** | **All** |
| 1990-1991 | 14.0 | 86.2 | 51.2 |
| 1995-1996 | 15.8 | 87.0 | 52.0 |
| 1999-2000 | 23.9 | 84.0 | 54.9 |
| 2002-2003 | 26.1 | 87.4 | 57.3 |
| 2006 | 29.2 | 86.8 | 58.5 |
| 2010 | 36.0 | 82.5 | 59.3 |
| 2013 | 33.5 | 81.6 | 57.1 |
| 2015-16 | 35.6 | 81.9 | 58.5 |

**Source: LFS, various years**

Data on age-specific participation rates are available for different age-groups for different surveys. Up to 2010, data are presented by more groups than for 2013 and 2015-16. Hence, the data are presented in two tables – in Table 5 a for the period up to 2010 and in Table 5 b for 2013 and 2015-16. From the former, it may be noted that for men, there was a decline in the age-group 15-19 and a small increase in the age-group 20-40. This is a positive development in the sense that working age population is probably spending more years in education, and participation rate has increased in the prime age group. However, the situation is different for females: participation rate has increased for 15-19 age group as well. Another difference between male and female participation rate is the sharp fall in the latter from the age of 50. This is a phenomenon that deserves in-depth investigation.

**Table 5 a: Age-specific Labour Force Participation Rates by Gender**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Age group** | **2010** | | **2006** | | **2000** | | **1995-1996** | |
|  | **Male** | **Female** | **Male** | **Female** | **Male** | **Female** | **Male** | **Female** |
| 15-19 | 48.44 | 29.40 | 62.88 | 13.76 | 55.85 | 23.35 | 61.3 | 18.0 |
| 20-24 | 75.93 | 40.98 | 80.41 | 29.00 | 74.01 | 26.30 | 78.8 | 15.8 |
| 25-29 | 92.10 | 44.71 | 95.28 | 33.67 | 91.30 | 27.08 | 93.5 | 16.0 |
| 30-34 | 97.29 | 46.62 | 98.68 | 34.88 | 95.65 | 26.51 | 98.3 | 15.8 |
| 35-39 | 98.34 | 47.67 | 98.81 | 34.82 | 98.23 | 25.66 | 98.4 | 18.2 |
| 40-44 | 98.05 | 46.24 | 97.72 | 35.15 | 97.78 | 26.57 | 99.0 | 17.0 |
| 45-49 | 97.37 | 47.58 | 97.75 | 32.63 | 97.63 | 23.42 | 98.8 | 14.3 |
| 50-54 | 94.11 | 10.25 | 95.35 | 31.12 | 95.76 | 18.28 | 98.0 | 14.3 |
| 55-59 | 88.52 | 11.18 | 92.36 | 27.72 | 93.50 | 18.85 | 96.1 | 14.4 |
| 60-64 | 77.20 | 6.63 | 82.70 | 22.62 | 81.39 | 11.11 | 88.6 | 11.4 |
| 65 + | 57.93 | 8.32 | 59.25 | 14.83 | 56.56 | 8.99 | 70.2 | 8.4 |

Source: Labour Force Survey (various years)

Data in Table 5 b shows a decline in the labour force participation rate for the 15-29 age-group. This may be (and hopefully, is) due to greater numbers, from among those in the lower age cohorts, getting into education. One positive development is the increase in female participation in the age-group 30-64.

**Table 5 b: Age-specific Labour Force Participation Rate by Gender, 2013 and 2015-16**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Age group** | **2013** | | | **2015-16** | | |
|  | **Total** | **Male** | **Female** | **Total** | **Male** | **Female** |
| **15-29** | 53.8 | 67.1 | 41.4 | 49.9 | 69.6 | 32.3 |
| **30-64** | 63.3 | 97.2 | 30.2 | 68.0 | 94.6 | 41.0 |
| **65 +** | 33.6 | 54.6 | 12.5 | 34.2 | 52.3 | 11.1 |
| **Total** | 57.1 | 81.7 | 33.5 | 58.5 | 81.9 | 35.6 |

Source: Labour Force Surveys.

The level of education of the labour force is important from the point of view of the contribution it can make to economic growth of the country. In that respect, notable progress has been made by the country, in that the share of labour force with no education and those with only primary education has declined over time. Another piece of good news is the narrowing of the gender difference in this respect. While in 2000, a much higher proportion of the female labour force had either no education or only primary level education, the male-female difference in that regard was all but wiped out by 2010 (Table 6). The good news, however, ends there.

**Table 6: Labour Force by Level of Education**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Level of education** | **1999-2000** | | | **2010** | | |
|  | **Total** | **Male** | **Female** | **Total** | **Male** | **Female** |
| **No education** | **48.1** | **41.5** | **59.1** | **40.1** | **39.9** | **40.6** |
| **Class I-V** | **25.0** | **25.7** | **23.8** | **22.8** | **22.9** | **22.7** |
| **Class VI-VIII** | **11.4** | **13.4** | **8.2** | **14.3** | **13.8** | **15.3** |
| **Class IX-X** | **5.2** | **6.1** | **3.8** | **9.0** | **8.3** | **10.5** |
| **SSC or equivalent** | **7.1** | **8.9** | **4.0** | **6.2** | **6.5** | **5.6** |
| **HSC or equivalent** | **3.7** | **4.0** | **3.0** |
| **Bachelor or equivalent** | **3.2** | **4.5** | **1.1** | **2.1** | **2.5** | **1.2** |
| **Master or equivalent** | **1.4** | **1.7** | **0.8** |
| **Medical** | **0.2** | **0.2** | **0.1** |
| **Technical/Vocational** | **0.1** | **0.2** | **0.1** |

**Source: Labour Force Survey, various years.**

Data in Table 7 shows trends (between 2013 and 2015-16) that are difficult to explain. The proportion of those with no education has increased and those with higher secondary and tertiary education declined. These trends are noticeable for men as well as women.

**Table 7: Employed Population Aged 15 and Over by Levels of Education (%), 2013 and 2015-16**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Level of education** | **Total** | | **Male** | | **Female** | |
|  | **2013** | **2015-16** | **2013** | **2015-16** | **2013** | **2015-16** |
| No education | 21.3 | 32.5 | 21.3 | 30.5 | 21.4 | 37.1 |
| Primary | 28.7 | 25.9 | 26.3 | 26.2 | 34.7 | 25.2 |
| Secondary | 30.6 | 30.1 | 31.1 | 30.2 | 29.3 | 30 |
| Higher secondary | 12.8 | 6 | 13.8 | 6.8 | 10.4 | 4.2 |
| Tertiary | 6.1 | 5.3 | 7 | 6.1 | 3.9 | 3.5 |
| Others | 0.4 | 0.2 | 0.5 | 0.2 | 0.4 | 0 |

Source: Labour Force Surveys.

Several weaknesses of the education level of the labour force are notable. First, the share with tertiary education is still rather low and has declined in recent years. Likewise, a very small proportion of the labour force (only one in a thousand) had technical or vocational qualification in 2010. This is not surprising given the low rate of enrolment in technical and vocational education as percentage of secondary enrolment – only 2.43 per cent compared with, for example, 6.31 per cent and 18.41 per cent in Malaysia and China respectively. Furthermore, the gender differential in labour force with tertiary education remains high (despite some narrowing).

**3. The Employment Situation: An Overview**

3.1. Employment structure and growth

In a discussion on employment in a developing economy like that of Bangladesh, it is usual to start by looking at the composition of employment by sector of the economy. One expects a decline in the proportion of employment in agriculture and an increase in the shares of industry and services. The relevant data for Bangladesh are presented in Table 8. Several interesting features of the sector composition of employment emerge from this table. First, the share of agriculture has declined during 1999-2000 and 2015-16, but the magnitude of this decline is rather small. This is despite a substantial decline

**Table 8: Sector Composition of Employment (% of total) by Gender, 1999-2000, 2005-06, 2010**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Sector** | **1999-2000** | | | **2005-06** | | | **2010** | | | **2013** | | | **2015-16** | | |
|  | **T** | **M** | **F** | **T** | **M** | **F** | **T** | **M** | **F** | **T** | **M** | **F** | **T** | **M** | **F** |
| **Agriculture** | 50.76 | 51.91 | 46.24 | 45.76 | 39.27 | 66.54 | 47.57 | 40.18 | 64.84 | 45.10 | 41.41 | 53.64 | 42.69 | 34.00 | 63.03 |
| **Manufacturing** | 9.55 | 7.50 | 17.63 | 11.03 | 10.88 | 11.51 | 12.45 | 12.73 | 11.77 | 16.36 | 13.78 | 22.52 | 14.45 | 14.25 | 14.63 |
| **Construction** | 2.81 | 3.21 | 1.22 | 3.22 | 3.94 | 0.92 | 4.84 | 6.31 | 1.40 | 3.69 | 4.76 | 1.00 | 5.55 | 7.42 | 1.07 |
| **Services** | 36.10 | 36.71 | 33.71 | 37.41 | 43.05 | 19.36 | 35.36 | 41.13 | 21.87 | 34.11 | 40.05 | 22.85 | 36.97 | 43.70 | 20.82 |

Source: Calculated from *Labour Force Survey*, different years.

in the share of the sector’s output in total GDP. As for the proportion engaged in manufacturing, the increase was small up to 2010, but quite sharp during 2010-2013. After 2013, there has been a reversal of the trend. The share of construction increased noticeably during 1999-2000 to 2010 – from less than 3 per cent to nearly 5 per cent. But after 2010, this share fluctuated – first declined to less than 4 per cent in 2013 and then rose to 5.5 per cent in 2015-16.

The gender difference in the sector composition of employment and the change therein is quite noticeable. On the one hand, the share of women in agriculture has been substantially higher than that of men and remains so. But the change that is noticeable is that during 2010-2013 the share of women in manufacturing doubled and became much higher than that of men. However, that gain did not last; in 2015-16, the share of employment of both men and women in the sector was roughly similar. One surprising element in the gender difference in sector composition is the much lower share of services for women. This is mainly due to the low rate of women’s participation in sub-sectors like transport and wholesale and retail trade.

A look at the growth rate of employment (Table 9) brings out the following points. The good news up to 2013 was the gradual increase in the rate of growth of employment in manufacturing. While the rate of growth between 2005-06 and 2010 exceeded 6 per cent, the rate almost doubled during the subsequent period (2010-2013). This had raised the hope that labour-intensive industrialization in Bangladesh would be a major driver of growth and labour absorption in the same way as happened in several countries of East and South East Asia. Indeed, if growth of that order could be maintained for another decade or so, the economy of Bangladesh could go a long way towards absorbing its surplus labour. However, there seems to have been a reversal of that trend during 2013 and 2015-16 when there was an absolute decline in employment in the sector.

A second interesting point to note is the sharp fluctuations in the growth of employment in the construction sector. During 2005-2010, there was a large increase which is normal for an economy like that of Bangladesh. However, the increase in the growth of employment during 2005-2010 was followed by a negative growth during 2010-13 and a return to positive growth after that. Such wild fluctuations raise the question of whether periodic growth reflects more of a bubble in the real estate sector. The negative growth of employment in the sector during 2010-2013 heightened this concern. However, it is good to see that employment in the sector has registered positive growth after 2013. It is important to understand the factors that influence growth in the sector and see that growth there is more durable and sustained.

The gender difference in the growth of employment (as a whole as well as by sector) is also noticeable. Growth of women’s employment during 2010-2013 has been much lower than that of men. And that marks a sharp reversal of the experience during 2000-2010. This is consistent with a decline in the labour force participation rate of women during that period. Decline in the growth of employment for women may have discouraged them from participating in the labour force. However, the negative trend has been reversed after 2013.

**Table 9: Growth of Employed Persons by Industry and Gender (% per annum)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Sector** | **1999-2000 to 2005-06** | | | **2005-06 to 2010** | | | **2010 to 2013** | | | **2013 to 2015-16** | | |
|  | **Total** | **Male** | **Female** | **Total** | **Male** | **Female** | **Total** | **Male** | **Female** | **Total** | **Male** | **Female** |
| **Agriculture** | 1.53 | -2.14 | 12.77 | 4.29 | 1.79 | 8.41 | 0.60 | 4.12 | -5.00 | -1.54 | -9.13 | 11.55 |
| **Manufacturing** | 5.82 | 9.09 | -1.15 | 6.34 | 5.15 | 9.62 | 12.34 | 5.83 | 25.64 | -4.85 | 2.04 | -16.39 |
| **Construction** | 5.66 | 6.05 | 1.34 | 13.52 | 13.01 | 19.51 | -6.28 | -6.17 | -9.55 | 24.57 | 25.93 | 7.46 |
| **Services** | 3.91 | 5.27 | -3.24 | 1.93 | 0.08 | 12.88 | 1.21 | 2.18 | 2.68 | 5.27 | 4.80 | -1.83 |
| **Total** | 3.30 | 2.51 | 6.13 | 3.32 | 1.22 | 9.06 | 2.39 | 3.08 | 1.21 | 1.20 | 0.73 | 2.93 |

Source: Calculated from *Labour Force Survey*, different years.

3.2. Economic growth and employment

While growth of employment, especially in relation to the growth of labour force, is important, from the point of view of examining how employment intensive output growth has been, it is necessary to look at employment growth in relation to output growth. Elasticity of employment growth with respect to output growth is a summary measure of the latter, and can be estimated from available data. Estimates of employment elasticity for the sub-periods referred to in Table 9 are presented in Table 10[[7]](#footnote-7). Several interesting points regarding the employment intensity of output growth in Bangladesh emerge from this Table.

**Table 10: Elasticity of Employment with Respect to Output**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **1995-96 to 1999-2000** | | **1999-2000 to 2005-06** | | **2005-06 to 2010** | | **2010-2013** | | **2013 to 2015-16** | |
| **Sector** | **Output growth (% p.a.)** | **Employ-ment elasticity** | **Output growth (% p.a.)** | **Employ-ment elasticity** | **Output growth (% p.a.)** | **Employ-ment elasticity** | **Output**  **Growth (% p.a.)** | **Employ-ment elasticity** | **Output growth**  **(% p.a.)** | **Employ-ment**  **elasticity** |
| **GDP** | 5.36 | 0.5392 | 5.63 | 0.5861 | 6.11 | 0.5499 | 6.20 | 0.3887 | 6.80 | 0.1765 |
| **Agriculture** | 5.32 | 0.7293 | 2.90 | 0.8207 | 4.28 | 0.7103 | 3.28 | 0.1951 | 2.96 | -0.5203 |
| **Manufac-turing** | 5.37 | 0.2607 | 7.48 | 0.7807 | 7.52 | 0.8697 | 9.67 | 1.2761 | 10.30 | -0.4709 |
| **Construc-tion** | 8.89 | 0.2711 | 8.37 | 0.6344 | 6.10 | 2.4164 | 8.18 | - 0.7677 | 8.74 | 2.8112 |
| **Services** | 5.09 | 0.2141 | 5.75 | 0.6887 | 6.51 | 0.2734 | 5.90 | 0.2051 | 6.25 | 0.8432 |

Notes and sources: (i) Output growth figures have been calculated from data in Ministry of Finance, Government of Bangladesh: *Bangladesh Economic Review*, various years. (ii) Employment elasticity has been calculated by using the output growth figures in this table and employment growth figures presented in Table 9.

First, for the economy as a whole, the ability of the economy to generate employment seems to have declined over time; and this decline is particularly sharp for the period 2013 to 2015-16. The same remark applies to the job creating ability of the agriculture sector. The latter is not surprising because in an economy like that of Bangladesh, not only the share of agriculture in total employment but also the absolute number employed in the sector is expected to decline.

Second, output growth in the manufacturing sector gradually became more employment intensive up to 2013. This has to be looked at as a positive development because given the availability of surplus labour, it is through the growth of labour intensive industries that the surplus labour can be transferred to the modern sector. Growth in the manufacturing sector since the 1990s has been driven primarily by the ready-made garments sector which is a highly labour intensive activity. High growth of this sector and heavy weight of the sector in total manufacturing must have contributed to making output growth in the sector as a whole increasingly employment intensive. However, what is surprising is the negative growth of employment in the sector during 2013 to 2015-16 despite output growth of around 10 per cent per annum. That should be a cause for worry. Of course, one may point out that the 2013 manufacturing employment figure was unusually high, and the subsequent year’s figures should not be compared with that[[8]](#footnote-8). In order to address such a one-off inflexion in the data, employment elasticity was estimated for the five-year period from 2010 to 2015-16 and was compared with the elasticity figures for the previous five-year period (2005-06 to 2010). The results are presented in Table 11 below:

**Table 11: Elasticity of Employment with respect to Output, 2005-06 to 2010 and 2010 to 2015-16**

|  |  |  |
| --- | --- | --- |
| **Sector** | **Employment elasticity, 2005-06 to 2010** | **Employment elasticity, 2010 to 2015-16** |
| **Agriculture** | 0.7103 | -0.0639 |
| **Manufacturing** | 0.8697 | 0.4676 |
| **Construction** | 2.4164 | 0.5351 |
| **Services** | 0.2734 | 0.4468 |
| **GDP** | 0.5499 | 0.2700 |

Source: Author’s estimates based on data mentioned for Tables 9 and 10.

Several points emerge from the comparison mentioned above. First, the overall employment elasticity (i.e., for the economy as a whole) for 2010 to 2015-16 is a little higher than for the period 2013 to 2015-16, but compared to the 2005-06 to 2010 period, the figure is just half. This implies that even if one ignores the 2013 labour force data, employment elasticity for the economy seems to have fallen sharply during the past decade. The same conclusion would apply to manufacturing and construction. For services, there has been a rise. But for that sector also, the longer term trend (i.e., if one compares with the figures for 1990-2000 to 2005-06) indicates a decline (from 0.6887 to 0.4468). It would thus appear that employment elasticity for the economy as a whole and for manufacturing industries declined over time. Even if one makes allowance for possible data issues surrounding labour force surveys, the magnitude of the decline is so sharp that it should be a reason for worry on the part of policy makers.

It may be noted in this context that data from the website of BGMEA (presented in Table 12) also shows that employment in the industry has remained stagnant since 2011-12. This, of course, was not due to a decline in the growth of output or exports of the industry. As data presented in Table 12 shows, exports registered a healthy rate of growth even during the period when employment growth was slow or stagnant.

**Table 12: The Ready-made Garments Industry: Growth of Employment and Exports,**

**1989-90 to 2015-16**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Annual growth of employment (%)** | **Annual growth of RMG export (%)** | **Growth of export per worker (%)** |
| 1989-90 to 1994-95 | 28.69 | 28.98 | 0.23 |
| 1994-95 to 1999-00 | 5.92 | 14.31 | 7.92 |
| 1999-00 to 2004-05 | 4.56 | 8.09 | 3.37 |
| 2004-05 to 2010-11 | 10.29 | 18.66 | 7.59 |
| 2010-11 to 2015-16 | 2.13 | 9.42 | 7.13 |

Source: Islam and Rahman (2017) based on data from the website of BGMEA. It may be noted that the website of BGMEA shows employment figures between 2011-12 and 2015-16 unchanged at 4 million. Ref. http://www.bgmea.com.bd/home/pages/TradeInformation (accessed on various dates including on 28 June 2017).

Apart from the RMG industry, LFS data shows that employment in another major industry, viz., food processing declined between 2013 and 2015-16 (from 1.23 million to 704,000). Whether this decline was due to a decline in the output of the industry or despite growth of output is an important question that needs to be addressed. But in order to do so, it would be necessary to go beyond LFS data because that is a survey of households which does not provide output data. On the other hand, the last year for which the survey of manufacturing industries was done is 2012. So, it is not easy to address what happened to output in various industries after that year.

Third, construction sector has also become increasingly more employment intensive over time. Moreover, the sharp fluctuation in the elasticity of employment in this sector comes as a surprise. On the one hand, the figure for 2006-2010 appears to be much higher than what is expected for this sector and what was observed in earlier periods in Bangladesh. Likewise, the decline in employment in this sector reported for the period of 2010-2013 is also a surprise, especially given the positive growth of output in the sector. The negative growth of employment associated with the positive growth of output has resulted in a negative employment elasticity for the sector – implying that during that period, output growth was associated with a decline in employment. However, there was a sharp increase in employment in the sector during 2013 to 2015-16.

