



Monograph 7

Population Management Issues



General Economics Division (GED)

(Making Growth Work for the Poor)

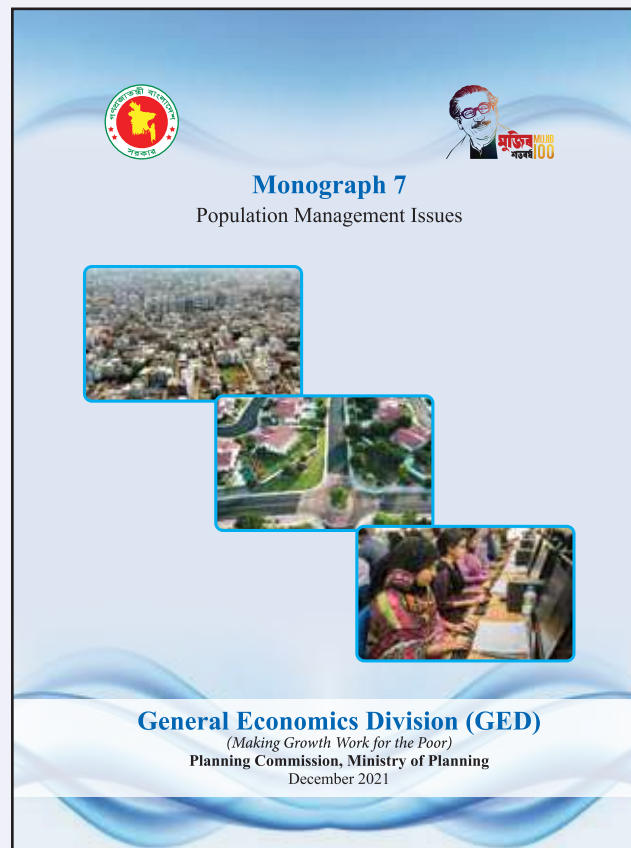
Planning Commission, Ministry of Planning

December 2021



Monograph 7

Population Management Issues



General Economics Division (GED)

(Making Growth Work for the Poor)

Planning Commission, Ministry of Planning

December 2021

■ **Published and Cover Designed by**

General Economics Division (GED)
Planning Commission
Ministry of Planning
Government of the People's Republic of Bangladesh
Sher-e-Bangla Nagar, Dhaka-1207, Bangladesh
Website: www.plancomm.gov.bd

■ **First Published:** December 2021

■ **Editor:**

Dr. Md. Kawser Ahmed
Member (Secretary)
General Economics Division (GED)

■ **Co-editor:**

Dr. Munira Begum
Joint Chief & Project Director
General Economics Division (GED)

■ **Design & Printing:**

Dot Printing & Packging
168 Shaheed Sayed Nazrul islam Sarani
(Old 3/2) Purana Paltan, Dhaka-1000.
Mobile: 01711581601
Email: dot.printingb@gmail.com

■ **Disclaimer:**

At the behest of the IPDIPP project of General Economics Division (GED) of Bangladesh Planning Commission, the policy papers were prepared by the respective author(s) with financial support from UNFPA Bangladesh. Neither GED nor UNFPA bear any responsibility for any accuracy or interpretation of data, and the analysis presented in the policy papers. Responsibility lies solely to the respective author(s).



M. A. Mannan, MP

Minister

Ministry of Planning

Government of the People's Republic of Bangladesh

MESSAGE

It gives me immense pleasure to learn that the General Economics Division (GED) of the Bangladesh Planning Commission has generated evidence-based knowledge and information on emerging critical population issues, e.g. 'Strategic Framework to Reap Demographic Dividend through the Implementation of the 8th Five Year Plan'; 'Addressing Gender Differentials in Labour Force Participation to Reap Demographic Dividend in Bangladesh'; 'Urban Sustainability Through Good Population Density Approach', etc. The decision to publish Monograph-7: Population Management Issues containing three important policy papers prepared under the IPDIPP project is a praise worthy step.

The population strategy adopted in the 8FYP (July 2020 - June 2025) rightly emphasized on rapid recovery from Covid-19 to restore human health, employment, income and economic activities, GDP growth acceleration, social mobilization to stop child marriage and prevent gender based violence, increase female participation in the labour force, employment generation and rapid poverty reduction. The plan suggested a broad-based strategy of inclusiveness with a view to empowering every citizen to participate in full and gain benefit from the development process, and helping the poor and vulnerable with social protection-based income transfers. Population planning should be taken into consideration to maintain a balance between population, development and environment.