Fourth, the employment intensity of growth in the service sector appears to have declined sharply during 2005 to 2013. This also cannot be explained easily, unless of course one can demonstrate that the components of the sector that have grown at higher rate and have increased their weight in the sector are more capital intensive in nature. While this is not impossible, whether that has actually happened in Bangladesh or whether the sharp decline in employment elasticity of the sector represents another data issue remains an open question.

It needs to be noted that employment elasticity also provides an indicator of the direction of movement of labour productivity. An increase in the former implies a deterioration in the latter. An elasticity of more than one is particularly worrisome in that respect. Since this is found to be the case for manufacturing during 2010-2013, it would appear that employment growth in manufacturing during that period was attained at the expense of a decline in labour productivity[[9]](#footnote-9). The case of construction during that period lies at another extreme: output growth was achieved with a reduction in employment.

3.3. Unemployment, underemployment and excessive employment

Unemployment is regarded as an important indicator of the labour market situation of a country. However, in a developing country like Bangladesh, open unemployment usually does not provide a real picture of the labour market situation because of a variety of reasons. First, given the standard definition and measurement of unemployment, it is not unusual to see very low rates of open unemployment in developing countries. Only those members of the labour force who have not worked even an hour during the reference week and have been actively looking for work are categorized as unemployed. In developing countries where poverty is widespread, there is no unemployment benefit and social safety nets have at best limited coverage and effectiveness, very few can afford to remain without work. Moreover, in the absence of organized methods of job search, the notion of “looking for work” is rather ambiguous. So, it is not unusual to find unemployment rates to be low. And the same is the case with Bangladesh.

Open unemployment rate in Bangladesh has remained between 4 and 5 per cent of the labour force since the 1990s. In fact, the figure remained unchanged at 4.3 per cent during three consecutive surveys - 1999-2000, 2003-03 and 2005-06, and then inched up to 4.5 per cent in 2010. In 2015-16, the rate of unemployment went down to 4.2%. Thus, it seems that not only is the rate of unemployment low, it has remained surprisingly stable for a long period. Hence, in any serious discussion on employment and labour market, one has to go beyond open unemployment.

Given the existence of surplus labour in developing countries, underemployment is considered to be a useful alternative indicator of the labour market situation. However, the concept of underemployment is also not without complexity, and hence measures also vary. Two alternatives that are often suggested are visible and invisible underemployment. Visible underemployment refers to the underutilization of the available labour time of an individual and willingness of the individual to work longer. This is also referred to as the time measure of underemployment[[10]](#footnote-10). Invisible underemployment is an analytical concept referring to the productivity and income generating capacity of work in which one is engaged. There is no universally accepted measure of such underemployment. It could be measured in terms of productivity associated with or income generated by employment. Up to 2010, the labour force surveys of Bangladesh provide a measure of visible underemployment in terms of the time measure and categorize those working less than 35 hours a week as underemployed. Relevant data are presented in Tables 13 and 14.

The measure of underemployment used for the 2013 and 2015-16 LFS is different from those for the earlier years (described above) in two respects: (i) First, the threshold for weekly number of working hours is 40 hours (instead of 35 hours in the earlier surveys), and (ii) Second, two additional criteria are applied to determine whether one is underemployed: willingness and availability to work additional hours.

Before coming to the data in tables 13 and 14, it may be useful to sound a note of warning about using them to draw straightforward conclusions. For example, a comparison of the figures for 1999-2000 and 2002-03 indicates more than a doubling of the rate of underemployment. It is very difficult to explain such a sharp increase, especially since the economy was not doing so badly during those years. Likewise, the sharp decline in the years after 2002-03 also defies logical explanation[[11]](#footnote-11).

**Table 13: Underemployment in Bangladesh (% of labour force)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **1999-2000** | **2002-03** | **2005-06** | **2010** | **2013a** | **2013b** | **2015-16b** |
| **National** | 16.6 | 34.2 | 24.5 | 20.3 | 17.8 | 4.0 | 3.0 |
| **Rural** | 17.8 | 36.4 | 27.8 | 22.7 | 20.5 | 4.4 | 3.2 |
| **Urban** | 12.2 | 26.7 | 13.9 | 12.4 | 10.8 | 3.0 | 2.2 |

Notes: Notes: (i) a  These figures have been calculated (by the authors of the present report) from raw data by using the 35 hours per week cut-off point, and hence are comparable to the figures for the earlier years.

(ii) b  These are figures for underemployment reported in the official reports of the LFS. It needs to be noted that the definition of underemployment used in the 2013 and 2015-16 LFS is different from the one used for the earlier surveys, and hence the figures for those years are not comparable to the earlier ones.

Source: Same as in Table 1

Some clue for the observed volatility of the figures on underemployment could perhaps be found when the overall figures are broken down by gender and location. Figures presented in Table 13 indicate that the rate of underemployment shows much more volatility for women compared to men. For example, female underemployment increased sharply between 1999-2000 and 2005-06 and fell sharply thereafter. On the other hand, male underemployment shows secular increase over the entire period of these three labour force surveys. One may be tempted to conclude from these figures that after a sharp increase in female underemployment, it has declined after 2005, and that should be regarded as a positive sign. In this context, it may be useful to look at the difference in trend in female underemployment between rural and urban areas. The volatility is much higher for rural women than urban women. And that gives rise to the suspicion that the observed figures may reflect differences in inclusion in and exclusion from the labour force. For example, in 2005-06, many more rural women who work for short periods (particularly as unpaid workers) may have been included as members of the labour force, and that may have pushed the female underemployment rate to a very high level. In 2010, the opposite may have happened. Thus, how responses regarding female employment are recorded in the questionnaires can have serious implications for the results.

Because of the application of different criteria, the official figures of underemployment in 2013 are not comparable to those of the earlier years. Separate calculations (for 2013) made by using the same criterion as for the earlier years are also presented in Tables 13 and 14. These figures bring out a few points. First, the declining trend for overall underemployment as well as for rural and urban areas continued till 2013. For women, the decline was continuous from 2005-06. For men, there was a rise in 2010 followed by a fall in 2013.

**Table 14: Underemployment in Bangladesh by Location and Gender (% of labour force)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **1999-2000** | **2005-06** | **2010** | **2013a** | **2013b** |
| National | 16.6 | 24.5 | 20.3 | 17.8 | 4.0 |
| Male | 7.4 | 10.9 | 14.4 | 13.1 | 3.8 |
| Female | 52.8 | 68.3 | 34.1 | 29.5 | 4.4 |
| **Rural** | 17.8 | 27.8 | 22.7 | 20.5 | 4.4 |
| Male | 8.1 | 12.4 | 16.7 | n.c | 4.2 |
| Female | 57.7 | 77.0 | 36.6 | n.c | 4.7 |
| **Urban** | 12.2 | 13.9 | 12.4 | 10.8 | 3.0 |
| Male | 4.7 | 5.9 | 6.9 | n.c. | 2.7 |
| Female | 38.2 | 39.8 | 25.6 | n.c | 3.7 |

Notes: (i) a  These figures have been calculated (by the authors of the present report) from raw data by using the 35 hours per week cut-off point, and hence are comparable to the figures for the earlier years.

(ii) b  These are figures for underemployment reported in the official report of the 2013 LFS. It needs to be noted that the definition of underemployment used in the 2013 LFS is different from the one used for the earlier surveys, and hence the figures for that year are not comparable to the earlier ones.

Source: Same as in Table 1.

Alongside underemployment, long hours of work are also a reality for many in the labour market of Bangladesh. Some data are presented in Table 15. Several points emerge from this data. First, if 50 hours per week is regarded as a cut-off point for excessive work, the average worker in Bangladesh does not appear from to suffer from that. However, for men – in both rural and urban areas, this seems to be the case. Moreover, large proportions of the workers irrespective of location and gender suffer from the phenomenon. This is more so for urban men, although rural men are not far behind. Second, there was an improvement during 2010-2013, though that was limited to men. For women, in both rural and urban areas, the proportion who worked excessive hours increased during that period. Third, the proportion people working excessive hours increased during 2013-15 – in both rural and urban areas. On the whole, it seems that working long hours is a strategy for survival in Bangladesh.

**Table 15: Excessive Work by the Employed Population**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Average Hours Worked per Week** | | | **Percentage of the Employed Persons with Excessive Hours of Work** | | |
|  | **2010** | **2013** | **2015-16** | **2010** | **2013** | **2015-16** |
| **All employed** | 46 | 46 | 49 | 51.1 | 46.6 | 51.2 |
| **Male** | 51 | 47 | 53 | 64.8 | 51.0 | 60.9 |
| **Female** | 35 | 43 | 39 | 19.2 | 36.3 | 28.4 |
| **All Rural** | 45 | 45 | 47 | 50.8 | 44.4 | 47.8 |
| **Rural Male** | 50 | 46 | 52 | 65.4 | 49.3 | 59.0 |
| **Rural Female** | 34 | 42 | 36 | 17.0 | 32.8 | 22.9 |
| **All Urban** | 49 | 48 | 53 | 62.0 | 52.5 | 60.0 |
| **Urban Male** | 53 | 49 | 55 | 62.6 | 55.2 | 65.6 |
| **Urban Female** | 38 | 46 | 47 | 26.7 | 46.7 | 44.9 |

Note: Excessive hours are defined as work of more than 50 hours per week.

Source: Calculated from LFS, various years.

3.4. Vulnerable employment

As mentioned earlier, open unemployment in Bangladesh is low because people cannot simply afford to remain unemployed, so they try to eke out a living from some work. As a result, a large proportion of the employed are engaged in work that can be called “vulnerable”. There is no universally accepted definition of vulnerability in this context, but the sense that is being conveyed is the vulnerability of workers engaged in such employment from various perspectives like stability of the job and income earned from it. The ILO identifies vulnerable employment as the self-employed and own account workers as well as those engaged in unpaid family work[[12]](#footnote-12). Data relating to this kind of employment are presented in Table 16. A few aspects relating to the trend in vulnerable employment emerge from this table.

First, between 2005-06 and 2010, no significant change appears to have taken place in the proportion of self-employed and own account workers and those in unpaid family work. In other words, the degree of vulnerable employment did not improve during that period. However, some changes are noticeable for the period 2010 to 2015-16. While the proportion of self-employed registered some increase, that of unpaid family helper decliend considerably.

Second, if one looks at a longer period, viz., between 1999-2000 and 2015-16, there has been an increase in the proportion of self-employment and own account work, especially for women. There was an increase in the share of unpaid family work till 2010 - indicating that many of the own-account workers possibly reverted to becoming unpaid family helper. During 2010 to 2015-16, the share of this category declined. On the whole, it would appear that the degree of vulnerable employment has remained stubbornly high over the long term period. Moreover, if the proportion of paid employees is regarded as a proxy to regular employment, the situation appears to have worsened during the decade ending in 2010 and then improved in the three subsequent years[[13]](#footnote-13). In other words, with regard to the target of reducing the proprtoion of own account workers and contributing family workers in total employment, Bangladesh has a long way to go, although some signs of improvement can be seen.

**Table 16: Changes in the Structure of Employment by Status in Employment (percentage of total employment)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Status** | **1999-2000** | **2002-03** | **2005-06** | **2010** | **2013** | **2015-16** |
| **Self-employed/own account workers (Total)** | 35.1 | 44.8 | 41.9 | 40.8 | 40.7 | 43.3 |
| Male | 49.4 | 50.6 | 50.0 | 47.5 | 52.22 | 47.6 |
| Female | 10.8 | 24.5 | 15.9 | 25.1 | 12.31 | 33.1 |
| **Employee** | 12.6 | 13.7 | 13.9 | 14.6 | 23.2 | 39.1a |
| Male | 15.1 | 13.8 | 14.5 | 17.0 | 22.21 | 43.6a |
| Female | 8.2 | 13.4 | 11.7 | 8.9 | 25.5 | 28.5a |
| **Unpaid family helper** | 33.8 | 18.4 | 21.7 | 21.8 | 18.2 | 14.5 |
| Male | 10.2 | 9.9 | 9.7 | 7.1 | 5.1 | 4.6 |
| Female | 73.2 | 48.0 | 60.1 | 56.3 | 50.1 | 37.6 |
| **Day labourers** | 18.3 | 20.0 | 18.2 | 19.7 | 15.5 | n.ax. |
| Male | 25.0 | 22.9 | 21.9 | 25.8 | 18.9 | n.a. |
| Female | 7.8 | 9.6 | 6.5 | 5.3 | 7.2 | n.a. |

Notes: a: These figures include “day labourers”, a category that was shown separately in the earlier surveys.

X: Day labourers are not shown separately in the 2015-16 report.

Source: Calculated from Bangladesh Bureau of Statistics: *Labour Force Survey*, various years.

Another indicator of vulnerable employment is the proportion of those engaged in the informal sector of the economy. When labour force growth is high and growth in formal sector jobs is insufficient to absorb all the new addition to the labour force, the informal sector performs the role of last resort. Although a segment of the informal sector may exhibit characteristics of dynamic growth of economic activities, a large proportion basically acts as the sponge for absorbing surplus labour. In Bangladesh, the share of employment in the informal sector has increased substantially from 78.48 per cent in 2005-06 to 87.43 per cent in 2010[[14]](#footnote-14). In fact, the number employed in the informal sector grew at a higher rate (6.19 per cent per annum) between 2005-06 and 2010 compared to the earlier inter-survey period of 2002-03 to 2005-06 when annual growth was 1.96 per cent. It is thus clear that there has been a tendency towards informalization of employment in the country. During 2010 to 2015-16, there has been no reversal of this worrisome trend. Although the share of men engaged in the informal sector declined (remaining at very high level), that of women actually increased .

**Table 17: Employment in the informal sector**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Employment in the informal sector (million)** | | | **Share of informal sector employment in total employment (%)** | | |
|  | **Total** | **Male** | **Female** | **Total** | **Male** | **Female** |
| 2002-03 | 35.1 | 27.2 | 7.9 | 79.23 | 78.95 | 79.79 |
| 2005-06 | 37.2 | 27.5 | 9.7 | 78.48 | 76.18 | 85.69 |
| 2010 | 47.3 | 32.4 | 14.9 | 87.43 | 85.5 | 92.3 |
| 2013 | 50.1 | 35.6 | 15.2 | 87.4 | 86.3 | 90.3 |
| 2015-16 | 59.5 | 41.8 | 17.8 | 86.2 | 82.3 | 95.4 |

Source: *Labour Force Survey*, various years.

3.5. Trends in real wages

In a low income developing country like Bangladesh, wage rates of workers are important for a variety of reasons. While it is an important indicator of the quality of employment, it is critical for the poor who depend on their employment for their living. In that sense, wage is a key labour market outcome and has important implications for inclusive development. Increases in real wages and earnings can play an important role not only in reducing poverty, but also in reducing inequality in the distribution of income. But a rise in real wages may not necessarily help poverty reduction, especially if it is associated with a decline in the quantity of employment (for example, the number of days for which employment is available in a year for an agricultural labourer). The latter may actually neutralize the positive effect of the rise in real wages and prevent total earnings from increasing.

Likewise, a rise in real wages may not help improve income distribution if labour productivity increases at a faster rate than real wages. The gains from productivity increase may be unevenly shared by the factors of production, and the share of labour in value added may even decline. That, in turn, may have an adverse effect on personal income distribution.

Furthermore, differences in wages between workers with different levels of education and skills can be an important factor influencing the distribution of income. At very early stages of economic growth, wage labourers are likely to be engaged mostly in agriculture, in rudimentary industries, construction, transport, and other informal sector activities. Such employment requires low levels of education and very little skill. On the other hand, a small modern sector creates demand for more educated and skilled workers. From the supply side, given the availability of a large number of people with little or no education and skills, wages of such workers are likely to be low at ealry stages of growth. With low levels of literacy and enrolment in education, a small educated labour force is likely to fetch higher wages and salaries in the small modern sector. But the situation changes as an economy moves to a higher stage of economic growth when demand for workers with some education and skills increases, and as a result, wages of workes with such education and skills are likely to increase. On the other hand, with gradual increase in enrolment at the tertiary level, the supply of graduates is likely to increase, reducing the pressure on their remuneration. As a result of the operation of these forces, the difference in wages between various levels of education is likely to narrow down.

In Bangladesh, wages as a whole are still rather low, pointing to low productivity of workers on the one hand and low levels of incomes on the other – resulting in large numbers remaining in the category of « working poor » . According to one estimate (GOB, 2013), in 2010, nearly 42 per cent of the employed labour force were below the international poverty line of US$1 (at PPP) per day.

If one looks at data on trends in real wages in Bangladesh, a somewhat mixed picture emerges. First, data on real wages of different categories of workers that are available from government sources (Figure 1) show that although Bangladesh witnessed an acceleration in economic growth since the mid-1990s, real wages of workers started to rise significantly only after 2007. In fact, real wages stagnated during 2003-2007. Second, real wages started to rise from 2008. It may be recalled that during that year there was a major food crisis throughout the world, the impact of which was felt in Bangladesh in terms of sharp increases in the prices of major food grains. There were increases in wages in response to such price increases – a trend that lasted for a few years. But things started to change from 2011-12, as can be seen from Figure 2.

Source: Constructed by the author using data from Government of Bangladesh, Ministry of Finance: *Bangladesh Economic Review* (various years).

Source: Constructed by the author using data from Government of Bangladesh, Ministry of Finance: *Bangladesh Economic Review 2016* (in Bengali).

Government sources do not provide data on real wages after 2008-09. What is available are data on changes in nominal wages and consumer price index. Such data for agriculture and industry for the period of 2011-12 to 2014-15 are presented in Figure 2. It can be seen that in all these years, the rise in consumer price index (CPI) for rural areas exceeded the rise in nominal wages in agriculture. Likewise, the rise in urban CPI exceeded that of nominal wages in industry. These data, i.e., rise in nominal wages falling short of the rise in consumer prices, indicate that real wages in both agriculture and industry declined. This is a conclusion that emerges from available official data, and runs counter to the prevailing notion that real wages in Bangladesh have been rising. In reality, real wages did rise for some years since 2008; but the trend did not continue, and most likely got reversed in recent years[[15]](#footnote-15).

Even when real wages were rising, inequality in the distribution of income increased. It is not difficult to explain this phenomenon. Calculations made by using data from the Survey of Manufacturing Industries of various years show that the rise in real wages fell short of the increase in labour productivity. In the manufacturing sector, for example, growth of employment cost per worker (a proxy for wages) during the entire period of 2001-02 to 2012 fell short of the growth of value added per worker (proxy for labour productivity). The share of employment cost in total value added stagnated around 25 per cent during 2000 to 2005 and then increased to 36 per cent in 2012.

Data on trends in real wages give rise to a number of important questions. First, to what extent does the trend reflect movements in labour productivity ? If movements in real wages do reflect those in labour productivity, and since real wages have risen more in agriculture and construction (at least in recent years), is it possible that productivity in these two sectors has increased faster than in manufacturing ? It may be recalled that during 2010-2013, manufacturing demonstrated an employment elasticity greater than one which implies a decline in labour productivity during that period. This is a question on which more in-depth research is needed.

Another factor that may have influenced movements in real wages in various sectors is rural-urban migration. This is a common phenomenon in many developing countries, and Bangladesh is no exception. The substantial difference in population growth between rural and urban areas (noted in section 2, Table 1) provides an indicator of such migration. Growth of labour force in rural areas has also been much lower. These factors, coupled with the spread of education among the younger generation may have adversely affected the supply of labour for agriculture. On the other hand, high rate of rural-urban migraiton may have boosted the supply of labour for manufacturing and thus helped keep the lid on real wages in the sector[[16]](#footnote-16).

3.6. Labour productivity

One indicator of employment performance that was included in the MDGs is growth rate of labour productivity (GDP per employed person). This measure is also useful to get an idea about whether changes in real wages in an economy are in line with that in labour productivity. But given the state of data availability, it is not easy to obtain even a crude measure of labour productivity like output (i.e., GDP) per worker because employment data come from labour force surveys which are household surveys, and do not provide data on output. However, an effort has been made to calculate GDP per worker by using GDP data from national accounts and employment data from the LFS. The results, which are presented on Table 18, indicate an annual growth in labour productivity of about 4 per cent during the period of 2002-03 to 2010. After 2010, labour productivity continued to grow at over 3 per cent per annum. And the estimate for 2013 to 2015-16 indicates a doubling of the growth rate. So, it may be safe to conclude that at least half of the annual growth in GDP (which has ranged between six and seven per cent during the 2000s) has been due to growth in labour productivity. The contribution seems to have been higher in recent years (i.e., after 2010).

Given the order of magnitude for the growth in labour productivity (measured as GDP per person) observed from the figures in Table 18, it is surprising to see the decline in real wages after 2011-12 (see section 3.5 above).

**Table 18: Labour Productivity (GDP per employed person)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **GDP (billion Taka)** | **Employment (million)** | **GDP per person (Taka)** | **Annual growth rate in GDP per person (%)** |
| 2002-03 (base: 1995-96) | 2371.0 | 44.3 | 53,521 |  |
| 2005-06 (base: 1995-96) | 2846.7 | 47.4 | 60,057 | 3.92 |
| 2005-06 (base: 2005-06) | 4823.4 | 47.4 | 101,759 |  |
| 2010 (base: 2005-06) | 6267.2 | 54.1 | 115,845 | 3.29 |
| 2013 (base: 2005-06) | 7,519.9 | 58.1 | 129,430 | 3.77 |
| 2015-16 (base 2005-06) | 8,835.5 | 59.5 | 148,496 | 7.11 |
| 2010 to 2015-16 |  |  |  | 5.09 |

Notes: As mentioned, the base year for the figure for 2002-03 is 1995-96. Hence, in order to calculate the growth rate between 2002-03 and 2005-06, the figure for the latter with base as 1995-96 has been used. For the rest of the figures, the base year is 2005-06.

Sources: GDP figures are from Bangladesh Economic Review (various years), and the employment figures are from the Labour Force Survey (various years)

**4. Youth Unemployment and Unemployment of the Educated**

4.1. Youth unemployment and employment

The rate of youth unemployment is typically higher than overall and adult unemployment rates. And Bangladesh is no exception in that respect. However, the difference seems to be less sharp in Bangladesh (Figure 3 and Table 19). While youth unemployment is generally found to be two to three times the overall unemployment, in Bangladesh in 2010, it was less than twice the overall unemployment rate. And if one compares the figures of 2005 and 2010, there appears to have been a slight improvement: youth unemployment rate for the country as a whole has declined from 8.1 per cent in 2005-06 to 7.5 per cent in 2010. But the situation deteriorated in 2013 and 2015-16. The rate of youth unemployment as a whole as well as separately for men and women increased compared to 2010. The increase was sharper for women. Whether this is indicative of a worsening of opportunities for women in the labour market of Bangladesh is an important question.

As for difference by location (Table 20), youth unemployment is higher in urban areas. But the difference between rural and urban areas is substantially greater for women. It seems that young women in urban areas face greater difficulty in finding jobs compared to their rural counterparts. It is also possible that a larger number of urban young women compete for a smaller number of jobs.

Source: Constructed by using data from Labour Force Survey, various years.

**Table 19: Youth Unemployment Rate**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Overall unemployment rate** | | | **Youth (15-29) unemployment rate** | | |
|  | **Male** | **Female** | **Total** | **Male** | **Female** | **Total** |
| **1999-2000** | 3.4 | 7.8 | 4.3 | 9.5 | 15.0 | 11.1 |
| **2005-06** | 3.4 | 7.0 | 4.3 | 7.2 | 10.7 | 8.1 |
| **2010** | 4.1 | 5.8 | 4.5 | 6.8 | 8.5 | 7.5 |
| **2013** | 3.0 | 7.2 | 4.3 | 7.0 | 9.8 | 8.1 |
| **2015-16** | 3.0 | 6.8 | 4.2 | 7.4 | 11.3 | 8.7 |

Source: *Labour Force Survey*, various years

**Table 20: Youth Unemployment Rate by Gender and Location: 2013, 2015-16**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Rural** | | **Urban** | |
| 2013 | **2015-16** | **2013** | **2015-16** |
| **Male** | 6.4 | 7.3 | 8.6 | 7.6 |
| **Female** | 8.4 | 11.2 | 13.0 | 11.5 |
| **Total** | 7.2 | 8.6 | 10.4 | 8.9 |

Source : *Labour Force Surveys, 2013, 2015-16*

In order to formulate policies towards employment of the youth, it may be useful to know the sectors in which they are usually employed and the type of their employment. Data presented in Table 21 shows that compared to the average employed person, the youth are less in agriculture and more in industry. In the service sector, they are in the same proportion as the average employed. The difference in their proportion between agriculture and industry simply corroborates the oft-heard hypothesis that the youth prefer to work outside agriculture. However, data in Table 22 indicate that the youth are disproportionately represented in the informal sector. The difference is particularly noticeable for young men. Likewise, they are likely to be more as “contributing worker” compared to the average worker. But the proportion of the youth in own-account work is much lower than the average – thus indicating that self-employment is not an easy alternative for them.

**Table 21: Proportion of Employment by Industry and Age Group, 2015-16**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Age group** | **Agriculture** | **Industry** | **Services** | **Total** |
| **15-29** | 33.62 | 29.92 | 36.46 | 100 |
| **30-64** | 45.75 | 16.53 | 37.72 | 100 |
| **65 +** | 64.15 | 8.51 | 27.31 | 100 |
| **All** | 42.66 | 20.46 | 36.88 | 100 |

**Source: Labour Force Survey, 2015-16**

**Table 22: Informal Employment as Percentage of Total Employment (Youth and Total, 2015-16)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Age group** | **Male** | **Female** | **Total** |
| **15-24** | 91.5 | 96.7 | 93.1 |
| **Total** | 82.3 | 95.4 | 86.2 |

**Source: Labour Force Survey, 2015-16**

**Table 23: Own Account Workers and Contributing Family Workers (Youth and Total, 2015-16)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Age group and status** | **Male** | **Female** | **Total** |
| **Own account worker** |  |  |  |
| **15-24** | 31.5 | 28.7 | 30.6 |
| **Total** | 47.6 | 33.1 | 43.2 |
| **Contributing worker** |  |  |  |
| **15-24** | 11.3 | 34.2 | 18.9 |
| **Total** | 4.6 | 37.6 | 14.5 |

**Source: Labour Force Survey, 2015-16**

4.2. Unemployment of the educated

Education is usually regarded as a useful means of enhancing the quality of the labour force and improving their chances of getting entry into the world of work. While the transition from school to work has been found to be difficult irrespective of the level of development, in developed countries, the rate of unemployment varies inversely with the level of education. However, the opposite is found to be the case in developing countries; and Bangladesh is no exception. Rates of youth unemployment have been found to be higher for those with higher levels of education (Figure 4). Looking specifically at the differences in unemployment rates by levels of education, one can see that those with higher secondary education suffer from the highest level of unemployment. The situation is worse for women with this level of education (Figure 6 a and 6 b). Those with tertiary education fare better, but exhibit higher unemployment than those with primary or no education.

Source: Constructed by using data from Labour Force Survey

Source: Constructed by using data from Labour Force Survey, various years.

Source: Constructed by using data from LFS, 2013

Source: Constructed by using data from the Labour Force Survey, 2015-16

A study of school-to-work transtion (Toufique, 2014) provides further insights into the issue of youth employment and unemployment. It may be useful to recount a few key findings from that study. First, in addition to open unemployment, underutilization of labour[[17]](#footnote-17) is very high among the youth. Nearly 38 per cent of the youth are neither in the labour force nor in education or training. Another 20 per cent are in irregular employment while 4.6 per cent were unemployed. The three groups mentioned above add up to over 62 per cent. Second, the STWT survey corroborates the much higher rate of unemployment of young women compared to men. Third, although unemployment is higher among the better educated, investment in education does bring positive returns to the youth in terms of wages/salaries and access to better jobs.

**5. Overseas Employment: Trends, Prospects and Challenges**

5.1. Trends and patterns

While emigration of people from Bangladesh has a long history[[18]](#footnote-18), short-term migration for employment started in the 1970s and picked up pace gradually. From just over 6,000 in 1976, the number of people going abroad for jobs increased to around 100,000 by the end of 1980s. But the pace gained momentum during the 2000s and after 2005, there was a sharp increase in the flow for a couple of years [[19]](#footnote-19)(Figure 7). However, that sharp rise was short-lived and the numbers in recent years have hovered around 500,000 (but exceeded 700,000 in 2016).

Although workers from Bangladesh find employment in a large number of countries of the world, a few countries in the Middle East (e.g., Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Oman and Qatar) and in Asia (viz., Malaysia and Singapore) account for most of the jobs. Of course, there has been a change in the mix of major destination countries for workers from Bangladesh (Figure 8). A few points are worth noting in that regard.

* In recent years, especially after 2007, there has been a sharp decline in the flow of workers to Kuwait, Saudi Arabia and Malaysia.
* The decline mentioned above has been made up to some extent by a rise in the flow to Oman, Qatar, Lebanon and Singapore.
* On the whole, there has been a slight diversification in the destination countries for overseas employment of workers from Bangladesh. Up to 2005, the major eight countries (viz., Saudi Arabia, UAE, Kuwait, Qatar, Bahrain, Oman, Malaysia and Singapore) accounted for over 95 per cent of the flow, but declined gradually after that to about 74 per cent in 2014.

The trend of overseas employment by gender indicates that in the past women accounted for a negligible proportion of migrant workers from Bangladesh. However, there has been notable increase in the number of female workers going abroad in recent years.

Source: Constructed by using data from the BMET website.

Source: Same as in Figure 7.

Apart from small numbers, there are differences in the destination as well as occupation in which women migrant workers are engaged. Figures 9 a and 9 b provide a comparative picture about the destination. For workers as a whole, the major eight countries mentioned above account for an overwhelming majority of migrant workers, for women, the share of these countries is much smaller (just half). For the latter, Lebanon and Jordan are major destinations, but for men they are not important destinations. Furthermore, the kind of work with which female workers migrate is quite different compared to male workers (see below, Table 22).

Source: Same as in Figure 7.

Source: Same as in Figure 7.

The difference in destination for women workers is also linked to their occupational pattern. More than half of the women migrant workers during 2005-15 were domestic workers (if one adds up what the government data classifies as “domestic workers” and “house workers”). About ten per cent represent occupations relating to the garment industry[[20]](#footnote-20) (Table 24). It is thus clear that women migrant workers find work as either household help or in garment factories (the latter mainly in Jordan and Lebanon).

**Table 24: Top Ten Occupations of Male and Female Migrant Workers, 2005-2015[[21]](#footnote-21)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Male Occupation** | **Percentage of workers** | **Female Occupation** | **Percentage of workers** |
| Labourer | 38.50 | Domestic worker | 42.70 |
| Worker | 21.29 | House worker | 19.20 |
| Waiter | 4.08 | Labour | 14.97 |
| Private service | 3.99 | Female labour | 6.26 |
| Mason | 3.55 | Machine operator | 4.26 |
| Cleaning labour | 3.20 | Sewing operator | 2.29 |
| Construction worker | 2.61 | Operator | 2.09 |
| Carpenter | 2.12 | Machine operator | 1.73 |
| Driver | 1.61 | Cleaning labour | 1.58 |
| Painter | 1.60 | Worker | 1.11 |

Source: MoEWOE (2015)

Two categories called “labourer” and “worker” account for nearly 60 per cent of male migrant workers. Although it is difficult to interpret these two categories, one can perhaps surmise these to represent unskilled (or less skilled, in official terminology) workers. It is also clear that male workers either work as general purpose worker where not much skill is required, some of them also work in the construction sector. The categories “waiter” and “private service” also do not appear in the case of women workers.

The skill composition of migrant workers is important from the point of view of the kind of jobs that they would be doing, the incomes they would earn and hence the amount of remittance that they would be able to send. Data presented in Figure 10 indicate an improvement in the situation. Several points may be noted from Figure 10. First, “less skilled” (a term presumably used officially for unskilled workers) workers constitute a very high proportion of migrant workers. Of course, this proportion has declined considerably since 2010, but in 2016, 40 per cent of overseas employment was accounted for by this category. On the other hand, the share of skilled workers has registered some increase in recent years. As for semi-skilled, there was a sharp increase after 2012, but has declined in recent years. The share of professionals is negligible.

Source: Constructed by using data from BMET.

Data on the skill composition of women migrant workers before 2005 are not available. Data available for the period 2005-2014 show that the proportion of unskilled workers is higher for women compared to men. A look at more detailed data show that more than 60 per cent of women migrant workers go as domestic and household workers.

Source: MEW&OE (2015).

5.2. Future Prospects of Overseas Employment of Workers from Bangladesh

As Bangladesh depends on overseas employment both for providing employment to a large part of its labor force and for earning much needed foreign exchange, how many workers can find employment overseas every year is a question of great importance. But this is a question that does not have a simple answer. Linear extrapolations of past trends may not provide a reliable basis for answering this question because the flow of workers going abroad depends on a variety of factors that often do not behave in a predictable and orderly fashion. Hence, for making projections of future prospects, forecasts based on past trends will have to be combined with available information about possible departure from such trends. In order to do so, flow of workers to different countries and factors influencing them would need to be examined carefully.

Examples of departures from past trends are provided by the sharp increase in the number of migrant workers in 2007 and 2008 and the sharp decline thereafter. In terms of country composition, the sharp changes that need to be taken into account are declines in numbers going to countries like Saudi Arabia, UAE, and Malaysia. The factors behind such changes will have to be understood in order to be able to make realistic adjustments to forecasts based on past trends.

For making projections of future overseas employment, the past trend could be a useful guide although there are limitations as mentioned above, and additional factors that need to be taken into account will be considered presently.

A few points may be noted before looking at the projections. First, the main purpose of the present study is to outline strategies for employment over a long period of time (nearly 25 years). Projections for such a long period can anyway be risky because of unforeseen factors. Second, in a fast-growing developing economy like Bangladesh, the domestic labour market is likely to undergo significant changes over such a long period, and the supply side of the labour market may change considerably – thus producing a very different situation regarding aspirants for overseas employment. Of course, international migration for employment takes place even between matured economies; and working age people from Bangladesh may still be available for overseas jobs if there is sufficient incentive in terms of differences in remuneration and other factors. But the composition of job-seekers for overseas employment is likely to be different at that stage.

Considering the two factors mentioned above and the likelihood of Bangladesh exhausting its surplus labour by about 2030 (more on this will be said in section 6 below), the present study makes projections of overseas employment for the period 2018 to 2030. One important basis of the projections is the trend line fitted to the time series for 1990 to 2016 as shown in Figure 12.

However, it may be seen from Figure 12 that there were unusual increases in the number of people finding jobs abroad in 2007 and 2008. The trend line that is affected by this bump will naturally have a higher slope than if there were no such bumps. In order to avoid the effect of that bump, a different trend line and an associated regression equation were fitted by excluding the figures for those two years. That trend line has a slightly smaller slope, and the fit is also better (as is indicated by the estimated R-squared). The two equations are as follows:

1. Y = 20,249 X + 76,973

(R-squared = 0.5705)

1. Y = 19,313 X + 69,927

(R-squared = 0.7454)

The projected figures for overseas employment based on the above two trend lines are:

|  |  |  |  |
| --- | --- | --- | --- |
| Equations | **2020** | **2025** | **2030** |
| 1 | 684,443 | 785,688 | 886,933 |
| 2 | 649,317 | 745,882 | 842,447 |

The above figures imply that if the past trend continues without too much of change, overseas employment could be of this order. For example, by 2025, around 800,000 workers from Bangladesh could be employed overseas. By 2030, the figure could be around 900,000.

But it is important to stress that the projections made above are only indicative and should not be taken literally. In order to understand the reason for this, one simply has to look at the trend in employment of Bangladeshi migrant workers in major destination countries like Saudi Arabia, UAE, Kuwait, and Malaysia. The notable aspects that deserve attention in this respect include the following:

*Saudi Arabia*

* Sharp increase in employment of Bangladeshi workers in 2007 and decline in the following year;
* Sharp decline in the number employed in subsequent years;
* A reversal in the declining trend since 2011, but the number remained small compared to “normal”;

*UAE*

* Sharp increase in the flow of workers in 2007 and 2008 and decline thereafter
* Sharp decline since 2013

*Kuwait*

* Almost closed for Bangladeshi workers after 2007
* Some resumption in recruitment in 2014, but the number is very small compared to pre-2007 numbers.

*Malaysia*

* Sharp increase in numbers recruited in 2006 and 2007 and sharp decline thereafter
* Almost negligible as a source of employment during 2010-2012
* Recruitment resumed in 2013, but numbers remain very small

*Oman, Qatar, and Bahrain*

* These countries, especially Oman and Qatar, have emerged as major destinations for overseas employment of Bangladeshi workers. Currently, they, along with Singapore, Jordan and Lebanon, are the major sources of such employment.

**Table 25: Overseas Employment of Bangladeshi Workers to Major Destination Countries**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **KSA** | **UAE** | **Kuwait** | **Oman** | **Qatar** | **Bahrain** | **Malaysia** | **Singapore** |
| **2000** | 144,618 | 34,034 | 594 | 5,258 | 1,433 | 4,637 | 17,237 | 11,095 |
| **2001** | 137,248 | 16,252 | 5,341 | 4,561 | 223 | 4,371 | 4,921 | 9,615 |
| **2002** | 163,269 | 25,462 | 15,769 | 3,854 | 552 | 5,421 | 85 | 6,856 |
| **2003** | 162,131 | 37,346 | 26,722 | 4,029 | 94 | 7,482 | 28 | 5,304 |
| **2004** | 139,031 | 47,012 | 41,108 | 4,435 | 1,268 | 9,194 | 224 | 6,948 |
| **2005** | 80,425 | 61,976 | 47,029 | 4,827 | 2,114 | 10,716 | 2,911 | 9,651 |
| **2006** | 109,513 | 130,204 | 35,775 | 8,082 | 7,691 | 16,355 | 20,469 | 20,139 |
| **2007** | 204,112 | 226,392 | 4,212 | 17,478 | 15,130 | 16,433 | 273,201 | 38,324 |
| **2008** | 132,124 | 419,355 | 319 | 52,896 | 25,548 | 13,182 | 131,762 | 56,581 |
| **2009** | 14,666 | 258,348 | 10 | 41,704 | 11,672 | 28,426 | 12,402 | 39,581 |
| **2010** | 7,069 | 203,308 | 48 | 42,641 | 12,085 | 21,824 | 919 | 39,053 |
| **2011** | 15,039 | 282,739 | 29 | 135,265 | 13,111 | 13,996 | 742 | 48,667 |
| **2012** | 21,232 | 215,452 | 2 | 170,326 | 28,801 | 21,777 | 804 | 58,657 |
| **2013** | 12,664 | 14,241 | 6 | 134,028 | 57,584 | 25,155 | 3,853 | 60,057 |
| **2014** | 10,657 | 24,232 | 3094 | 105,748 | 87,575 | 23,378 | 5,134 | 54,750 |

Source: BMET

The changing scenario in terms of destinations of overseas employment outlined above points out the complexity involved in making an assessment of the prospects of overseas employment in future. The first point that needs to be noted is that the demand for workers in a potential source of employment is not the only determinant of the actual number of people that may be able to find jobs in that country. A variety of factors, especially the nature of bilateral relations, the reputation of workers from a particular country (which in turn has to be interpreted not simply in terms of workers’ skill and efficiency but also in terms of overall track record from the perspective of the destination country), governance of the process of recruitment and deployment of workers, and such factors play an important role in this regard. The importance of such factors is illustrated by the almost complete closure, for some years, of the doors of countries like Saudi Arabia, Kuwait and Malaysia for workers from Bangladesh. All these countries need expatriate workers and have continued to recruit from various other countries[[22]](#footnote-22).

Second, given the strong incentives to emigrate, the existence of kinship and other networks in many countries with need for expatriate workers and of recruitment agencies with good experience, a pro-active and facilitating attitude of the government can help workers tap the potential for overseas employment. That large numbers of people were able to tap job markets in countries like Oman, Qatar, Bahrain and relatively smaller markets in other countries is an indicator of this possibility. Considering this kind of a scenario, it does not seem unrealistic for the number of overseas employment to be around 800,000 by 2025 and 900,000 by 2030. On the other hand, if the labour markets in Saudi Arabia, Kuwait and Malaysia can be accessed again, and those in Oman, Bahrain, Qatar and Singapore continue to remain, the number could be even higher.