The policy papers have been prepared through extensive consultations with the representatives of concerned Ministries/Divisions, Agencies, population experts, development partners, academia, researchers, civil societies, think tanks and NGOs. I thank all of them for their active participation, valuable cooperation and contribution in the process. It is worthy to mention that this document would enable to see the current situation critically, identify the gaps in the existing policies and help to guide the macro and micro planning process to face the challenges for effective population management to advance the International Conference on Population and Development (ICPD) Plan of Action (PoA) and achieve SDGs.

I would like to appreciate GED officials for providing their efforts in preparing this Monograph, which will be beneficial for the policy makers, researchers, academia, planners and development partners dealing with the population management and development issues. I also appreciate UNFPA for their contribution in preparing this Monograph. I would humbly wish wide circulation of this important policy document to impact progressive social and economic changes.

(M. A. Mannan, MP)



Dr. Shamsul Alam

Minister of State

Ministry of Planning

Government of the People's Republic of Bangladesh

MESSAGE

It is indeed a great pleasure for me to know that the General Economics Division (GED) of the Bangladesh Planning Commission has prepared several evidence-based policy papers and briefs on emerging critical population issues, e.g. 'Strategic Framework to Reap Demographic Dividend through the Implementation of the 8th Five Year Plan'; 'Addressing Gender Differentials in Labour Force Participation to Reap Demographic Dividend in Bangladesh'; 'Urban Sustainability Through Good Population Density Approach', etc. Currently, the population of Bangladesh is largely made up of young people, with roughly half aged under 25 years. The population dynamics have changed, and age structures are more favorable to economic development than they were previously, population growth would nevertheless continue and this will have profound implications for development and hence, need utmost proper planning by integrating critical population issues. The country is already halfway through the demographic "window of opportunity" period as the dependency ratio started to decline in the 1990s. These policy papers focused on how Bangladesh could successfully and effectively grasp the "window of opportunity" of population dividend. The policy paper also discusses about how sustainable urbanization can be promoted through good density approach. The Sustainable Development Goal-11 calls for making cities and human settlements inclusive, safe, resilient and sustainable. Due to lack of properly planned urbanization Bangladesh is facing some major challenges such as inadequacy in infrastructural services, basic amenities and environmental goods; environmental degradation; traffic congestion and accidents; violence and socioeconomic insecurities. This is really encouraging to know that these knowledge and information will be used as inputs during the preparation of National Plan and policies that will contribute to advance the International Conference on Population and Development (ICPD) Programme of Action (PoA) and reaching the Sustainable Developmental Goals by 2030.

In order to effectively realize the government's Vision 2041 as well as the SDGs by 2030, GED has prepared the Eighth Five Year Plan (July 2020-June 2025), which emphasized on appropriate policies and institutions, and devised suitable development strategies for promoting prosperity, fostering inclusiveness, reducing poverty, and inequality. Bangladesh has undergone remarkable demographic, social, economic, environmental, and political changes over the past 25 years and made substantial progress in reducing TFR, maternal mortality, child marriage and increasing education and income levels, including by improving the educational and economic status of women.

Planning Commission has a key role in development planning and public expenditure management. GED has been working with Ministries/Divisions in adopting necessary actions and programmes to achieve the strategies and targets outlined in the 8FYP. Besides, IPDIPP Project of GED is advocating in adopting appropriate investments, policies and governance, so that Bangladesh can take huge advantage of this 'demographic bonus'. Effective implementation of the plans and programmes will mostly rely on the

actions taken by the respective Ministries/Divisions and stakeholders from both public and private sectors. In this situation, Monograph 7 will help to guide the macro planning process to face the challenges for population management to achieve the goal of attaining maximum from our human resources.

I would like to appreciate GED officials for providing their efforts in preparing this Monograph, which will be beneficial for the policy makers, researchers, academia, planners and development partners dealing with the population management and development issues. I would like to take the opportunity to thank UNFPA for providing necessary supports in preparing this Monograph through the project “Strengthening Capacity of the General Economics Division (GED) to Integrate Population and Development Issues into Plans and Policies”. I would like to wish wide circulation of this important policy document to impact progressive social and economic changes.