A number of points may be raised with regard to the flow of migrant workers, their skill composition and the development and employment implications of the use of remittances sent by them. First, the number that can find jobs abroad during a given period is often beyond the control of the sending country. To that extent, it is difficult to make projections of employment and formulate an employment policy based on this as a source of employment. Second, there are different aspects to the skill composition of migrant workers. On the one hand, migration of more skilled workers would imply higher salaries for them and hence higher amount of remittances per worker (although there is no automaticity in the latter consequence). So, this may be desirable from the point of view of maximizing the remittance flow to the country which, in turn, is likely to be beneficial for the country from a macroeconomic point of view. On the other hand, production of skilled workers involves a cost, and in a country like Bangladesh, much of that cost is usually borne by the government in the form of subsidized training facilities in the public sector. In analyzing the benefits and costs of international migration, one would have to weigh these various aspects.

As for the development and employment implications of international migration, several points are worth noting[[23]](#footnote-23). First, to the extent the migrant workers come from poorer (or at least low income) households, income from remittances makes an important contribution to poverty reduction. It must be added, however, that migration may not be taking place from the poorest of the households (because of the cost associated with the process); and to that extent, the poverty reducing effect may not percolate down to the poorest of the poor. Indeed, it may lead to some increase in inequality in the distribution of income, at least among the lower income groups.

Second, apart from the direct employment effect of migration, there may be indirect effects through the increased consumption of remittance receiving households as well as investment by them in productive economic activities. In this context, it may be worth noting a few findings from the survey of the use of remittance conducted in 2013 conducted by the Bangladesh Bureau of Statistics. First, a high percentage (43 per cent) of the remittance receiving households were found to be non-savers. And that implies that much of the remittance income is actually spent. Second, only 25 per cent of the households reported some investment. Third, over 80 per cent of the “investors” reported investing in real estate. Only about 12 per cent reported investment in some economic activity, e.g., in own business or for purchase of farm equipment. Looking at the distribution of the amounts invested, the share of real estate is found to be even higher – nearly 90 per cent during the year prior to the survey. It is thus clear that remittance receiving households make very little direct investment in productive activities.

The conclusion that follows from the brief summary of the results of the survey of remittance use presented above is that apart from the direct employment associated with international migration of workers and the multiplier effect on the economy of the increased consumption and its employment implication, the potential for a positive employment effect through the investment route has remained limited.

5.3. Challenges: Overseas Employment

Overseas employment involves international migration of prospective workers, and is a complex phenomenon due to a variety of reasons. On the one hand, there is the issue of numbers, i.e., to ensure that a certain number of job-seekers get employed overseas. And that, in turn, would involve finding opportunities for employment and tapping them for prospective job-seekers, as well as managing the process of migration smoothly. On the other hand, in addition to mere numbers, there is the issue of education level and skill composition of workers, the cost that individuals have to bear, the conditions in which they work abroad, etc. Some of these issues are closely linked to the rights of migrant workers, the abuses they often suffer from and the governance of the entire process – both from the side of sending and receiving countries. The major challenges are briefly discussed below.

*Numbers*

Labour markets in countries receiving migrant workers are diverse and demand conditions can vary from time to time[[24]](#footnote-24). For Bangladesh, the major destination countries include those in the Middle East, and Malaysia and Singapore. The sectors demanding expatriate workers in those countries range from agriculture (e.g., Malaysia, Oman) to manufacturing (e.g. garments in Jordan), construction (Saudi Arabia, Qatar, Singapore, etc.), and care for the elderly (e.g., Korea, lebanon, etc.). The economies of the countries in the Middle East are mainly dependent on oil, and hence their economic cycles are also dependent on the oil market. But some economies can be influenced by transitory factors (e.g., the soccer world cup of 2022 in Qatar), and demand for labour can be strongly influenced by such factors. For countries seeking to place workers in jobs overseas, it would be important to understand and monitor labour markets in prospective destination countries. Moreover, it needs to be noted that economies undergo changes, and with that changes the type of skills that the labour market would demand. For example, Saudi Arabia is moving from construction of infrastructure to manufacturing. Liekwise, once the current phase of construction is over in Qatar, the economy of that country is likely to require more workers in maintenance. Thus the skill composition of workers needed is likely to undergo changes. It would be essential for the sending countries to monitor such changes closely and adjust their own supply of labour accordingly.

The second important challenge is with regard to the skill composition of overseas employment. One view in this regard is that workers with higher level skills earn more and hence are likely to send more remittances to the country. Hence from the point of view of remittances per worker, it might appear desirable to promote employment of skilled workers rather than unskilled workers. However, several points need to be noted in this regard.

*Skill composition*

First, in the major destination countries for migrant workers, there is demand for a broad range of skill categories – with high level technicians for manufacturing and professionals in service sectors at one end and workers in construction and maintenance that require very little skills on the other. Second, the kind of occupations for which workers from a particular country is demanded in a destination country seems to depend on a variety of factors in addition to the simple availability of the required skills. The following conclusion from an ILO study may be worth noting in this regard:

“In sum, the main determinants for low-skilled labour from South Asian countries appear to be price (wages), availability, general health and physique, perhaps connections, recruiter catchment area and such criteria as perceptions about the attitudes and behaviour as well as experiences of certain nationalities. Their education and skill levels as well as their occupations prior to migration have a subordinate role” (ILO, 2015, p. 11).

In a situation described above, it may not be easy for Bangladesh (or for any other country) to attain a “desired” skill/occupational composition of its migrant workers simply through supply side interventions like provision of skills training. Efforts would be needed on several fronts. First, action would be required to break the perceptions that exist in the destination countries associating certain occupations with specific countries. While upgrading of skills training (to bring it in line with international standards) is an essential first step, creating awareness amongst potential employers about the supply of skills from Bangladesh (for example, through promotional work by missions in major destination countries), showcasing skills training facilities to prospective employers and such other market creation/penetration measures may be useful in changing the stereotypes about perceptions. Bilateral negotiations and agreements could be a useful instrument for pursuing the goal of promoting Bangladesh as a potential supplier of skilled workers and for applying the strategy mentioned above[[25]](#footnote-25).

It may also be noted that although skilled workers are expected to receive higher salaries and hence to send higher amount of remittances per worker, there is no automaticity in the second part of the hypothesis. Moreover, production of skilled workers involves a cost, and in a country like Bangladesh, much of that cost is usually borne by the government in the form of subsidized training facilities in the public sector. In analyzing the benefits and costs of international migration, one would have to weigh these various aspects.

*Rights and welfare of migrant workers*

The process of migration for work is beset with abuses and exploitation that include high costs and fees, attachment to a stipulated employer (which goes against the principle of freedom to choose employment), divergence between contractual obligations and real conditions at work (especially payment of wages that are lower than stipulated in the contracts), and so on. Particularly vulnerable are workers with low education and low skills and women workers. For the latter, especially for those who work as domestic help, in addition to abuses suffered by migrant workers in general, an additional risk is sexual harassment[[26]](#footnote-26). An ILO report (ILO, 2010) sums up the situation in these words:

“While international migration can be a positive experience for migrant workers, many suffer poor working and living conditions, including low wages, unsafe working environments, a virtual absence of social protection, denial of freedom of association and workers’ rights, discrimination and xenophobia. Migrant integration policies in many destination countries leave much to be desired. Despite a demonstrated demand for workers, numerous immigration barriers persist in destination countries. As a result, an increasing proportion of migrants are now migrating through irregular channels, which has understandably been a cause of concern for the international community. As large numbers of workers – particularly young people – migrate to more developed countries where legal avenues for immigration are limited, many fall prey to criminal syndicates of smugglers and traffickers in human beings, leading to gross violations of human rights. Despite international standards to protect migrants, their rights as workers are too often undermined, especially if their status is irregular”. (ILO, 2010, p.2).

A study on Bangladesh summed up the situation as follows:

“… institutional arrangements to ensure rights at work for the Bangladeshi migrant workers are poor. Neither Bangladesh, nor the labour receiving countries has ratified the international instruments on the rights of migrant workers. Successive Bangladesh governments have found it difficult to sign memoranda of understanding with the receiving countries. Meanwhile, the enactment of various laws at the national level since 1976, has failed to reduce the exploitation of potential migrants even in accessing work.” (Siddiqui, 2005, p.18)

Since the time of the above study (2005), a number of steps have been taken up by the Government of Bangladesh to protect the rights and welfare of migrant workers (see below); and yet, there are challenges that remain.

While abuses suffered by migrant workers are regularly reported in media, it is difficult to get concrete data, except on costs involved in migration and fees charged by agents. On other aspects, apart from media reports and anecdotal evidence, there is not much by way of concrete data. For example, some data are available on the number of complaints received from migrant workers, but the breakdown of such complaints by their nature is not available. One study (Wickramasekara, 2014) reports that In Bangladesh, out of a total of 3116 complaints received during 2009-2013, only about 55 per cent were settled[[27]](#footnote-27).

High costs incurred by migrant workers is a major issue in many countries, but Bangladesh is at the top in this respect. In 2008, the actual cost per migrant going to the Middle East was between US$ 2991 and US$ 3263 compared to the next highest figures of US$ 1181 to US$ 1737 in India. The cost was the lowest in Sri Lanka where it was less than $ 800. Similar figures are reported for migrant workers going to Malaysia and Singapore (Wickramasekara, 2014). In relation to GDP per capita, the cost in Bangladesh was 4.5 times while in the Philippines and Sri Lanka the figures were only 0.5 and 0.25 respectively (i.e., half and one fourth of GDP per capita). Such sharp differences in the cost of migration to similar destination countries imply differences in the effectiveness of administration of migration. It may be interesting to note in this respect that nearly 60 per cent of the cost in Bangladesh is accounted for by the so-called intermediaries, 18 per cent by “helpers”, and another 10 per cent represents “agency fee”. Although under different nomenclatures, the above figures show that 88 per cent of the cost is accounted for by “facilitators” of the process of migration. It is thus clear that a prospective migrant worker from Bangladesh has to pay large sums to recruiting agents and other intermediaries at various stages – and the payments per worker are the highest in the region.

There are international conventions/standards that are aimed at protecting the rights of migrant workers. Examples are various ILO and UN Conventions on migrant workers and the ILO’s Multilateral Framework on Labour Migration[[28]](#footnote-28). Unfortunately, however, many of the destination countries have not ratified any such instrument (ILO, 2014 b, Tables 1 and 2). It is thus difficult to obtain any assessment of the situation regarding the rights of migrant workers from such countries. In fact, absence of ratification itself is an indicator of the poor situation in this respect. The following observations may nevertheless be made about the situation.

* In many instances, a prospective migrant worker does not receive formal contracts (especially in a language that is understandable to him/her) before their departure although this is a basic element in the guidelines (Guideline 13.3) of the ILO’s Multilateral Framework on Labour Migration (MFLM) adopted in 2006. Moreover, it is quite common to substitute the contract offered prior to departure with one that is inferior in terms of wages and other conditions of work.
* Several international instruments (e.g., ILO’s MFLM and Conventions C181 and C189) specify that no fee should be levied on workers; and yet, charging of fees from prospective workers is a common practice (not just in Bangladesh but in other sending countries as well).
* Both Conventions 181 and 189 provide for negotiation of bilateral agreements to prevent abuses and fraudulent practices in recruitment and placement. But such issues are often left out of bilateral agreements.
* Guideline 13.2 of the ILO’s MFLM stipulates that recruitment and placement of workers respect their fundamental rights; and yet, given the system of tying of workers to a specified employer, confiscation of passport upon arrival in destination countries, and the requirement of exit permit, many workers find themselves in situations of forced labour.

The Government of Bangladesh has undertaken a number of initiatives to address the challenges in the administration of migration for employment abroad; they include[[29]](#footnote-29):

* District Employment and Manpower Offices (DEMOs) can now provide migration related information to prospective migrant workers and their families;
* BMET arranges to provide pre-departure orientation to migrant workers before they travel abroad;
* The government, in collaboration with NGOs and other stakeholders, is making efforts to raise mass awareness on safe migration procedures through dissemination of relevant information;
* BMET has a Wage Earners’ Welfare Board that is mandated to provide various services to migrant workers that include pre-departure briefing, scholarship for workers’ children, repatriation cost of deceased migrant worker, and grant for deceased workers’ families;
* Bangladesh has bilateral agreements with Kuwait and Qatar and MOUs with Hong Kong, Iraq, Jordan, Republic of Korea, Libya, Malaysia, Maldives, Oman, and UAE.
* *Probashi Kalyan Bank* (Expatriate Welfare Bank) has been set up with the objective of providing credit for meeting the costs of migration, helping smooth transfer of remittances at low cost, and encourage investment in productive sectors;
* In 2011, the government ratified the International Convention on the protection of the rights of all migrant workers and their families;
* The Overseas Employment and Migrant Welfare Act 2013 was passed by the parliament of Bangladesh in 2013. The Act has provisions for providing protection to migrant workers against possible abuses. Rules are being formulated for the implementation of the Act.

*Challenges: a summing up*

* A much better understanding and monitoring of markets would be needed, and the overseas employment strategy will have to be geared accordingly.
* Once the surplus labour available in the country is exhausted and workers with low education and skills will no longer be available (or availability will decline sharply), the strategy will have to change in a substantial way. Preparations for such changes will have to start during the next five to ten years.
* The perception in receiving countries about Bangladesh as a supplier of only low skilled workers will have to be changed.
* Preventing abuses of migrant workers at both the sending and receiving ends, guaranteeing their rights and ensuring their welfare remain major challenges.
* High cost of migration is a serious problem. More disconcerting is that much of the excess cost does not reflect the true expenses of travel and related costs. Payments to intermediaries represent a large part of the total costs of migration. This needs to change, and the cost needs to be aligned more closely to actual costs.

**6. The Employment and Labour Market Situation: A Summing Up**

The overview of the employment and labour market situation in Bangladesh provided in sections 2 through 5 above shows a mix of good and bad news. On the supply side, the good news starts from the decline in labour force growth witnessed in recent years. While this is good from the point of view of numbers in that the challenge of finding jobs for new entrants to the labour force in quantitative terms is likely to be less onerous in future, one also has to note that the potential benefit from labour force growth (in terms of so-called demographic dividend) is not going to last for a very long period.

Another piece of good news from the supply side is the improvement in the level of education of the labour force. This is evidenced from the decline on the proportion with no education and increase in the proportion with primary and secondary education.

Third, there has been a gradual increase in female labour force participation rate. Although the trend was disrupted in 2013, data from the labour force survey of 2015-16 shows that it is rising again. If the overall trend continues, this can be positive factor for future economic growth of the country.

The fourth good news – this one from the demand side – is a rise in the growth of employment in manufacturing between 2010 and 2013. Although this came at the cost of falling labour productivity, it created an expectation that labour intensive industrialization could serve as a mechanism for absorbing surplus labour in the country.

Fifth, there was a substantial increase in the number of workers finding overseas employment. Although the external demand for workers is subject to fluctuations in changes in economic and other conditions in the destination markets, increase in overseas employment helps relieve the pressure on the domestic labour market (and also contributes to the foreign exchange earnings of the country). In addition to the rise in numbers, there was a gradual increase in the share of skilled workers in the total number of overseas employment – thus indicating the possibility of a change in the skill composition of such jobs.

Sixth, there was a rise in the real wages of workers – till about 2010-11. And it is interesting that the rise was more pronounced for the agriculture sector. The rise in real wages coupled with a rise in the growth of manufacturing employment created an impression that surplus labour may have been exhausted. However, data from various sources including the labour survey of 2015-16, the website of BGMEA, and data on wages and prices from the Bureau of Statistics (and Ministry of Finance) show that the good news on employment and real wages did not last long – an issue that will be addressed presently.

The disappointing news on employment starts from the fact that the overall elasticity of employment with respect to output (i.e., GDP) has been declining over time. One might, of course, argue that that this is natural in a developing economy and should be indicative of improvement in labour productivity. Indeed, growth of employment relative to output growth should leave room for improvement labour productivity. However, one needs to worry when there is a trade-off between growth in productivity and employment[[30]](#footnote-30), and the latter is insufficient to absorb surplus labour at a sufficiently fast pace. The sharp decline in overall employment elasticity and a decline in manufacturing employment observed after 2013 give rise to such worry. Moreover, since this has been happening at a time when output growth has been high, one wonders whether the country has been going through a period of jobless growth.

Apart from slow growth of employment, a particular cause of concern is high rate of unemployment among the youth. While this represents a waste from the point of utilization of an important factor of production, it is also worrisome from a social point of view. What is also noteworthy is that education is not helping the youth in finding jobs – as is indicated by the direct relationship between education and unemployment. This is an area that requires particular attention.

Another point of concern – especially from the point of view of the relationship between economic growth, employment and poverty and inequality - is the stagnation (if not a decline) in real wages of workers. Although real wages increased for a few years after 2008, the trend did not continue. If growth in money wage rates and consumer prices are any indicators, there appears to have been a decline in real wages in recent years. Policy makers need to worry about it, especially if real wages are looked at as a means of reducing poverty and improving income distribution.

**Part 2: Looking at the Future: Projections of Employment**

**7. Employment Projection and Prospects**

In an economy like that of Bangladesh where unemployment is low but many people somehow manage to eke out a living, jobs required may not provide a true indicator of the real challenge in the area of employment. In addition to numbers, it would be important to look at the type of employment (in terms of sectors, skill requirement, etc.) that needs to be created. An attempt is being made here to present some numbers as an indicator of the basic quantitative aspect of the employment challenge. But the numbers presented also take into account the possibility making a dent on the situation regarding unemployment and underemployment. In that sense, the qualitative aspect of employment is also addressed to some extent.

7.1. Methodology applied

It would be in order to note a few basic aspects of the projection being presented. First, although the present exercise is being done within the framework of the Perspective Plan (PP) for the period 2021 to 2041, the terminal year for the projections is taken as 2030 (which is also the terminal year for the for SDGs that include attaining full and productive employment). The period up to 2030 is also the first phase of the PP period during which surplus labour is expected to be exhausted in the economy. Once that critical turning point is attained, the challenge of employment will be somewhat different.

Second, to get a picture of the supply side, projection of labour force has to be made by using a realistic figure for its growth rate. But given the volatility observed in the past figures that emerge from different rounds of the labour force surveys (ref. section 2), it is difficult to settle for a figure with confidence. For example, the rate of growth of labour force during different inter-survey periods varies from 1.15 per cent per annum during 2013 to 2015-16 to 3.45 per cent during 2005-06 to 2010. Moreover, there is no clear trend in the observed growth rates. Given the situation, one way is to look at a reasonably long-term period and use the growth figure observed for that period for purposes of projections. For example, the annual growth of labour force during 2002-03 to 2015-16 was 2.28 per cent. In the absence of any other more reliable figures, the present study uses this for making projections of labour force growth up to 2030[[31]](#footnote-31).

Third, an aggregate projection model is used (elaborated further below), which involves the use of elasticity of employment with respect to output and projected GDP growth. As for the former, several points need to be noted. First, since 2005-06, there has been a gradual decline in the elasticity of employment with respect to output – thus indicating a decline in the ability of the economy to generate employment. Moreover, this decline was quite sharp during the period of 2013 to 2015-16; the estimated employment elasticity for that period was only 0.1765 compared to 0.3887 for 2010 to 2013. Although it is natural for a developing economy like that of Bangladesh to undergo some technological change that might result in a decline in the employment elasticity of output, such a sharp decline within a short period seems to be an aberration of the observed trend and appears to represent a period of “jobless growth”. So, the use of the elasticity figure for 2013 to 2015-16 in a projection exercise is likely to yield misleading results. It would, therefore, be useful to make alternative projections using more realistic parameters. One possibility is to use the estimated elasticity for a longer period. In that regard, one candidate is the estimate for the period 2005-06 to 2015-16, which is 0.27. The other possibility is to use a figure that is close to the observed figure for the period 2010-2013 (which was 0.3887). The projection exercise uses all the three alternatives.

As for projected GDP growth, the Planning Commission’s Perspective Plan projection ranges from 8 per cent in 2020 to 9 per cent in 2031 (Planning Commission, 2017). For purposes of the employment projections, the following rates of GDP growth are used: 7.5 per cent for 2015-16 to 2020, 8 per cent during 2020 to 2025 and 8.5 during 2025 to 2030. One set of employment projections is made by using these figures. However, the present study argues that it is not only the rate of growth but also the pattern of growth that influences the employment outcome of an economy. In order to demonstrate this, two alternative growth scenarios (represented by GDP growth of 8 and 7.5 per cent per annum) will be used in conjunction with an employment elasticity figure of 0.35, which is slightly lower than the observed figure for 2010 to 2013 but higher than the figure for 2013 to 2015-16.

The model used for projections is presented below

Et = E0 (1 + re)t (1)

where

Et represents total employment in the terminal year of the projection period,

E0 represents total employment in the base year, and

re represents the annual rate of growth of employment during the projection period.

re = ηrg (2)

where

η represents elasticity of employment with respect to output, and

rg represents growth of output

η = re ÷ rg (3)

7.2. Results of projections

*Labour force*

Applying the growth rate of 2.28 per cent per annum (the observed growth of labour force during 2002-03 to 2015-16), one gets a projected labour force of 85.2 million for 2030. This gives one an additional labour force of 23.1 million during 2016-30 or about 1.65 million per year.

To the new labour force, one has to add the backlog of unemployment (2.6 million in 2015-16) that exists and for whom employment needs to be found. Allowing for some unemployment to remain, one could assume that the target should be to absorb about half of those by 2030. That would mean an additional 93,000 has to be added to the yearly target for employment.

Given the fact that international migration of workers is an important source of employment for the labour force of Bangladesh, it would be appropriate to take that into account in estimating the number of jobs that would be required in the domestic labour market. Given the recent as well as long terms trends in the outflow of workers, it may be realistic to assume that about 500,000 people would find employment abroad every year.

Thus, taking into account the addition to labour force, the need to absorb some of the unemployed, and the possibility of international migration for employment, it would be appropriate to take 1.22 million per year as the minimum quantitative target for employment during the period up to 2030.

In order to make a real dent on underemployment and the number of working poor, the number of additional employment per year will have to be substantially higher than the 1.22 million mentioned above so that the available surplus labour can gradually move to new jobs with higher productivity. A question that may be asked in this regard is: what level of economic growth would be required for the economy to be able to absorb its surplus labour by 2030?

In order to address the question of absorbing surplus labour mentioned above, one would first need an estimate of that and then make projections of employment needed to absorb that. In the absence of a national estimate of surplus labour based on some rigorous methodology, an attempt is made here to provide an illustrative estimate of surplus labour and GDP growth required to absorb that by 2030.

One approach (albeit rather crude) would be to apply the current rate of underemployment in agriculture (25 per cent[[32]](#footnote-32)) to the employed labour force in that sector (25.2 million) and arrive at an estimate of surplus labour in that sector. This gives one a figure 6.3 million. Assuming the rate of underemployment to be 10 per cent for the rest of the rural labour force (19.6 million) as well as for the urban labour force (16.5 million), one gets 1.96 million and 1.65 million respectively. So, the total number of surplus labour would work out to be 9.91 million[[33]](#footnote-33). If this surplus labour is to be absorbed in 14 years, the number of additional jobs that would be required per year works out to be a little over 700,000.

Hence for a period of 14 years, the number of additional jobs required would be: (i) 17.08 million to absorb the new additions to the labour force (at the rate of 1.22 million per year as explained earlier), and (ii) 9.91 million as contribution to absorbing the existing surplus labour. Thus, a total of 26.99 million jobs would be required over this period – which implies 1.93 million annually.

The estimation described above is presented at a glance in Box 1.

**Box 1: Estimation of Jobs Required Per Year**

1. Projected labour force in 2030 (using labour force growth of 2.28% per annum which is the growth rate during 2002-03 to 2015-16): 85.15 million
2. Addition to labour force during 2015-16 to 2029-30: (85.15 – 62.1) = 23.1 million (or 1.65 million per year)
3. Backlog of unemployed in 2015-16: 2.6 million
4. If half of the backlog of unemployed is to be employed by 2030, additional job requirement per year would be 93,000
5. Likely number to get employment abroad per year: 500,000
6. New jobs required per year without taking into account “surplus labour”: 1.65+0.093-0.50 = 1.22 (million)
7. Surplus labour (2013):
8. Agriculture total labour force: 25.2 million
9. Time-related underemployment in the sector (25% of 25.2 million): 6.30 million
10. Rural non-agricultural labour force: 19.6 million
11. Surplus labour in the non-agricultural sector (10%): 1.96 million
12. Surplus labour in urban areas (10% of urban employment): 1.65 million
13. Total surplus labour (total of ii, iv, and v): 9.91 million
14. If the surplus labour is to be absorbed in 14 years, annual additional employment required would be 707,857.
15. Total number of jobs required annually during 2016-2030 (taking into account “surplus labour”: 1.22 +0.71 = 1.93 million
16. If the growth of labour force is assumed to be 1.53 per cent per annum, one gets a projected labour force of 77.98 million for 2030. And taking into account the various considerations mentioned above, the required employment per year works out to 1.84 million.

*Employment*

Two sets of employment projections have been made. The first set (shown in Table 26) uses the Perspective Plan GDP growth projections mentioned above (ranging from 7.5% during 2015-16 to 8.5% during 2025-30) and three alternative estimates of employment elasticity, viz. 0.1765, 0.27 and 0.35 (explained above). The second set uses lower GDP growth rates – 8 per cent and 7.5 per cent per annum and an employment elasticity of 0.35 (Table 27). The latter is done in order to demonstrate what can be achieved by combining high growth and a pattern of growth than has been experienced before the 2013-16 period of jobless growth. Several points emerge from the projections.

First, if the pattern of jobless growth continues (as indicated by the low employment elasticity of 0.1765), even a high GDP growth of 8.5 per cent per annum will not be adequate to absorb the new addition to the labour force, not to speak of absorbing surplus labour. In order for the latter to happen, either GDP growth has to be higher than that or the pattern of growth has to be more employment intensive – at least similar to what was attained up to 2013[[34]](#footnote-34).

Second, if the elasticity of employment remains in the range of what was experienced till 2013 (i.e., around 0.35), GDP growth of 8 per cent per annum would be adequate for generating the required employment as indicated in Box 1 above. For that to happen, manufacturing industries, especially of labour intensive variety, will have to act as the engine of growth.

**Table 26: Employment Projections under Alternative Assumptions about Employment Elasticity (With GDP growth forecast for the Perspective Plan: 8% p.a. between 2020 and 2025 and 8.5% p.a. between 2025 and 2030)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Alternative assumptions regarding employment elasticity** | | |
|  | **0.1765** | **0.27** | **0.35** |
| Total employment in 2030 (million) | 72.46 | 80.34 | 84.87 |
| Additional employment (2015-16 to 2029-30) (million) | 12.96 | 20.84 | 25.37 |
| Additional employment per year  (million) | 0.926 | 1.49 | 1.81 |

Note: For the period of 2015-16 to 2020, GDP growth is assumed to be 7.5% p.a.

Source: Author’s estimates based on the methodology described in the text.

*Alternative scenario with higher employment intensity of growth*

If one looks at the experience till about 2013, it can be seen that the elasticity of employment observed for the major sectors (except services) during 2005-10 appears to be quite high. For manufacturing, high employment elasticity continued till 2013. Although any further increase in employment intensity for those sectors may not be desirable, at least from the point of view of productivity, the overall elasticity of employment with respect to GDP growth could be higher if the more employment intensive sectors grow at higher rates than at present. For example, the manufacturing sector is seen to have higher employment elasticity compared to agriculture and services. Hence, if manufacturing grows at much higher rate than those sectors, it is not impossible to think of a situation where the overall employment elasticity could be higher than observed in recent years (i.e., after 2013). For example, 8 per cent GDP growth could be consistent with say, 14-15 per cent growth of manufacturing. Although the sector in Bangladesh has not attained such high growth, it is not impossible[[35]](#footnote-35). With growth in that range (i.e., eight per cent) and no decline in the employment intensity of growth in the sector, employment in the sector could increase at 9-10 per cent per annum. The overall employment elasticity with respect to GDP could also be higher than observed. In order to illustrate the likely scenario with such growth in the manufacturing sector, an alternative set of projections have been made by using an overall employment elasticity of 0.35. The results are presented in Table 27.

**Table 27: Employment Projections under Alternative Scenarios of the Pattern of Growth (with GDP growth of 8% per annum and employment elasticity of 0.35)**

|  |  |  |
| --- | --- | --- |
|  | **GDP Growth**  **(8%)** | **GDP Growth (7.5%)** |
| Total employment in 2029-30 (million) | 87.58 | 85.52 |
| Additional employment (2015-16 to 2029-30) (million) | 28.08 | 26.02 |
| Additional employment per year  (million) | 2.01 | 1.86 |

Source: Author’s estimates based on the methodology described in the text.

What is worth noting from the figures in Table 27 is that even with a GDP growth of 8 per cent, growth of employment can exceed what is required if the weight of manufacturing in that growth increases. In fact, if manufacturing grows at the rate of 14-15 per cent per year and if labour intensive industries like garments, shoes, furniture, electronics, leather products, etc. feature in that growth, it is possible for employment in manufacturing to grow at 9-10 per cent per annum. That would imply an additional employment in the sector of approximately 600,000 per year. Such growth in the manufacturing sector will have linkage effects with other sectors, especially transport and service sectors. Hence, the employment outcome could be substantially better than what has been attained so far if a different pattern of growth (with substantially higher growth of the manufacturing sector) could be achieved. It would, therefore, be advisable to develop policy based on projections reported in Table 27.

The alternative projections in Table 27 indicate that with a GDP growth of 7.5 per cent per annum, projected employment would fall short of the requirement even with an employment elasticity of 0.35. Hence, the growth target should be set at a minimum of 8 per cent.

*The employment challenge after 2030*

As mentioned already, the year 2030 is expected to be an important turning point for Bangladesh economy in at least two respects. While that is the terminal year for attaining the SDGs that include the target of full and productive employment, surplus labour available in the economy should also be exhausted by then. Once that happens, the challenge would be one faced by a mature economy, viz., to create adequate employment for the new additions to the labour force. What would that mean in quantitative terms?

First, by 2030, growth of labour force in the country should decline substantially. Figures in Table 28 have been worked out by using data presented in the population and labour force projections made by the Bangladesh Bureau of Statistics (BBS, 2015)[[36]](#footnote-36). These figures

**Table 28: Projections of Population and Labour Force, 2031 and 2041**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Projected population (15-64 years, in thousand)** | **Projected labour force participation rate** | **Estimated Labour Force (in thousand)** | **Growth of labour force (% per annum)** |
| **2016** | 102,791 | 0.621 | 63,833 |  |
| **2031** | 132,369 | 0.655 | 86,702 | 2.06 |
| **2041** | 144,051 | 0.654 | 94,209 | 0.83 |

Source: Estimated from data available in BBS (2015).

indicate that between 2031 and 2041, labour force will increase by 7.51 million - i.e., 751,000 per year). If one assumes that there will be no surplus labour and underemployment in the economy at that time and overseas employment will remain an important source of employment, the number of additional jobs required annually will be around half a million per year. For example, if 300,000 people find employment abroad (which is substantially lower than the current average), the domestic economy will need to generate some 500,000 jobs per year. It is of course possible that once poverty is eradicated completely, the number of people seeking unskilled jobs abroad will decline substantially. If the country focuses more on migration of skilled workers, the number may decline considerably. And the number of domestic jobs required will increase correspondingly.

The above, however, appears to be too rosy a picture compared to the challenge of the pre-2030 period. One major reason for the difference is the sharp decline in the population of 15-64 years age-group during 2031-2041 period which resulted in a sharp decline in the growth of labour force from 2.06 per cent per annum during 2016-2031 to 0.83 per cent per annum during the following ten years. It is possible to think of an alternative scenario assuming a higher growth of labour force. If one assumes a labour force growth of 1.5 per cent annum for that period, and uses 85.2 million as the base figure for 2030 (which was our projection above), one gets an estimate of 100.36 million for 2041. That would imply an annual addition of 1.38 million from 2030 to 2041. Assuming overseas employment of about 400,000 per year, this indicates an annual job requirement of about one million.

If a GDP growth of 9 per cent per annum can be attained (as projected by the Planning Commission’s macroeconomic projections), and employment elasticity does not drop below 0.2, the economy would be able to generate around 1.7 million jobs annually (against a requirement of about one million). If that happens, the economy will face a labour shortage. In reality, even when the economy matures, employment elasticity may remain well above 0.2 (say, in the range of 0.3)[[37]](#footnote-37). In that case, the labour market is likely to become even tighter. These figures indicate that it may be possible to maintain full employment with a GDP growth of around 8 per cent per annum[[38]](#footnote-38).

*The employment challenge in a maturing economy: going beyond numbers*

As the economy matures, it will need to address challenges that go beyond numbers mentioned above. While the issue will be discussed in details in section 9, some of the major challenges are mentioned below.

* On the supply side, alongside a decline in the growth of labour force, its composition will change. The phase of demographic dividend will come to an end at some point[[39]](#footnote-39), and the population will start to age. That, in turn, will be associated with a change in the age distribution of the labour force towards higher age groups[[40]](#footnote-40). If the economy wants to benefit from its labour force, strategies will be needed for keeping that segment of the labour force active and working.
* As the economy keeps growing, its sector composition will change, and with that will change the labour requirement – in terms of quantity as well as the educational and skill composition of the workforce. The comparative advantage will change from labour intensive goods to more capital and skill intensive ones. That will create new challenges for institutions responsible for education and skill training.
* The challenge of employment will become more complex. In addition to numbers, the qualitative aspect will need attention. That, in turn, should include social protection of workers against old age, ill health, and unemployment; safe and healthy work environment; and respect for basic workers’ rights.
* A major challenge will be to address the issue of informality and precariousness associated with such employment. If employment in the formal sector does not grow at sufficiently high rate, strategies will be needed to gradually upgrade the quality of employment in the informal sector with respect to social protection, conditions of works and rights at work.
* There are challenges with respect to specific groups like women, youth and those with disabilities of different types. The nature of these challenges is also likely to change as the economy matures. For example, at the current stage of development, the challenge regarding women’s employment is twofold: to raise the labour force participation rate and to improve their conditions in the labour market. At some stage, participation rates may not rise further, but the other challenge may remain. As for the youth, the experience of developed countries shows that the challenge remains even at higher level of development.

*Technological change, automation and implications for employment in Bangladesh*

If one looks at the history of evolution of human society, one would note that technological progress has been a continuous process, and such progress has been associated with automation of various degrees and kinds. That, in turn, had significant implications for employment and the world of work. Given the long-term perspective within which the present exercise is being undertaken, it would be necessary to take this into account and see how the employment situation in the country may be influenced by technological changes that are likely to take place.

The world is currently witnessing the fourth industrial revolution, the basic characteristics of which include the use of robots, artificial intelligence, nano technology, and biotechnology. A common perception in that respect is that this is going to threaten employment of human beings. Even in Bangladesh, where the economy is still characterized by the existence of surplus labour, robots are making inroads. And if one takes a long term perspective of several decades from now, one could imagine the following scenarios: (i) in factories producing textiles, garments, shoes, etc., instead of human beings, robots are performing major tasks, (ii) instead of the numerous retail stores of different types, there are only huge stores where robots arrange merchandise on shelves, customers pick up their needed items and go out through automated check-out points, (iii) online retailers have replaced most of the retail stores and their warehouses are run primarily by robots, and so on.

If the above scenario becomes a reality even before millions of underemployed workers find good jobs characterized by high productivity and incomes, there will be serious problems of mass unemployment and underemployment. And it would be logical for policymakers to take steps to prevent such a scenario. But how realistic would it be to paint such a scenario for the future – even if one considers a period of several decades?

This question is not new to human society; it dates back to the early 19th century when the so-called Luddites (in Britain) had attacked weaving machines because they were thought to be causing destruction of jobs in textile factories. And the question has resurfaced in the wake of several reports published this year (2017) by influential institutions including renowned private companies like McKinsey (2017), PWC (2017), and international agencies like the United Nations (UN-DESA, 2017) and the World Bank (Raja and Christiaensien, 2017). In the context of the Fourth Industrial Revolution currently under way, these reports analyse activities and occupations that are “automatable” and develop scenarios of job losses if such automation does indeed take place. While most of these reports focus mainly on developed countries, the analysis is not limited to them[[41]](#footnote-41). As if to repeat the attack of Luddites to destroy weaving machines, measures like taxing robots are being proposed in developed countries[[42]](#footnote-42).

If the concern can be so serious in developed countries, for a country like Bangladesh, a development of the kind mentioned above can really spell doom. Shouldn’t policy discourse take a serious view of it? However, before starting with a pessimistic and doomsday scenario, it is necessary to take a careful look at what one is talking about. In doing so, one should also distinguish between prospects that are likely to be faced by countries at different stages of development. At the risk of saying the obvious, the concern cannot be the same in USA, UK, China, Viet Nam and Bangladesh.

What Does the History of Automation Tell Us?

It may be useful to refresh our memory with the history of technological progress vis-à-vis employment, and a few facts may be worth recounting in that regard. First, automation during the first industrial revolution was associated with an increase in jobs – not decline. Between the early 19th and early 20th century, the number of textile jobs increased (Bessen, 2017). Second, although jobs were lost in the steel and textile industries in countries like UK and USA during the 20th century, it’s important to understand whether that was due to automation or globalization leading to these industries moving offshore. Third, the spread of IT in recent decades has been associated with a rise in employment (Bessen, 2017). Except during economic downturns, the US economy has not faced a problem of shortage of jobs. Fourth, even in recent years, automation has not been associated with a decline in overall employment. The example of Amazon is often cited in this context where there has been a sharp increase in the number of robots used, but hiring of workers has also continued (Kessler 2017). Fifth, if one takes a longer term view, one would see that fears of mass unemployment have, by and large, been proven unfounded. Employment-population ratio has increased during the twentieth century (UN-DESA, 2017)[[43]](#footnote-43).

So, what happens when technological progress takes place and activities and occupations are automated? As Acemoglu and Restrepo (2016) has pointed out, there can be two types of technological changes: “automating technology” that can replace labour, and “labour augmenting technology” that can, by creating new tasks, create new jobs. For example, automation may be associated with new jobs in the spheres of supervision, repair and maintenance. The net impact on employment would depend on the relative strength and magnitude of the two effects[[44]](#footnote-44).

Yes, the first and immediate impact may be the loss of jobs as machines may indeed replace some human jobs. But in addition to this immediate impact, technological progress leads to changes that may have a positive effect on employment. For example, one positive impact is often a rise in productivity leading to a decline in prices and a rise in the demand for products. That, in turn, leads to growth of output and employment.

Second, technology replaces certain tasks rather than complete occupations. Of course, new jobs that are created are likely to require different types and levels of education and skills compared to the jobs that may have been lost. We shall get back to this issue in a moment.

Third, automation, by raising the productivity of workers, creates a necessary condition for wage increases. Moreover, by reducing the drudgery of manual jobs, machines may lead to improvement in the quality of jobs.

What is also important to note is that only in a small proportion of occupations, jobs are completely automated. Machines often work together with human beings – thus creating positive complementarity and raising productivity.

Of course, there would be winners and losers as automation creates differentiation in the labour markets with implications for relative wages and incomes. While some jobs will be lost, new job opportunities will be created in sectors (e. g., services) and occupations that are difficult to automate. So, it is difficult to predict whether the net impact on employment will be positive or negative. The nature of jobs is likely to change with greater demand for workers with higher levels of education and skills, thus creating conditions for accelerated wage increases in certain jobs. And that can unleash forces for a rise in inequality in income.

Regarding individual workers, it is the less educated who are likely to be more affected and those with higher and more specialized education who are likely to gain. Public policy will have an important role to play in ensuring that the potential gains from automation are shared more widely and the brunt of the negative effects can be minimized.

Possible Scenario for Bangladesh and Policy Implications

What kind of scenario can be expected for Bangladesh if one takes a long-term perspective like the middle of this century? How likely is it that a dooms-day scenario would become a reality? In addressing this question, it might be useful to refer to the so-called “flying geese model” of development where one lead goose is followed by a few more flying in formation, and comparative advantage in the production and export of labour-intensive industrial goods shifts from one group of countries to another. In the original version of the model, Japan was the lead goose who was followed by countries like South Korea, Taiwan, and Singapore in the second tier and with Malaysia, Indonesia and Thailand completing the formation. That model could be extended to include China in the second tier and countries like Viet Nam and Bangladesh following the third tier countries.