(Professor Shamsul Alam)

M.A. Econs., PhD



Dr. Md. Kawser Ahmed

Member (Secretary)

General Economics Division (GED)

Planning Commission

FOREWORD

At the fifty years' celebration of our great victory of independence and the joyous Mujib birth centenary, the General Economics Division (GED) of Bangladesh Planning Commission has prepared the monograph on 'Population dynamics and Development issues' by compiling policy papers and policy dialogues conducted by the 'Strengthening Capacity of the General Economics Division (GED) to Integrate Population and Development Issues into Plans and Policies' (IPDIPP) project during 2019-2021. The Monograph-7 contains three policy papers-i) Strategic Framework to Reap Demographic Dividend through the Implementation of the 8th Five Year Plan; ii) Addressing gender differentials in labour force participation to reap demographic dividend in Bangladesh; and iii) Urban Sustainability Through Good Population Density Approach. These policy papers were produced to generate evidence based knowledge on critical population dynamics and its functional linkages to socioeconomic development along with emerging issues to advance the International Conference on Population and Development (ICPD) Programme of Action (POA) and reaching the Sustainable Developmental Goals (SDGs) by 2030.

Declining population growth and consequent changes in the age structure, the proportion of working age population increases and offers a window of opportunity, referred to as the 'Demographic Dividend'. The potential benefits of the 'window of demographic dividend' could be realized only when appropriate and favourable human resource and economic policies as well as structured financial mechanisms are in place, which transform to the country's population to human resources. Experiences and evidences indicate that Bangladesh need to invest more on health, education, social security, particularly in higher education and technical training to enhance work skills. A more skill and knowledge-based employment structure, consistent with the growing educational levels of the workforce should also be prioritized.

A balanced planned urbanization is another critical issue in many developing countries such as Bangladesh, which is facing high density, rapid unplanned urban growth and high level of environmental destruction. In a longer term, country will also face another unwelcome but inevitable consequences of rising sea level due to climate change effects, which would lead to large scale displacement of population from low lying coastal areas. With very little absorption capacity in the rural areas of the already crowded country, a large proportion of the climate change induced displaced population would likely migrate to urban centers resulting in further increase of slum population in urban areas. These situations depict a challenging issue for the policy makers.

Bangladesh aspires to become an upper middle-income country by 2031 and be a developed economy by 2041. The country also has a strong commitment in achieving the targets of the SDGs by 2030. Appropriate policy measures and programmes need to be taken to achieve the long-term and

medium-term goals and targets of the country. Under this background, IPDIPP project of GED has taken initiatives to prepare policy papers on various critical emerging issues related to population dynamics and development and also conducted workshops and policy dialogues, which provided space for different relevant stakeholders to provide their important views, comments, observations on the topics.

I extend my thanks to Authors Dr. Sadiq Ahmed and Dr. Bazlul Haque Khondker, Policy Research Institute (PRI), Prof. Dr. Mainul Islam, Department of Population Sciences, University of Dhaka, and Dr. Hossain Zillur Rahman, Executive Chairman, Power and Participation Research Centre (PPRC), Dr. Adnan Morshed, Executive Director, Centre for Inclusive Urbanism and Architecture, BRAC University for their hard works in preparing the policy papers included in the Monograph. I am grateful to all the participants for their valuable feedback/comments/observations to the policy dialogues and workshop, which enriched the policy papers.

I would like to take this opportunity to thank all team members of IPDIPP project including concerned GED and UNFPA officials for their hard work and notable efforts in preparing the Monograph 7. This population monograph would not have been possible without the generous contribution of the UNFPA. I specially thank our Hon'ble Minister, Ministry of Planning Mr. M.A. Mannan, MP and Hon'ble Minister of State, Ministry of Planning Dr. Shamsul Alam for their kind intimate supports and inspirations in bringing out such evidence based publication.

I hope this Monograph will be useful for the policy makers, research communities and others in enhancing the knowledge and understanding on various population dynamics and development issues discussed in the policy papers. The information and recommendations would also be highly valued in adopting appropriate policies in respective areas.