The flying geese model mentioned above seems to have been reflected in the development pattern that unfolded in Asia and can be expected to characterize the sequence in which countries at different levels of development progress in their journey towards higher level of development. A moot question in the context of the debate on the impact of automation on employment in a country like Bangladesh is whether the flying geese formation will be broken by the latest technological development. Can countries like China and Malaysia, for example, prevent their loss of comparative advantage in certain product lines by resorting to automation? If that happens, are countries like Bangladesh and Viet Nam going to follow suit and adopt automation on a large scale in order to match the competitiveness of the geese flying ahead of them?

The Mckinsey report mentioned above does mention the possibility that emerging economies with younger population may have to worry about generating new jobs in an age of automation, and points out the possibility that automation could upend some prevailing models of development. This is because low-cost labour may lose some of its edge as an essential development tool for such economies.

While predicting the future is a tricky business, it may be worth noting a few points. First, even for developed countries, reports like the ones mentioned above express considerable degree of uncertainty. For example, the time frame in the McKinsey report is 2055; and it concedes that the kind of automation it is looking at could happen a decade earlier or a decade later than predicted by them. In fact, automation depends on a variety of factors – technical, economic and social; and it is difficult to predict how the relevant factors will unfold in a particular country. But the past experience and the present situation of a country can provide useful insights.

A number of questions would be important. How feasible would automation be in the various sectors of the economy – present as well as those that are likely to grow? If technically feasible, would it be economically viable – especially in the context of the relative prices of the important factors of production? How would the acquisition of new technology be financed? What proportion of enterprises would have access to necessary finance?

Considering factors and questions mentioned above, it is possible to identify opportunities that a country like Bangladesh could have as well as concerns, threats, and challenges it could face. They are outlined in Table 1.

**Table 1: Impact of Automation on Employment: Opportunities, Concerns and Challenges for Bangladesh**

|  |  |  |
| --- | --- | --- |
| **Opportunities** | **Dangers/Concerns** | **Challenges** |
| * When surplus unskilled labour is exhausted, selective automation can help overcome the constraint created by shortage of labour. * New jobs, e.g., in supervision, repairs and maintenance, can be associated with automation. * New technology, by raising overall productivity and efficiency, may make it possible to lower prices of products. That could result in a rise in demand and hence in output and employment. * Increase in labour productivity can create a necessary condition for a rise in wages, which in turn could augment demand, output and employment. * Automation can reduce drudgery of work in certain lines. * Automation can bring about positive change in the structure of the economy towards sectors and activities characterized by higher productivity and incomes. | * Ill-conceived policies like artificially lowering prices of machines through fiscal measures may lead to premature automation and thus to job losses even before surplus labour is exhausted. * By reducing costs, automation may give competitive edge to countries at higher levels of development – thus jeopardising the export-led development efforts of Bangladesh. * Competition in the international market may tempt the government to adopt such policies mentioned above. * Competition may also lead enterprises who are capable of adopting automation to go for it – resulting in adverse effect on employment. * While demand for skilled workers increases, unskilled workers may face problems. This may lead to faster increases in wages of workers in the former category and accentuate the trend of rising income inequality. | * Designing appropriate macroeconomic policies taking due account of the country’s economic and labour market situation. * Designing policies to ensure that automation does not lead to exclusion of certain enterprises. * Designing policies for education and skill development in a way that the country can adjust smoothly to new technologies. |

What could be said by way of conclusion? Although it is difficult to say anything firmly about a distant future, it would not be unrealistic to conclude that the concern about large scale job losses arising out of automation is probably overblown. A good deal will depend on how policies are geared and the process is managed. A few points would be relevant in that context.

* Public policy, especially fiscal and trade policies and legal and regulatory measures can be used to steer the pace and direction of automation in such a way that its net benefits exceed costs associated with it. It would be particularly important to prevent premature automation and when appropriate, create an incentive structure to facilitate selective automation so that gains can be made in raising productivity[[45]](#footnote-45).
* Automation will of course be associated with changes in the type of jobs that the economy will have, and hence the education and skill development system of the country will face the challenge of adjusting to the changes. While the overall level of education of the workforce has to be raised, attention will need to be given to ensure that the type of education and skills imparted by the education system can meet the requirements of a knowledge economy.

There is a danger that the change in the nature of jobs and the education and skills that will be required for them will accentuate the degree of economic inequality. This is because automation will benefit workers with higher level skills with creativity and problem-solving ability. Access to higher education and skills needed in a knowledge economy is already skewed in favour of the upper income groups. When access to the labour market and returns associated with different types of jobs will depend more and more on education and skills, inequality in the distribution of incomes is naturally going to rise. In order to prevent that possibility, the system of education and skill training will have to be more inclusive and broad-based.

**Part 3: Strategies and Policies for Employment**

**8. An Overview of Employment Strategies and Policies**

In describing the Government’s efforts to boost employment growth, it may be useful to put them in two categories: (i) employment strategies that are pursued as part of the overall development strategy, and (ii) policies covering both demand and supply sides of the labour market that are undertaken from time to time.

8.1. Employment strategies

The Sixth Five Year Plan (2011-2015) of the country laid emphasis on inclusive growth for poverty reduction; and productive employment was regarded as a means towards attaining that goal. Given the existence of surplus labour in the country, the Plan rightly envisaged a strategy for structural transformation of the economy through export-oriented industrialization with high growth of labour intensive industries. In addition, overseas employment was also mentioned as an important element of the strategy. Specific strategies suggested by the Sixth Plan for achieving the goals of Employment generation include:

* Encouraging higher female participation in labour force and enabling them to undertake gainful jobs and to stay in the labour market;
* Increasing the employment responsiveness of growth in manufacturing to absorb more labour;
* Raising the productivity of labour;
* Raising total factor productivity through technological change brought through direct foreign investment, R&D investment and development of IT.

In quantitative terms, the Plan projected the creation of additional employment to the tune 1.9 million annually by the end of the Plan period (i.e., fiscal 2015). If overseas employment of about half a million per year is added to that, the total would exceed the number entering the labour force annually. Thus, in addition to absorbing the new additions to the labour force, it would be possible to make a dent into existing underemployment.

The Seventh Five Year Plan (2016-2020) included employment as one of the elements (alongside GDP growth and poverty reduction) in its “three major themes”. The growth strategy of the Plan envisages that “all the additional labour force will be gainfully employed, including much of the underemployed”. Referring to the employment strategy of the Sixth Plan, the Seventh Plan declares: “it will continue this emphasis on structural transformation of the production and employment structures … “ (P. 53).

It is well-known that the ready-made garment industry of the country has played a major role in whatever structural transformation has taken place in the economy and in creating new employment outside the traditional sectors. Government policies (that included opportunities for creating back-to-back LCs, special bonded warehouse system, cash incentives, etc.) have made important contributions to the sustained growth of the industry over time. However, in order to attain further transformation of the economy and create jobs of the order mentioned in the Sixth and Seventh Plans, a full-blown process of labour-intensive industrialization is needed. The Seventh Plan does talk about the need for this and points out the kind of policy reforms that are required. However, the extent to which they are being implemented in reality remains a question.

8.2. Policies to boost employment and strengthen the supply side

Direct interventions aimed at creating employment and generating incomes, especially for the poor, include micro-credit programmes and programmes for wage employment. The latter includes programmes based on food and cash, e.g., the Vulnerable Group Development Programme, Test Relief (TR), Food for Work (FFW), Work for Money (WFM), and Employment Generation Programme for the Poor (EGPP). In addition to such direct programmes, there are a number of overall policies that have been adopted by the government from time to time that include (i) the National Labour Policy 2012, (ii) the National Youth Policy 2011, and (iii) National Skills Development Policy.

*Micro-credit*

Micro-credit programmes are run by NGOs as well as by various government ministries/departments. Table 29 presents data on the number of borrowers covered by the major NGOs as well as by Grameen Bank. Of course, one has to be careful while interpreting this data. For example, it is not clear whether these figures represent the cumulative figures of the number of beneficiaries covered by the respective agencies up to now or the number being covered in the year of reference (2015-16). This question becomes important when one goes beyond the figures of individual agencies to the total and looks at that from the perspective of the country as a whole. Consider the following.

The total number of beneficiaries covered by the figures of Table 29 is nearly 30 million which represents nearly 19 per cent of the country’s population of 159 million. One has to add to this the number covered by various government ministries and the programmes of various commercial banks. On the other hand, the proportion of the poor in total population has been projected at 23 per cent for 2015-16. If one compares these two sets of figures, it would appear that almost all those who are below the poverty line are covered by micro-credit programmes.

**Table 29: Coverage of Micro-credit Programmes, 2015-16**

|  |  |  |  |
| --- | --- | --- | --- |
| **Programme** | **Total number of borrowers** | **Number of women borrowers** | **Percentage of women borrowers** |
| **PKSF** | 9,388,953 | 8,587,528 | 91.46 |
| **BRAC** | 5,478,037 | 4,741,310 | 86.55 |
| **ASA** | 7,428 | 6,808,233 | 91.65 |
| **Caritas** | 29,217 | 18,421 | 63.05 |
| **SHAKTI Foundation** | 496,049 | 479,680 | 96.70 |
| **BURO** | 1,356,572 | n.a. | - |
| **SSS** | 546,126 | 537,041 | 98.34 |
| **Grameen Bank** | 8,853,961 | 8,548,060 | 96.55 |

Source: Ministry of Finance: *Bangladesh Economic Review, 2015-16*

Although a good deal of research has been carried out on micro-credit and its impact, especially on poverty, there has not been much focus on the impact of the programmes on employment. Available research (e.g., Osmani, et al., 2010; Osmani, et al., 2015; Farooki and Badruddoja, 2012) indicates that such credit can help expansion of self-employment in agriculture, and employment in livestock, poultry and non-farm activities. And that happens through both opportunities for new employment and more work-time in existing employment[[46]](#footnote-46).

*Programmes for generating wage employment*

Bangladesh has a long history of programmes for creating wage employment through infrastructure construction in rural areas where the major focus is job creation for the poor, especially during lean seasons of agriculture. Although such programmes are primarily regarded as a means of providing safety nets for the poor, they can be linked to the development of rural infrastructure through careful selection, planning and implementation of schemes. In the early days of the programme, these programmes were financed mainly through food aid received by the country, and thus they came to be known as food for works (FFW) programme. However, over time the programme evolved and branched out in different directions, including one (viz., Vulnerable Group Development Programme) that is targeted at poor women[[47]](#footnote-47). The mode of wage payment has also changed considerably, and many of the programmes are financed through cash. Table 30 presents some basic data on allocations (both in terms of work-months and cash) made for such programmes in recent years.

**Table 30: Budgetary Allocations for Employment-Based Social Safety Net Programmes**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programmes** | **2013-14** | | | **2016-17** | |
|  | **Man-month (lakh)** | **Cash (in crore Taka)** | | **Man-month (lakh)** | **Cash (in crore Taka)** |
| VGD | 91.33 | | 836.77 | 120 | 1,191.85 |
| Test Relief | 18.75 | | 1,282.35 | 0 | 0 |
| Food for Work | 10.08 | | 615.19 | 0 | 0 |
| Cash for Work | 8.67 | | 428.63 | 19.21 | 1,435.47 |
| Employment Generation Programme for the Poor | 7.72 | | 1,400 | 8.27 | 1,650.00 |

Source: Same as for Table 29.

It can be seen from the above table that instead of food based “Test relief” and FFW programmes, employment programmes now are based on cash allocations. A couple of points may be noted about the coverage of employment programmes. The first point is about quantity. For 2016-17, the allocation under the Employment Generation Programme for the Poor was for 8.27 lakh man-months. On the other hand, the website of the Ministry of Food and Disaster Relief shows that in 2016-17, this programme covered 914,870 persons. From these two figures, it would appear that the programme provided about a month’s work to each of its beneficiaries during that year.

The second point is about the change that has taken place over time. According to data provided by the Ministry of Food and Disaster Relief (and reported in Islam, et al., 2011), TR and FFW created employment to the tune of 66.67 million and 62.50 million man-days respectively in 2009-10 – thus giving a total of 129.17 million man-days. On the other hand, Table 30 shows that total allocation for three employment programmes, viz., FFW, WFM and EGPP in 2016-17 amounts to 27.48 lakh work-months. Assuming 25 work-days per month, the latter works out to a total of 68.7 million man-days. It would thus appear that the quantity of employment generated under the employment programmes has declined over time. It is difficult to say whether this is due to a deliberate policy of the government to de-emphasize the importance of such programmes. It is also possible that given the decline in the incidence of poverty in the country, the need for wage employment of the type created by these programmes has declined. However, in the absence of any clear statement by the government on this issue, it is not possible to answer this question.

*Ekti Bari Ekti Khamar (One House, One Farm)*

This programme is being implemented by the Rural Development and Cooperative Division of the government. It works through a village development association formed in one village in each of the wards of 4,503 unions in all 64 districts and 485 upazillas of Bangladesh. Up to 2015, 2.4 million households have been covered by the project. Major objectives of the project are to convert every house of the targeted villages into an effective farm, establish 5 demonstration farms with credit facilities and ensure maximum utilization of rural assets including non-resident land owners’ land. The project also supplies cows, poultry, tin for houses, tree plants and seeds of various vegetables according to the need of the people and works towards establishing families as the main centre of economic activities through village organizations.

For the capital formation of the rural poor people, the project has initiated micro-savings programme and is encouraging the poor by providing a matching bonus equal to the amount deposited. Over and above, the project is providing revolving funds for income generating activities of the beneficiaries. Under this project, there are other ongoing initiatives like food processing and marketing and utilization of lands of non-resident land owners. The assets and incentive funds are generating employment for labour force, especially the female labour force in these families.

*National Labour Policy 2012*

This is a policy that was adopted by the government through an official gazette notification (dated 28 May 2012). From the stated goal, it is not clear whether the goal of the policy is to promote employment or to improve conditions in places of work and ensure rights of workers (or both)[[48]](#footnote-48). However, the “objectives” that are listed include employment generation and skill development as the first item[[49]](#footnote-49). The listed means of attaining the objectives include: (i) encouraging the establishment of rural industries, (ii) Creation and maintenance of a data-base relating to job-seekers and job opportunities, and (iii) enhancing opportunities for apprenticeship.

While the effort to focus on employment and labour market is laudable, a few observations about the framework and content of the “policy” may be in order. The first important question concerns the appropriate framework for an employment policy. As will be argued in the next section, employment is linked to growth of output (although the relationship is not automatic and invariant), and hence policies for employment will have to be dovetailed into overall economic policies. That, in turn, would require attention to the pattern of growth including the sector and sub-sector composition. Putting employment generation through the lens of a particular sector (e.g., industries in rural areas) or of any particular channel (e.g., overseas employment) without considering the overall framework may not be the most appropriate way of addressing the challenge.

Second, the official Gazette states that the government will take appropriate steps for the implementation of the policy and the Ministry of Labour will play a major role in that respect. On the other hand, a look at the chapters of the various issues of the Bangladesh Economic Review that deal with employment (along with prices and wages) would show that there has been very little by way of an overall framework for employment policy and measures needed to boost employment through a combined application of economic and labour market policies.

*Skills Development Policy (SDP), 2013*

The goal of this policy is to establish, maintain and improve a more coordinated education and training system with a view to providing skills for enhancing employability of the labour force. It mentions lifelong learning, skills for those entering the labour force as well as for the unemployed, and specific groups like the youth, women, people with disabilities, migrants, indigenous people and ethnic minorities. It talks about training for those in small and medium sized enterprises, the informal sector and the self-employed, for the domestic as well as well as the overseas market, and aims at more effective planning, coordination and monitoring of skill development activities by different ministries, donors, industry and public and private providers.

The SDP policy appears to be quite ambitious in expressing the goal of delivering nationally and internationally recognized qualifications that meet the needs of learners and employers. So, in terms of stated goals and objectives, the policy seems to have got the basic elements right. However, in the absence of any systematic study of how the policy is being implemented and how effective it has been up to now, it is difficult to say anything substantial on its performance and effectiveness. Some degree of activity is, of course, noticeable in the area of skills development. For example, there are some innovations to address the issue of lack of interaction between skill providers and employers – which is often blamed for the limitations of skills imparted. The setting up of Industry Skills Councils and Centres of Excellence in a few sectors is an example of such innovations. But they are limited in coverage, and many are donor-driven. It is important to assess the impact of such innovations and the case for their replication. Likewise, progress has been made in the ongoing efforts at applying the National Technical and Vocational Qualifications Framework and the Quality Assurance System. But their effectiveness needs to be evaluated.

**9. Towards an Employment Strategy**

9.1. The context and framework

The period covered by the present study includes at least two critical periods of transition for the economy of Bangladesh. The first would be the so-called “Lewis turning point” where surplus labour in the traditional segments of the economy will be exhausted and labour shortage will emerge. In terms of time frame, this could be taken to be the period up to 2030 which is the terminal year for attaining the SDG targets.

The second transition could be conceptualized in terms of the economy moving from middle income to the higher income status. The paths of both output and employment growth for that period will need to charted carefully. Once surplus labour is exhausted (say, by 2030), the economy will no longer have the possibility of reaping the benefits of comparative advantage based on low labour costs. Gains in factor productivity (of both labour and capital) will have to be the basis of competitiveness. And in order to attain such gains, the qualitative aspects of labour – in terms of education and skills – will have to be given due attention. Given the long gestation gap involved in getting returns from education and training, the economy will have to gear itself to meet the challenge of shifting comparative advantage to skill and knowledge well before surplus labour is fully exhausted. Hence, alongside strategies for meeting the goal of full employment (SDG 8), strategies for meeting the second stage challenge will have to be put in place.

During both the stages mentioned above, strategies will be needed for creating labour demand through the expansion of economic activities as well as for meeting such demand by gearing the education and training system to the requirements of the labour market. It will also be important to institute a system of mediation in the labour market for matching jobs and job-seekers. The latter will become more and more complex as the economy develops, and the system will also have to undergo necessary sophistication in order to be able to meet the emerging challenge.

It needs to be noted at this stage that demand for labour is not limited by the domestic market. For Bangladesh, overseas employment is an important source of jobs; and an exercise on employment strategy has to devote attention to that element. But in that respect also, changes are likely to take place over the period to be covered by the present study.

While developing a long-term employment strategy for any country can be a challenging task, it is more so for a developing country like Bangladesh which is going to experience phases of transition during the period. As mentioned above, Bangladesh is expected to attain the Lewis turning point of exhausting surplus labour and move into a regime of tight labour market which is characteristic of typical developed countries. Hence an employment strategy has to reflect this transition. During the phase of continued surplus labour, a major focus has to be on structural transformation and high growth of employment in sectors characterized by higher labour productivity. During the subsequent phase, employment growth will remain important so that open unemployment does not start increasing. Moreover, since economic growth in a mature economy is almost certainly going to be lower than in the earlier phase of development, it would be important to ensure that growth does not become jobless - a phenomenon experienced by many developed countries at different times.

Secondly, the labour market of Bangladesh is characterized by a very high proportion of employment in the informal sector and the informal economy. Although the type and quality of jobs in this part of the economy vary considerably, such jobs are typically characterized by low productivity and earnings and absence of any social protection. And these are characteristics that are inconsistent with a developed country status. Hence a strategy has to be developed vis-à-vis the informal segment of the economy.

Third, and an issue related to the above is that of quality of jobs in terms not only of productivity and returns/income, but also in terms of access to social protection, the environment in which work is carried out, and the ability of workers to express their voice in their places of work.

Fourth, from the point of view of the supply side of the labour market, attention will have to be given to education and skill characteristics of the workforce. In that context, it would be necessary to think of requirements of the labour market at different stages of development. At the current stage of development of the country, primary and secondary education may be adequate for most jobs that are being generated in the economy. However, once the country moves from the stage of comparative advantage based on abundant labour available at low cost to one based on skills and productivity, it will be necessary to ensure the supply of higher level human capital rather than workers with cognitive skills alone. Hence, the strategy for developing human capital will have to be based on the changing requirements of an economy which will experience critical transformation.

Fifth, at a higher level of development (i.e., when the labour market will have crossed the Lewis turning point), the nature of the employment challenge is going to change. While matching of available jobs with those seeking jobs will become more important, a large part of unemployment will be due to churning in the labour market (what is typically known as “frictional unemployment”). In such a situation, institutional arrangement for employment services will become more important than at present.