(Dr. Md. Kawser Ahmed)

ACKNOWLEDGEMENTS

The General Economics Division (GED) acknowledges the valuable contribution of all concerned from the Ministries/Divisions, Development Partners, NGOs and CSOs in preparing the Monograph-7. The GED carried out the task under close guidance of the Hon'ble Member (Secretary), GED. I also appreciate the United Nations Population Fund (UNFPA) for providing necessary technical and financial supports in preparing and printing the Monograph through the “Strengthening Capacity of the General Economics Division (GED) to Integrate Population and Development Issues into Plans and Policies (IPDIPP)” Project. The Monograph-7 has been prepared by compiling three policy papers and the outcomes of the policy dialogues conducted by the IPDIPP project on- i) Strategic Framework to Reap Demographic Dividend through the Implementation of the 8th Five Year Plan; ii) Addressing gender differentials in labour force participation to reap demographic dividend in Bangladesh; and iii) Urban Sustainability Through Good Population Density Approach.

I would like to take the opportunity to express my whole-hearted gratitude and thanks to Dr. Sadiq Ahmed and Dr. Bazlul Haque Khondker, Policy Research Institute (PRI), Prof. Dr. Mainul Islam, Department of Population Sciences, University of Dhaka, and Dr. Hossain Zillur Rahman, Executive Chairman, Power and Participation Research Centre (PPRC), and Dr. Adnan Morshed, Executive Director, Centre for Inclusive Urbanism and Architecture, BRAC University for working hard and putting all efforts to prepare policy papers and made keynote presentations in the policy dialogues. I am profoundly grateful to our Hon'ble Minister, Ministry of Planning Mr. M.A. Mannan, MP and Hon'ble Minister of State, Ministry of Planning Dr. Shamsul Alam for their kind supports and guidance in preparing the monograph. I would also like to express my deep gratitude to Dr. Md. Kawser Ahmed, Member (Secretary), GED and Mr. Md Mafidul Islam, Chief, GED for their valuable contributions, directions and guidance.

I believe analysis, findings and policy recommendations would help in generating knowledge, deepening understanding of policy makers, academics, researchers, Government officials and national experts on how to capitalize demographic dividend by adopting right social and economic investments and policies in these areas. All these will definitely lead us to a better direction on how the demographic benefits can be accelerated, prolonged, and directed towards reaching the ICPD Programme of Actions (POA) and Sustainable Developmental Goals by 2030. I extend my sincere thanks to all team members of IPDIPP project, concerned Government and UNFPA officials for their support and contribution.



(Dr. Munira Begum)

Joint Chief, GED and Project Director

Contents

Policy Paper: 1

Strategic Framework to Reap Demographic Dividend through the Implementation of the 8th Five Year Plan, *Dr. Sadiq Ahmed and Dr. Bazlul Haque Khandker*

Executive Summary	1
1. Introduction and Background	9
1.1. Importance of Demographic Dividend in the 8FYP	9
1.2. Objectives and Methodology of the Study	9
1.3. Presentation of the Study Report	10
2. Demographic Dividend and Window of Opportunity in Bangladesh	10
2.1. What is Demographic Dividend?	10
2.2. Estimated Time Horizon for FDD in Bangladesh	16
3. Key Challenges in Harnessing Demographic Dividend in Bangladesh	18
3.1. Youth Unemployment	18
3.2. Low Female Labor Force Participation	21
3.3. Low Quality of Education and Training	24
3.4. Low Social Sector Spending	26
3.5. Falling Employment Responsiveness to GDP Growth	29
3.6. Lack of Dynamism in Micro and Small Enterprises (MSEs)	31
3.7. Sluggish Private Investment Performance	35
3.8. Constraints to Overseas Employment in the COVID-19 Environment	38
4. Reform Options to Strengthen the Returns to the Demographic Dividend	40
4.1. Creating Higher Productive Employment for Youth Training and Self Employment	40
4.2. Creating a Conducive Environment for Higher Participation of Female Labour Force	44
4.3. Enhancing Social Sector investment	45
4.4. Increasing the Job-creation Responsiveness of GDP	46
4.5. Dynamizing the role of the MSE sector	47
4.6. Improve the Investment Climate to Promote Private Domestic and Foreign Direct Investment	49
4.7. Boosting Overseas Employment Prospects in a Post-COVID-19 World	50
5. Implementation Time Frame by Strategies and Agencies	52
5.1. Theme 1: Creating Higher Productive Employment for the Youth Through Training and Self Employment	52
5.2. Theme 2: Creating a Conducive Environment for Higher Participation of the Female Labor Force.	53
5.3. Theme 3: Enhancing Social Sector Investment.	54
5.4. Theme 4: Increasing the Job Creation Responsiveness of GDP Growth	55
5.5. Theme 5: Dynamizing the Role of MSEs	55
5.6. Theme 6: Improving the Investment Climate to Promote Private Domestic and Foreign Direct Investment.	56
5.7. Theme 7: Boosting Overseas Employment Prospects in a Post-COVID-19 World	56
References	58

List of Tables

Table 1: Key features of FDD	12
Table 2: Estimated Size of the First and Second Demographic Dividend	13
Table 3: Policy Priority for Leveraging Demographic Change at Country Level	14
Table 4: Policy Priorities that Leverage the Differences in Demographic Change Across Countries	15
Table 5: Demographic Window of Opportunity in Bangladesh and other Asian Countries	16
Table 6: Demographic Window of Opportunity in Bangladesh and other Asian Countries	18
Table 7: Labour Market Profile of Youths in 2016-17	19
Table 8: Comparison of Key Labour Market Indicators	22
Table 9: Indicators of Education Sector Development (%)	25
Table 10: Employment Elasticity of GDP	29
Table 11: Types of Enterprises in Bangladesh	32
Table 12: Total Employment, 2003-2013	32
Table 13: Distribution of Enterprises by Major Economic Activities 2013 (numbers in 000)	33

Table 14:	Actual Investment Performance During 6th and 7th FYP (% of GDP)	36
Table 15:	Youth Employment Targets FY2021-FY2031	41
Table 16:	Feasible Increase in Social Sector Spending (% of GDP)	45
Table 17:	Private Investment Targets for the 8FYP	49
Table 18:	Implementation Matrix for the Youth Employment Theme	53
Table 19:	Implementation Matrix for Strengthening the Female Labor Force Participation	54
Table 20:	Implementation Matrix for Enhancing Social Sector Investment	55
Table 21:	Implementation Matrix for Increasing Employment Elasticity of GDP Growth	55
Table 22:	Implementation Matrix for Dynamizing the Role of MSEs	56
Table 23:	Implementation Matrix for Increasing Private Domestic and Foreign Direct Investment	56
Table 24:	Implementation Matrix for Boosting Overseas Employment	57

List of Figures

Figure 1:	Defining the Demographic Dividend	10
Figure 2:	The First Demographic Dividend Outcomes	11
Figure 3:	Second Demographic Dividend Outcomes	12
Figure 4:	Bangladesh First Demographic Window, 1975 to 2075	16
Figure 5:	Unemployment Rate Among Educated Youth in 2017 (%)	19
Figure 6:	Labour Force Participation in Bangladesh	21
Figure 7:	FLPR and GDP growth	22
Figure 8:	Education Attainment of Labor Force	25
Figure 9:	Employment Status of Graduates after 1-2 Years of Graduation (%)	26
Figure 10:	Social Sector Investment Requirement for SDG Attainment	27
Figure 11:	Inadequacy of Education Spending to Capture the FDD in Bangladesh	28
Figure 12:	Number of RMG Factories	30
Figure 13:	RMG Employment (million workers)	30
Figure 14:	Distribution of Employment 2013 (Percentage)	33
Figure 15:	Investment Trends (% of GDP)	35
Figure 16:	Private Investment Performance During the 6th and 7th FYP	36
Figure 17:	Inflow of FDI (\$ millions)	37
Figure 18:	FDI Inflows in Selected Countries	37
Figure 19:	Bangladesh Key Regulatory Constraints to Private Investment 2020 (Ranking, 190 Countries)	38
Figure 20:	Bangladesh Remittance Inflows, FY1980-FY2019	38

List of Boxes

Box 1:	First Demographic Dividend and Economic Lifecycle in Bangladesh	17
Box 2:	The Challenge Youth Not in Education, Employment or Training (NEET)	20

Policy Paper: 2

Addressing Gender Differentials in Labor Force Participation to Reap Demographic Dividend in Bangladesh Addressing, *Mohammed Mainul Islam, PhD*