9.2. Structural transformation and growth of productive employment

*Structural transformation: from agriculture to non-agriculture*

The pattern and direction of structural transformation attained by the economy of Bangladesh during the past couple of decades not only has to continue but has to yield faster rate of transformation in the structure of employment. How can that be attained? The path that is familiar is characterized by high rate of economic growth driven – at least during the early phase - by high rate of growth of labour intensive manufacturing industries. The experience of the countries of east and south-east Asia that have been successful in productively absorbing their surplus labour (e.g., Republic of Korea, Taiwan, and Malaysia) shows that this kind of growth path can lead to employment growth in manufacturing to the order of 8-9 per cent per annum. And if that happens on a sustained basis for a decade or so, surplus labour who are underemployed in the traditional sectors can find productive employment in the formal manufacturing industries. During the early years of economic growth in the countries mentioned above, growth of manufacturing output has been 1.6 to 2 times that of overall GDP growth. And that has helped these countries overcome the problem of underemployment and a large informal sector – problems that continue to persist in Bangladesh (and in several other countries of south Asia, especially India) despite sustained high growth. The basic difference is that labour-intensive manufacturing has not played the role of the driver of growth in a manner that has happened in the successful countries of east and south-east Asia.

Bangladesh has already attained GDP growth of over seven per cent per annum during 2014-2016. This needs to be raised to over eight per cent, and the growth of manufacturing industries has to be of the order of 14-15 per cent per annum with an employment elasticity of 0.7 or so[[50]](#footnote-50). In that kind of a scenario, employment in manufacturing will grow at a rate of 9 to 10 per cent per annum. The sector will have to draw labour from the pool of underemployed labour in the traditional sectors like agriculture and low-productivity non-farm activities. If the jobs are sufficiently attractive, they may be able to encourage more women to enter the labour force and those women who are currently in unpaid family work to move to the formal manufacturing sector. This process should lower (and eventually eliminate) underemployment in the traditional sectors of the economy and also raise the share of the formal sector in total employment.

The question is how the process of growth envisaged above can be engendered. Bangladesh has already seen the beginning of the process of such growth where the RMG industry has been the driver. This needs to be made more broad-based, with a few other labour-intensive industries like footwear (both leather and non-leather), electronic, and furniture joining the process.

During the run-up to the Lewis turning point, construction sector can play a good supporting role in the employment strategy. As infrastructure is critical for a growing economy, construction can play the role of catalyst. Until labour becomes scarce, labour-based technologies can be used effectively in large parts of the activities within the sector, e.g., peripheral roads, ancillary activities in large-scale projects, irrigation, etc.

The service sector has the potential to grow and absorb labour at higher rates. In fact, the standard pattern of structural transformation in growing economies shows that at some point of economic development, the share of manufacturing employment stops growing and then starts declining. At what point it will plateau out in Bangladesh is difficult to predict. However, if premature de-industrialization can be avoided, the share could go up to 25 to 30 per cent, as was in the case of Korea and Taiwan[[51]](#footnote-51). The service sector will continue its growth, albeit with changes in character. During the phase of labour absorption and move towards the Lewis turning point, much of the service sector employment may be in the informal sector. But simultaneously with such activities (e.g., in transport, retail trade, hotels and restaurants, etc.), formal service sector should also grow, and eventually, the components that are now in the informal sector should gradually transform themselves into formal sector employment (more on this below).

*Structural transformation within agriculture*

In a growing and maturing economy like that of Bangladesh, structural transformation does not have to remain limited to a change in structure between agriculture and non-agriculture; transformation within agriculture can also be important. In fact, a degree of transformation within agriculture has already been taking place, although it may not get fully reflected in the available data. The transformation that has already been taking place and should gather more pace include the following: (i) from food grain to vegetables and fruits, and (ii) growth of fishery, poultry and livestock. While the employment implications of such transformation need to be studied carefully[[52]](#footnote-52), it is quite possible that employment in some such sub-sectors (e.g., growing of fruits and vegetables, poultry, etc.) may be more suitable to the new (and young) entrants to the labour force with some level of education. Hence, such transformation would be useful from the point of employment of the youth.

9.3. Employment in the informal economy

Despite respectable economic growth attained on a sustained basis for nearly two decades, the economy of Bangladesh is characterized by a stubborn persistence of informal sector employment at a very high level. The simple reason is that while employment has grown, much of that growth has taken place in the informal segments of the economy. Moreover, employment in some of the formal segments is being generated with an informal character (viz., without any social protection against ill health, old age, unemployment and accidents at the place of work). In such a situation, the only way the share of the informal sector can decline substantially is through a successful pursuit of the kind of employment strategy that has been outline above. Even in such an optimistic scenario, the share of employment in the informal economy is likely to remain quite high during the country’s journey towards becoming a developed economy. As that would be an anathema to the average income of the country, a strategy for dealing with this phenomenon has to be formulated right from now.

There are three aspects that need attention: (i) productivity, wages and earnings, (ii) obstacles and barriers faced by the informal sector enterprises, and (iii) conditions of work and social protection[[53]](#footnote-53). During the phase of labour absorption towards the Lewis turning point, more emphasis will have to be given to the first two issues, though the third should not be neglected altogether. However, as the economy attains the upper middle-income status, the quality of jobs with respect to conditions in which work is carried out and social protection of workers will have to reach a level that is commensurate with its income status. But in order to reach there, steps will need to be taken now. Given the unorthodox nature of the challenge, the response will also have to be innovative[[54]](#footnote-54). Even though both employers and workers will have to be involved in any effort to deal with the issue, the basic initiative has to come from the government.

9.4. Employment of women and the youth

*Women[[55]](#footnote-55)*

Although women’s participation in the labour force has increased in recent years, their share in the total labour force of the country remains well below a third. In order to reap the potential benefit from full participation of women, their labour force participation rate has to go up substantially from the current 35 per cent. In addition to this quantitative dimension, there are other aspects that need serious attention. First, the type of jobs in which they are engaged will need to change; from being contributing family worker, they need to be more in paid employment and in self-employment on their own. Second, within paid employment, aspects that would need attention include the status at the place of work, wages and salaries, and opportunities for mobility.

Raising women’s participation in the labour market would need a combination of measures ranging from promoting the growth of sectors that are more amenable to their employment (e.g., labour intensive industries like garments, shoes, electronics, etc.) to removing barriers to their employment and establishing infrastructure to facilitate their employment.

In addition to activities that are women-friendly, there are variables that influence female participation in the labour force; they include education, fertility rate, affirmative action and direct intervention, and other measures like maternity leave.

* As female participation in labour force is seen to be related positively to education, spread of education among women would be a good policy.
* Likewise, making family planning services more easily available would be helpful.
* The existing policy of reservation of a certain proportion of jobs in the public sector has been useful in increasing women’s participation in the sector. The case for raising the quota may be looked at.
* The implementation of the existing provision for maternity leave needs careful examination.

Apart from women’s participation in the labour force, their status at the place of work is another major concern. Issues that are relevant in that area include the nature of employment and their vulnerability, differences in wages, working conditions and opportunities for advancement. Some of these may be addressed through legislation and better implementation of laws while others require action on a broader front. Differences in wages and working conditions belong to the first category, and appropriate legal framework for overcoming discrimination in workplace is important. But the problem of vulnerability of employment and opportunities for advancement in one’s career are areas where action of different types would be needed. The issue of vulnerability is linked to the availability of good jobs for women in large numbers, and that in turn is related to further growth and diversification of the economy and growth of sectors where women can find good jobs. Of course, policies aimed at growth and diversification of the economy will have to be accompanied by policies for raising the levels of education and skills of women so that they can access better quality jobs. In addition to raising the level of general education, larger number of women need to be put into the TVET system.

Promoting opportunities for women to advance in their careers is a complex and challenging issue faced not only by developing countries like Bangladesh but also by developed countries. In Bangladesh, the issue becomes more challenging because in addition to factors like education and managerial ability, there is an attitudinal factor reflected in the reluctance to accept women in higher positions. While the latter may not be amenable to policy intervention and it may be a while before the society and employers undergo a change in attitude, it would be desirable to gear policy towards empowering women for higher level positions including managerial ones.

*Youth*

Unemployment of the youth is a problem that affects developed and developing countries alike, and a good deal of research and policy oriented work has gone into it. A variety of measures aimed at addressing the issue have been tried in different countries. Based on available evidence and analysis[[56]](#footnote-56), the following strategic direction may be provided.

First, overall economic growth and the rate of employment growth are key to tackling the challenge of youth unemployment. Evidence shows that youth unemployment has an inverse relationship with economic growth and a direct relationship with overall unemployment rate. So, the basic precondition for tackling this challenge is to attain a high rate of economic growth that is associated with high rate of employment growth. The decline in employment growth that has been seen in recent years will need to be reversed.

Second, even with high rates of economic and employment growth, the youth may continue to face challenges in getting access to employment for a variety of reasons, e.g., lack of previous experience, a mismatch between the qualifications sought and attained, etc. One way of smoothening school-to-work transition is apprenticeship during and immediately after the end of one’s education[[57]](#footnote-57). The critical question in this regard is how to encourage enterprises to adopt such a system. In developed countries, various modalities including subsidy on the number of apprentices employed have been tried. As such measures may not be realistic for a developed country like Bangladesh, some degree of innovation (for example, tax credit to enterprises that would train and employ the youth) may be helpful. Moreover, when the country attains the upper middle-income status and moves towards the high-income level, standard measures may also become more relevant.

Third, entrepreneurship development offers a route out of unemployment for the youth, although it is not without its problems. It has been tried in many countries, including Bangladesh, and there are useful lessons that could be learnt from such experience. The possibility of success with this route may be greater when the services are offered in a package containing training, access to credit and assistance in business development and in linking with markets.

Fourth, a special employment programme for the youth with low levels of education (e.g., primary and secondary) could be conceived along the lines of public works programme. However, instead of physical infrastructure like construction of roads, etc., the programme could be built around works for repair and maintenance of public institutions (e.g., educational institutions, health facilities, etc.), and service for the community (e.g., care and help for the aged).

Fifth, it is common to see the problem of general unemployment and youth unemployment in particular through the supply side and offer training as the solution. The perception is that the youth remain unemployed because of a lack of education and/or skills, and hence the solution must be to provide more of these. However, the fact that unemployment rates are higher for those with higher levels of education should dispel this simplistic notion. On the other hand, in developed countries, there is an inverse relationship between education and youth unemployment – thus implying that education helps in reducing youth unemployment. Moreover, during the Great Recession of 2008-09, it was found that the youth with higher levels of education were less affected by retrenchment and unemployment. Hence the issue cannot be looked at simply in quantitative terms.

It is important for training providers to understand the requirements of the labour market and gear their programmes accordingly. Anticipation of skill needs and changes therein, and adapting training to the requirements is a major challenging in fast changing economic environments. In order to address this challenge effectively, it would be necessary for all stakeholder – the government and other training providers, employers and workers – to work together. There are some encouraging efforts in the form of the Centres of Excellence and Industry Skills Centres. But their coverage is still low and remain primarily donor-driven. There should be regular assessment of such initiatives, based on which the case for their replication and scaling up could be considered.

Sixth, assistance to job-seekers in their search for jobs and to employers in their search for the right job-seeker can play an important role in mitigating youth unemployment. This is done through employment services (or more popularly known as employment exchange). In an economy where the formal sector is small in size and informal mechanisms and newspaper advertisements constitute the major means of job search, employment exchanges may not have much to do. However, although the size of the formal sector is still small in Bangladesh, its economic structure is increasingly becoming complex. As the economy continues to grow and transform itself, the task of matching jobs with job-seekers will also become more challenging. In such a situation, employment services will have an important role to play. Hence, the institutional framework for providing this service needs strengthening.

Many of the measures outlined above (e.g., transfer payments to boost youth employment, special employment porgrammes, entrepreneurship development, skill training, and employment services) belong to the category of what is known as “active labour market policies” (ALMPs)[[58]](#footnote-58). Empirical evidence shows that countries with more effective ALMPs fare better in addressing the challenge of unemployment (Auer, et al., 2008). Many of the elements of ALMPs are already in operation in Bangladesh. It may, however, be useful to bring them within a framework and strengthen the institutional mechanism for implementing them. Moreover, if priority is attached to youth employment, there could be a programme of ALMPs targeted at the youth.

9.5. Maintaining economic growth with employment in a matured economy

As already mentioned in section 7, when the economy moves to upper middle income level and surplus labour is exhausted, the basic employment challenge will be to create adequate jobs for the new entrants to the labour force. However, in addition to job creation, attention will have to be given to several aspects of the labour market.

First, the nature of unemployment will increasingly be of frictional and cyclical variety; and measures will have to be geared to addressing them. For both, ALMPs (mentioned above) will become increasingly more relevant.

Second, cyclical movements in the economy can be caused both by domestic and external factors. If deficiency in domestic demand causes an economic downturn, measures will have to be adopted to boost that. On the external front, as the economy gets more integrated into the global economy, it will also be more exposed to fluctuations in the main engines of global growth. Hence, it will be essential to be more pro-active in terms of responding to changes in the global economic changes.

Third, overseas employment may continue to remain an important feature of the economy, especially from the point of view remittances as a source of foreign exchange. However, the country should no longer remain a sender of unskilled workers. It should graduate into markets for skilled workers and technicians, and rather than trying to maximize numbers, the focus should be on sending workers with a minimum level of education and skills. For that to happen, a clear strategy would be needed with focus on finding niche markets for specific types of skills and possible destination markets for such skills.

Fourth, as the economy becomes more knowledge and skill oriented, improvements will have to be brought about in the quality of labour as a factor of production; and from that point of view the strategy for developing human capital (see below) will become more relevant.

Fifth, much more attention will have to be devoted to qualitative aspects of employment including social protection, conditions in which work is carried out and rights of workers. When the country aspires to graduate to the stage of upper middle income, social protection, especially against old age, ill health, and unemployment can no longer be regarded as luxuries. At least a beginning should be made with insurance against old age and lack of work for workers in the formal sector. For the informal part of the economy, protection against ill health and income support for the old could be the beginning.

As decent work has been accepted as one of the SDGs and the terminal year for attaining the goal is 2030, a beginning has to be made as soon as possible[[59]](#footnote-59). And by the time economy the attains the status of high income, full and productive employment and decent work for all on a sustained basis has to become a reality.

9.6 Strategy for developing human capital

Labour is an important factor of production, but it is not homogeneous; workers with different levels of education and training contribute to economic growth in different ways. The requirement of manpower with different levels of education and skills changes with the level of development. First, at the early stage of economic development of a country, basic education may be adequate for many of the jobs that open up in segments of the economy registering high growth (e.g., manufacturing, construction and services). However, as an economy attains higher levels of development and the composition of the sectors changes, the requirements of education and skills are also likely to change. On the side of general education, there would be a growing need for people with post-primary education, and at a later stage, post-secondary education. On the side of skills, requirements evolve from basic cognitive skills to ones with ability to think and create. A country’s education and skill development system must undertake reforms to gear itself to meeting such changing requirements. Experience shows that there may be a tendency to simply expand higher education or vocational education without due regard to the type of education and skills for which demand is expanding. The result would be unemployment of the educated (as is already the case). A careful examination of the factors responsible for such a situation may show that that is more due to the expansion of education and training that is not required rather than due to the inadequacy of education itself.

Better educated and trained people have a greater probability of being employed because education and training can raise qualifications and make labour force more productive. This should be reflected in a lower rate of unemployment for those with higher levels of education. But such a positive relationship between education and employment may hold better in situations where the labour market as a whole seeks educated people, and sectors that are larger and grow at higher rates seek more educated workers. This may not be the case in Bangladesh at this time where the labour market is segmented and the educated can find jobs only in certain segments of the economy.

Since the economy of Bangladesh is still characterized by elements of dualism (i.e., a large traditional segment consisting of agriculture and allied activities continues to coexist with a small modern sector), educated workers are likely to find jobs only (or mostly) in the modern sector which is still small. The latter does not yet seem to be large enough to be able to absorb all those who enter the labour force with various levels of education. Likewise, construction, traditional crafts and other informal sector activities also may not require formally educated and trained worker. As the economy grows, the modern sector is also likely to grow in size, thus raising demand for a more educated and skilled workforce.

If economic growth continues at the current rate (over 7 per cent per annum) and the rate can be accelerated, its modern sectors should expand at a faster rate, which in turn should lead to increased demand for educated and skilled labour. In such a situation, education and skill training would be important to facilitate mobility of workers from the traditional to the modern segments of the economy.

Given the current situation in Bangladesh described above and future growth prospects (as well as potentials), what kind of targets can/should the country set for itself in the area of human capital for the next decade and a half? Some indicative figures are presented in Table 31. Before looking at these figures, it may be useful to note a few points. First, the figures in this table are not projections based on any quantitative model. They are simply based on a review of international experiences of countries that have gone through a process of economic development that Bangladesh is going through now and would like to see unfold in the future. More specifically, the question that have been used as a basis for the figures is whether Bangladesh can aim at attaining a level in 2030 that a country like Korea or Malaysia, for example, had a few years ago. This, combined with what South Korea and Taiwan looked like at comparable levels of development should not be too unrealistic as a goal and as a basis for some planning and policy making for Bangladesh. The “targets” mentioned in Table 31 are thus merely “indicative”, and should be treated as just suggestions.

Second, although human capital represents the supply side of the growth equation and is an important factor, investment in education and skill development has to be in line with the rate and pattern of economic growth. It is in that respect that one has to look at the question very carefully. Whether it would be realistic for Bangladesh to aim at a different trajectory of human capital development would depend critically on what rate and pattern of economic growth unfolds. By a “different trajectory”, we mean a greater focus on secondary and tertiary education (without of course ignoring the importance of primary education, especially of raising quality at that level) as well as on vocational and technical education. If the rate of economic growth continues to hover around seven per cent per annum and the pattern of growth does not change much, business as usual in human capital development may be good enough. It may be noted that for almost two decades, growth in the manufacturing sector has been almost entirely driven by ready-made garments and the rest of the economy remains focused on food grains and services. The sectors with growth potential identified by the Sixth and Seventh Five Year Plans of Bangladesh (2011-2015 and 2016-2020) also include the familiar ones like RMG, leather and leather products, agro-processing, ship building, ICT, etc. However, if the economy changes gear with the growth trajectory shifting to over eight per cent per annum and the composition of the manufacturing and service sectors changes considerably, then the strategy for human capital development will also have to change accordingly, and the figures of Table 31 may start looking relevant.

**Table 31: Bangladesh: Some Indicative Targets in Education and Skill Development for 2030**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Baseline (2015)** | **Possible target for 2030** | **Possible target for 2041** |
| **Percentage of labour force with** |  |  |  |
| No formal education | 33 | 10 | 0 |
| Primary | 26 | 20 | 5 |
| Secondary (including higher secondary) | 36 | 50 | 35 |
| Tertiary | 5 | 12 | 20 |
| Technical/vocational education | 0.2 | 10 | 30 |
| **Enrolment in education at** |  |  |  |
| Primary level | 109 | 100 | 100 |
| Secondary level | 58 | 66\* | 100 |
| Tertiary level | 13 | 36\* | 50 |
| **Enrolment in vocational/technical education as percentage of secondary enrolment** | 3 | 12\*\* | 30 |

Notes: \* These are levels prevailing in Malaysia in 2011. \*\* This is the level prevailing in Rep of Korea in 2008.

Sources: Enrolment data are from BANBEIS website. Data on education of the employed persons are from LFS reported earlier in the present paper.

But a simplistic supply side approach would not be adequate. That education and training by themselves may not provide the solution is almost a banal remark. One simply has to recall (from section 4) that the relationship between education and unemployment has been found positive, implying that the quantitative approach of providing more education and training cannot be the solution to the issue of human resource development. In this regard, it would be worth noting a few points:

* In defining the level of skills of workers, employers consider certificates obtained from formal institutions of the technical and vocational education system (TVET) as only one - and not even the major - amongst several criteria. Duration of on-the-job training, duration of overall work experience, an assessment of tasks that can be performed by a worker are considered to be more important.
* Many employers consider the quality of training offered by formal institutions as “inadequate” or not relevant for their needs.
* Not surprisingly, many with qualifications from vocational training institutions remain unemployed.
* Hence, mere expansion of training capacity cannot be the solution to skill gaps that may exist. In fact, a good deal of the existing capacity remains unutilized. It would be essential to reform the training system by taking into account the factors that are responsible for the situation mentioned above. The poor performance of graduates of the TVET system is mainly due to the absence of linkage between the system and the labour market, outdated and often theoretical nature of the course curricula, outdated mode of teaching, etc.