Acronyms	61
Abstract	62
1. Policy Interventions Facilitating Demographic Dividend and Clarifying Demographic Dividend through a Gender Lens	63
1.1 Conceptualization of Demographic Dividend and Policy Intervention	63
1.2 The Population Age Structure through Gender Lens	63
1.3 A Healthy Population to Achieve Demographic Dividend through Gender Lens	64
1.4 An educated population to Achieve Demographic Dividend through Gender Lens	64
1.5 Effective Governance to Achieve Demographic Dividend through Gender Lens	64
1.6 Economic Policies to Demographic Dividend through Gender Lens	64
2. Realizing Demographic Dividend, Review of Literature and Existing Policy Documents in Bangladesh	65
2.1 Realizing Demographic Dividend through the Review of Selected Literature	65
2.2 Review of Existing Policy Documents to Achieve Demographic Dividend	66
3. Gender Differentials in Labor Force Participation in Bangladesh	67
3.1 Labor Force Participation and Gender Differentials in Domestic Labor Market	67
3.2 Labor Force Participation and Gender Differentials in International Labor Market	74
3.3 What factors affect gender differential labor force participation in Bangladesh?	76
4. Recommendations to Address Gender Differentials to Reap the Demographic Dividend in Bangladesh	77
4.1 Recommendations at the Policy Level	77
4.2 Recommendations at the Functional/ Operation Level	79
References	82

List of Tables

Table 1: Economically active population/Labor force (15 Years and Above Population in Million) in Bangladesh	68
Table 2: Employed Population (15 Years and Above Population in Million) in Bangladesh, 1995-2017	68
Table 3: Labor Force Participation Rate (15 Years Old and Above Aged Population in %)	69
Table 4: Unemployed population in Bangladesh (15 Years and Above Population in Million)	70
Table 5: Labor Force Aged 15 or Older, by Age Group, Sex, and Area, FLS 2016-2017	71
Table 6: Types of Employment (% distribution of employment categories of the labor force) in Bangladesh, LFS, 2005-2017	74

List of Figures

Figure 1: Policy Interventions Facilitating a Demographic Dividend	63
Figure 2: Labor Force Participation Rate (%), LFS 1995-96 to 2016-17	69
Figure 3: Rural Labor Force Participation Rate (%), 1995-96 to 2016-17	69
Figure 4: Urban Female Labor Force Participation Rate (%), 1995-2017	70
Figure 5: Unemployment Rate in Bangladesh (15 Years and Above Population %)	71
Figure 6: Unemployment Rate in Bangladesh by Education and Sex in Bangladesh	71
Figure 7: NEET as % of Youth Aged 15-29 by Sex in Bangladesh	72
Figure 8: Share of Employed Population aged 15 or older by Sex in Bangladesh	72
Figure 9: Employed Population Aged 15 or Older, by Economic Sector by Sex in Bangladesh	73
Figure 10: Employed Population Aged 15 or Older, by Formal/ Informal Sector by Sex in Bangladesh	73
Figure 11: Overseas Employment Trends from Bangladesh	74
Figure 12: Trends of Female Workers in International Labor Market, 17	75

Policy Paper: 3

Urban Sustainability Through Good Population Density Approach

Dr. Hossain Zillur Rahman & Dr. Adnan Morshed

Preface	85
1. Understanding Good Density	86
2. A Brief History of Anti-Density Bias	91
3. Changing Urban Realities of Bangladesh and Key Challenges	94
4. Good Density Practice: Global Case Studies	97
5. A Tactical Path to Good Density in the Urban Growth of Bangladesh	100