Issues of quality and relevance to the labour market may be raised about general education as well. Hence, rather than talking generally about raising the level of education of the labour force, it is important to look at ways and means of providing not only more education but also education that is useful for the world of work. On all these matters (viz. quantity and quality of employment and human capital), a long-term approach should be taken, and successive Five-Year Plans should be regarded as vehicles for pursuing the goals that the nation might set for itself.

9.7. Towards an integrated strategy for employment

The experience of Bangladesh (and many other countries) suggests that although high rate of economic growth is a necessary condition for attaining high rate of growth of productive employment, it is not sufficient. Similar rates of economic growth may be associated with different rates of employment growth (or even lack of the latter); much depends on the pattern of growth. Appropriate policies would be needed to attain not only the required rate of economic growth but also to ensure that its pattern is of the needed kind.

When the rate of employment growth falls short of what is required to ensure full employment, measures specifically aimed at employment generation may be needed. This would be the case when the degree of unemployment or underemployment is high or the economy goes through a period of downturn. Such special measures may be needed even when the economy has reached a higher level of development (as was seen during various economic crises, e.g., the Great Recession of 2008-09, the Asian economic crisis of 1998).

As for overseas employment, it may remain important – not least as a means of earning necessary foreign exchange. But when the country reaches a higher level of development, it should move away from being a supplier of unskilled and semi-skilled workers to a source of skilled workers with specific qualifications (e.g., service sector and maintenance workers). In order to make that transition, it will be necessary to define goals and appropriate strategies and pursue them in a concerted manner.

Furthermore, measures are needed to strengthen the supply side of the labour market through improving education and training. The level and type of education and training demanded by the labour market would vary with the level of development of the country. The system has to adjust itself accordingly. Moreover, an institutional machinery is needed to facilitate the matching of job-seekers with the jobs that are available.

Considering all the above, it would be essential to have an integrated employment strategy combining necessary economic and labour market policies. The starting off point for such a policy has to be macroeconomic policies which would have to look beyond their conventional function of maintaining macroeconomy stability and give due consideration to what happens on the employment front. Coordinated application of monetary, fiscal, trade, exchange rate, and industrial policies is required to attain high rates of economic and employment growth.

Monetary policy has to aim not only at maintaining price stability, but also to attain the desired level of employment growth. This dual mandate of monetary policy, viz., price stability and employment, would be critical especially when the economy moves to a higher level of development.

Fiscal policy has to be pro-growth, pro-employment and counter-cyclical. A coordinated application of fiscal and monetary policies would be especially important when the economy hits a downturn – something that cannot be ruled out in a market oriented economy.

In Bangladesh, fiscal measures have played an important role in providing incentives to specific industries. Rather than such ad hoc measures, the entire incentive structure needs to be geared towards attaining a genuinely export-oriented process of industrialization. And that means an incentive structure that would not discriminate between imports and exports and also between different industries. It has long been pointed out and argued that industry-specific ad hoc measures may have succeeded in promoting one or two export-oriented industries, but this kind of discriminatory support cannot engender a real process of export-oriented growth through growth of a range of labour-intensive industries (Khan, 2015, ADB-ILO, 2016). For the latter, it is essential for the incentive structure to be neutral between exports and imports and for export-oriented sectors to receive ex ante, non-arbitrary and time-bound support. It is, therefore, time that trade, exchange rate and fiscal policies be looked at in an integrated manner to produce a policy regime that would be appropriate for the country.

Analysis of the supply side of the labour market, especially of education and skills of the workforce, shows that despite considerable improvements in the field of education and ongoing efforts in the area of skill development and vocational training, there is considerable scope for further improvements. As for general education, a sizeable proportion of the employed population is still without any education. At the other end, a very small proportion has tertiary level of education. Furthermore, the enrolment ratio in technical and vocational education remains very low. There is also the issue of quality and relevance to labour market needs for all levels of education and training.

On top of all the above, the economy will have to adjust itself to technological progress and new technologies. As the global society embraces the fourth industrial revolution, Bangladesh will also have to take steps to ensure that it does not miss the benefits of technological progress. The education and training system will have to gear itself towards meeting the challenges of a knowledge- and technology-based economy.

In addition to skill training, other elements of active labour market policies, e.g., special programmes for job creation, job search assistance, and employment service will have to be put in place. An institutional framework for planning and implementing such policies will be required. So, the overall challenge appears to be quite formidable and the agenda of action can be quite long.

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REPORT OF THE DIRECTOR-GENERAL

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1. This version has benefited from comments made by the General Economics Division of the Planning Commission, Government of Bangladesh and by Professor Azizur Rahman Khan. The usual disclaimer applies. [↑](#footnote-ref-1)
2. The countries of East and South East Asia, e.g., Republic of Korea, Malaysia and Taiwan-China, were able to avoid such a trade-off and to combine high rates of economic growth with growth of employment and improvement in labour productivity. [↑](#footnote-ref-2)
3. Presumably, these “unemployment” figures really meant “underemployment” rather than open unemployment, because the latter has been in the range of 4 to 5 per cent. [↑](#footnote-ref-3)
4. Sections 2 through 5 draw on the author’s contribution to ADB-ILO (2016), with a thorough update based on recent data, especially from the labour force survey of 2015-16 and other relevant sources. [↑](#footnote-ref-4)
5. Some of the key definitions and methods used in the labour force surveys of Bangladesh are described in ADB-ILO (2016) and Islam (2014 b), Annex 1. [↑](#footnote-ref-5)
6. See Rahman and Islam (2013) for a detailed analysis of changes in female labour force participation in Bangladesh up to 2010. The factors that have contributed to the rapid growth of female labour force have been analyzed in that study. [↑](#footnote-ref-6)
7. It may be noted that elasticity of employment with respect to output may be estimated by using different methods. One is the method of regression of employment with output as the independent variable. The other is to use data for two points in time and estimate employment elasticity as the ration between employment growth and output growth. Given the absence of time series data on employment, the latter method has been used here. While interpreting such point estimates of employment elasticity, the possibility of the estimates being influenced heavily by situations of the selected years should be noted. A second point to be noted with regard to the elasticity estimates presented in Table 10 is that data on employment and output have been obtained from two different sources. While output growth has been estimated from national accounts data (available from the Ministry of Finance), employment growth has been estimated from labour force surveys which are household based surveys conducted periodically by the Bangladesh Bureau of Statistics. It would be unrealistic to expect a high degree of reliability for estimates of employment elasticity based on such diverse data sources. [↑](#footnote-ref-7)
8. Sadiq Ahmed pointed out this possibility. [↑](#footnote-ref-8)
9. It may be noted that in theoretical terms, output growth consists of growth in employment and in labour productivity. Both can increase simultaneously, as is demonstrated by the experience of the countries of East and South East Asian countries. This has been demonstrated by a decomposition exercise (Islam, 2010) for countries of Asia. That exercise shows that for Bangladesh, the contribution of productivity growth to GDP growth increased over time up to 2006. What happened after that year remains to be analyzed. [↑](#footnote-ref-9)
10. It may be noted the ILO (ILO, 2013 b) is working on another measure of labour underutilization that considers, in addition to time underutilization, “potential labour force” which is a concept defined to include three mutually exclusive groups: (i) unavailable job seekers – persons without employment who are seeking employment but not available, (ii) available potential job seekers \_ persons without employment and not seeking employment but are available, and (iii) willing potential job seekers – persons without employment who are neither seeking employment nor available for employment but want employment. In addition, there may be “discouraged jobseekers” who are unemployed and willing to work and yet are not actively seeking jobs because of the perception of the lack of jobs. [↑](#footnote-ref-10)
11. One possible reason for the observed blip in the figure for 2002-03 is that the survey for that year was carried out during a short period which coincided with the lean season of agriculture. That may have contributed to the high rate of underemployment in that year. [↑](#footnote-ref-11)
12. This is also used as one of the indicators of MDG 1B relating to employment and labour market. The present author, however, considers this as an imperfect indicator of vulnerable employment because all the self-employed need not be vulnerable and there are others, especially those in casual wage employment, who may be vulnerable. On this, and a critique of the MDG indicators of vulnerable employment, see Islam (2014a). [↑](#footnote-ref-12)
13. What happened during 2013 to 2015-16 remains unclear because the report for the latter year clubs “employees” and “day labourers” together and presents them under one head, viz., paid employees. This figure is about the same as the total of the components in 2013. [↑](#footnote-ref-13)
14. The informal sector is defined in terms of the number of workers employed – those employing less than four workers are classified as informal. The figures represent both urban and rural areas. [↑](#footnote-ref-14)
15. In this context, one might wonder how other countries of South Asia have been doing with respect to real wages of workers. Data available up to 2012 show that real wages of agricultural labourers increased in India, Nepal and Sri Lanka and declined in Pakistan. In India, real wages of workers as a whole also increased. However, wages have not moved in tandem with increases in labour productivity and since the share of wages in value added has declined, the rise in real wages failed to make any contribution to improving the distribution of income. For data and detailed analysis of this issue, see Islam (2016). [↑](#footnote-ref-15)
16. A recent phenomenon is reverse migration from urban to rural areas. A survey carried out in 2013 by the Bangladesh Bureau of Statistics shows that between 2009 and 2013, the rate of rural to urban migration has increased (Byron, 2015). A higher rate of rise in agricultural wages compared to wages in manufacturing may have created incentives for such reverse migration. [↑](#footnote-ref-16)
17. The term includes those who are neither in the labour force nor in education as well as people whose work does not allow them to make the most of their economic potential. [↑](#footnote-ref-17)
18. The first wave of emigration of people from the area that now constitutes Bangladesh started in the 1960s when Britain opened its doors. [↑](#footnote-ref-18)
19. It is difficult to say what caused this sharp but short-lived increase in the number of migrant workers. During discussions with experts in this field, it was mentioned that the political situation of the country during those years may have been responsible for a large number of people leaving the country for jobs abroad. [↑](#footnote-ref-19)
20. This is based on the assumption that occupations classified as “operator”, “machine operator”, and “sewing operator” represent work in the garment industry. [↑](#footnote-ref-20)
21. A number questions may be raised about the titles of “occupations” used in this table. For example, the differences between “labourer” and “worker”, “house worker” and “domestic worker”, “labour” and “female labour”, “operator” and machine operator” are not clear. [↑](#footnote-ref-21)
22. For example, in Saudi Arabia, the number of labour permits granted more than doubled between 2005 and 2011, and during that period, almost 2.5 million jobs were available to foreign labourers. That happened despite a worsening of the employment situation of nationals and a systematic campaign by the government to employ more nationals (Bel-Air, 2014; Fayad, et al., 2012). From the side of labour sending countries, it may be noted that employment of workers from Nepal continued to increase in both Malaysia and Saudi Arabia during 2008 to 2014. To Malaysia, the number rose from 29,320 to 206,719, and to Saudi Arabia, the increase was from 45,044 to 75,026 (GON, 2014). In 2013, the number of Pakistani workers going to Saudi Arabia and UAE were 270,502 and 273,234 respectively (ILO, 2015). These numbers should serve to indicate that the prospects for employment of foreign workers in Malaysia, Saudi Arabia and UAE continue to remain. [↑](#footnote-ref-22)
23. The points summarized below are based on survey of the use of remittance carried out by the Bangladesh Bureau of Statistics (BBS, 2014). [↑](#footnote-ref-23)
24. Some information and analysis can be found in Jayaprakash (not dated); Kanapathy (2014); Kolb (2014); and Weston (2014). [↑](#footnote-ref-24)
25. Philippines is a good example of how this can be done. [↑](#footnote-ref-25)
26. A number of studies cover these issues. See, for example, Siddiqui (2005, 2010), Kumari and Shamim (undated), etc. [↑](#footnote-ref-26)
27. This number is much smaller compared to the number in Sri Lanka, for example, where during1994-2011, the number was 157, 239. The percentage of complaints settled was much higher (81 per cent) in that country. [↑](#footnote-ref-27)
28. For a list and detailed description of such conventions and agreements, see Global Migration Group (2008) and ILO (2010). [↑](#footnote-ref-28)
29. See ADB-ILO (2016), Chapter 4 for some examples of good practices from Asian countries. [↑](#footnote-ref-29)
30. The countries of East and South East Asia, e.g., Republic of Korea, Malaysia and Taiwan-China, were able to avoid such a trade-off and to combine high rates of economic growth with growth of employment and improvement in labour productivity. [↑](#footnote-ref-30)
31. The figure used in the Planning Commission’s Perspective Plan Growth Framework is higher than this. Although not mentioned explicitly, it seems to be in the order of 2.36 per cent. The labour force surveys of 2013 and 2015-16 imply an annual growth of 1.15 per cent per annum which appears to be unrealistically low. [↑](#footnote-ref-31)
32. In 2013, it was 28 per cent. [↑](#footnote-ref-32)
33. Another way of estimating surplus labour could be to use the idea of working poor. Given the facts that open unemployment rate is only 4 per cent of the labour force and the incidence of poverty is about 23 per cent of the population, it is clear that a large proportion of those who are employed are poor despite being employed. Clearly, their income needs to increase either through improvement in productivity and returns within their existing work or move to new work with higher productivity and returns. Applying the same percentage of poverty to the employed labour force (62.1 million), one gets 14.3 million as an estimate of working poor. Clearly this is much higher than the estimate obtained by using the underemployment rate, and it may not be realistic to use this for purposes of estimating surplus labour in the economy. [↑](#footnote-ref-33)
34. It may be noted that the projections made in the ADB-ILO employment diagnostic study (ADB-ILO, 2016), uses higher estimates of employment elasticity and lower GDP growth projections. But the basic conclusion was similar to the conclusions of the present exercise, viz., high GDP growth alone would not be sufficient for absorbing the new addition to the labour force and the available surplus labour. Unless the pattern of growth remains employment intensive (with employment elasticity of around 0.35 to 0.45) for some more time, even with very high GDP growth, the economy will not be able to attain the goal of full and productive employment in the foreseeable future. [↑](#footnote-ref-34)
35. For example, in Republic of Korea and Malaysia, manufacturing output grew at such (or even higher) rates for a long period of time. In the past (for example during 1990-91 to 2012-13), the growth of manufacturing output has been rather unstable (ADB-ILO (2016). It did exceed double-digit figure in 2006-07 but then declined sharply. Even after recovery in 2010-11, growth plateaued out at below 10 per cent per annum. From the point of overall growth of the economy as well as of employment, a sustained high growth of manufacturing output is essential. [↑](#footnote-ref-35)
36. Growth of labour force is going to decline both because of a decline in population growth and increase in enrolment in education. While enrolment ratio at the primary level is already 100 per cent, there is substantial scope for increase in enrolment at secondary and tertiary levels. [↑](#footnote-ref-36)
37. For example, during the period 1984 to 1998, developed countries as a group demonstrated an employment elasticity of 0.38. See Islam and Islam (2015), chapter 2. [↑](#footnote-ref-37)
38. It is unlikely for a mature economy to be able to maintain GDP growth of 9 per cent or over. So, it would be realistic to think of a strategy for maintaining full employment with a lower rate of GDP growth. [↑](#footnote-ref-38)
39. It is difficult to project exactly when the phase of demographic dividend will come to an end. It will depend not only on the change in the age distribution of the population but also on the rate which enrolment in education increases. According to the population projections of BBS (BBS, 2015), the proportion of population aged 15-64 years will keep rising till 2041 and then start falling. Labour force participation rate is also projected to start falling from 2041. But that may happen earlier if enrolment in education increases at rates higher than assumed in the projections. [↑](#footnote-ref-39)
40. The proportion of population aged 55-64 years (i.e., the upper age brackets of the working age population) is projected to almost double from 5.55 per cent in 2016 to 10.92 per cent in 2041 (BBS, 2015). The latter implies that labour force has already started to age. [↑](#footnote-ref-40)
41. For example, the McKinsey report divides the countries covered by it into three categories: (i) advanced economies, (ii) emerging economies with ageing populations, and (iii) emerging economies with younger populations. The countries in the last category includes India, but Bangladesh is not included. [↑](#footnote-ref-41)
42. No other than Bill Gates has proposed this. [↑](#footnote-ref-42)
43. For some highlights of the potential for automation in different sectors and countries, see Islam (2017). [↑](#footnote-ref-43)
44. In a subsequent paper, the same authors showed that in USA, the impact of the use of robots during 1990 to 2007 has been negative. [↑](#footnote-ref-44)
45. An example of such fiscal incentive is the provision of subsidy on the cost of combine harvester in Bangladesh. According to newspaper reports (Bonik Barta, 26 November 2017, <https://bonikbarta.net/bangla/fbs/2017-11-26/139505/#.WhuMLZSdfgM.gmail>), there is, currently, a hefty subsidy of 50 to 60 per cent on this capital equipment that is intended to assist farmers in overcoming bottlenecks created by a “shortage” of workers during the harvesting season. There are at least two questions surrounding this issue. First, seasonal tightening of the labour market in monsoon-dependent agriculture is not an entirely new phenomenon, although the shortage of workers during peak seasons may have become more prominent as the economy has grown. Second, if the price of labour has risen to such an extent that a substitution of labour by capital is economically justifiable, the market should provide that signal. By introducing a subsidy on capital equipment, the relative price of capital and labour is being distorted and an artificial incentive for mechanization is being created. [↑](#footnote-ref-45)
46. For further details, see Islam (2015), Chapter 8 (in Bengali). [↑](#footnote-ref-46)
47. It may be noted that the Vulnerable Group Feeding Programme is an unconditional cash transfer programme and is not meant for job creation. [↑](#footnote-ref-47)
48. Translated from Bengali, the stated goal is: To ensure productive, discrimination free, exploitation free, decent, safe and healthy work place through creating investment friendly environment for all active citizens as well as to establish worker's right and dignity of labour. [↑](#footnote-ref-48)
49. The NLP 2012 is very broad in coverage and includes – in addition to employment - various aspects of decent work (e.g., conditions in places of work, workers’ rights and safety nets for workers) as well as discrimination. [↑](#footnote-ref-49)
50. Employment elasticity of that magnitude should leave scope for a decent growth of labour productivity as well. [↑](#footnote-ref-50)
51. In Korea and Taiwan, the share of manufacturing employment had risen to 23 and 32 per cent respectively before it started to decline. [↑](#footnote-ref-51)
52. Implication of the shift away from food grains for food security also needs to be looked into. [↑](#footnote-ref-52)
53. For a detailed discussion of these issues, see Islam (2015) (in Bengali). [↑](#footnote-ref-53)
54. A good example of an innovative initiative to improve the quality of informal sector jobs through social protection is India’s Unorganized Workers’ Social Security Bill adopted by the country’s parliament in 2008. Under the Act, provision was made to bring 340 million workers (out of a total labour force of 458 million) under the cover of pension, and basic health, life and disability insurance as well as group accident insurance within a span of five years. While passing of this Act has not been easy and implementation has faced obstacles, useful lessons can be learnt from the thinking and effort that have gone behind it. [↑](#footnote-ref-54)
55. For a detailed analysis of women’s employment and policies needed to address the key issues, see ADB-ILO (2016). [↑](#footnote-ref-55)
56. There is a large body of literature on the subject. A synthetic analysis can be found in Islam and Islam (2015). [↑](#footnote-ref-56)
57. The experience of developed countries shows that this can make substantial difference in the rates of youth unemployment. For example, the rates in countries with good apprenticeship systems, e.g., Austria, Denmark, Germany and Switzerland, are much lower than other countries like France, Italy and Spain. [↑](#footnote-ref-57)
58. ALMP may be formally defined as policies that facilitate labour market integration through purposive and selective interventions to create demand for labour, enhance employability of the workforce through training and re-training, and contribute to matching supply and demand. The measures include employment creation programmes like public works, promotion of self-employment, subsidies for providing incentives to employ special categories of workers (e.g., the youth, long-term unemployed), training and re-training, job search assistance and employment services. [↑](#footnote-ref-58)
59. Examples of unemployment insurance in developing countries can be found from countries like Indonesia and Thailand. As for the informal economy, mention has already been made of India’s legislation for protecting workers in the unorganized sector. [↑](#footnote-ref-59)