List of Figure

Figure: 1.1 GDP Composition of Bangladesh 1990-2020.	86
Figure: 1.2 Share of Employment	86
Figure: 2.1 Dhaka's contribution to National GDP	87
Figure: 2.2 Division of Bangladesh Land Area	87
Figure: 2.3 Share of economic sectors in the domestic product (GDP) from 2010 to 2020	88
Figure: 2.4 Dhaka's population density is 114000 people per sq. mi.	88
Figure: 3.1 Population Density in Dhaka City Corporation.	88
Figure: 4.1 Economic Geography of Bangladesh 2009	89
Figure: 5.1 Urban Land Institute's good and bad density framework	89
Figure: 5.2 The Economic and Environmental Impact of Cities	90
Figure: 6.1 The vibrant economic growth of Dhaka yet dysfunctional as a city.	91
Figure: 7.1 In 19th-century imagination of the western industrial city, population density was seen as synonymous with disease, chaos, lack of health and civility, and moral decline.	92
Figure: 7.2 The Stygian slum of industrial London is shown in Gustave Dore's engraving.	92
Figure: 7.3 Much acclaimed book by Jacob A. Riis	93
Figure: 7.4 Much dreaded street congestion in 19th century New York City.	93
Figure: 7.5 Ebenezer Howard's Garden City sought to combine urban density with rural environment	94
Figure: 8.1 Expansion of Dhaka Metropolitan	95
Figure: 8.2 The streets of Dhaka are economically vibrant yet dysfunctional as vehicular artery	95
Figure: 8.3 The fear of urban density	96
Figure: 8.4 Mass Transit as Shared Community Space	96
Figure: 8.5 A dystopic horizontal expansion of East Dhaka.	97
Figure: 9.1 The world's 80 % GDP production occurs in urban areas	97
Figure: 9.2 The world's urban land area is only 0.5 %	98
Figure: 9.3 More compact development can reduce transport emissions by an order of magnitude	99
Figure: 10.1 Different methods of managing density on an urban plot;	100
Figure: 10.2 The eight data sets used to represent the six density characteristics	101
Figure: 10.3 Barcelona's urban form is an excellent example of good density	102
Figure: 10.4 Key features of ' Good density'	103
Recommendations	104
Conclusion	104
Bibliography	105

List of Notable Publications by General Economics Division (GED)

Bangladesh Planning Commission since 2009	106
--	------------

POLICY PAPER: 1

Strategic Framework to Reap Demographic Dividend through the Implementation of the 8th Five Year Plan

Prepared by

Dr. Sadiq Ahmed*

Dr. Bazlul Haque Khondker**

December 2020

***Vice Chairman, Policy Research Institute of Bangladesh**

****Professor, University of Dhaka, Department of Economics and Chairman, South Asian Network on Economic Modelling (SANEM)**

Executive Summary

A. Development Context of the Demographic Dividend

The quantity and quality of labor force of a country is among the most critical determinant of the growth prospects. The quantity of labor force is influenced by the demographic profile of a country. The demographic window of opportunity is the period when the proportion of a country's working age population aged 15 to 64 years is higher than the share of the dependent populations, i.e. young dependent population aged 0 to 14 years and elderly dependent population aged 65 years and above. The demographic transition can enhance economic growth in two broad ways. First, as the dependency ratios decline, and the share of working age population grows relative to the total population, the labor force grows faster than population thereby contributing to the GDP growth potential. This is called the first demographic dividend (FDD). Second, a second demographic dividend (SDD) arises when the FDD leads to larger savings in the short run and higher investment in the human capital and investment per worker in the long run. While the positive effects of the FDD are time bound dictated by the demographic transition, the effects of the SDD can be of much longer duration and dictated by the country's response to the growth in the national savings rate, and in particular how effectively this is channeled into investment in human capital. This implies that the focus on increasing national savings rate and increasing investment in human capital can play a much more solid and long-lasting development role than the pure demographic-transition related to the FDD.

In the case of Bangladesh, the share of country's working age population started to increase vis-à-vis the total population in 1978, which was the beginning of its demographic window of opportunity. It is projected to start to shrink in 2033, which will signal the end of the country's demographic window of opportunity. Evidence suggests that the FDD between 1978-2020 did contribute to GDP growth acceleration and increase in the national savings rate, yet a number of constraints have prevented the full benefit from FDD, including high youth unemployment rate, a large share of youth not in employment, education or training (NEET), a low female labor force participation rate. Importantly, public policy interventions to strengthen human capital, which is crucial for the SDD, has not been adequate.

The 8TH Five Year Plan (8FYP) recognizes these challenges and has placed considerable emphasis on harnessing the demographic dividend to support GDP growth. The primary purpose of this study is to develop a strategic framework that combines the 8FYP strategies with concrete implementable action plans along with implementation responsibilities and time frame to reap the demographic dividend. Since the key strategic focus of the demographic dividend is to make the best possible use of the work force, the strategic framework is developed based on analysis of the demand and supply side issues of the labor market and related policy actions. The strategic framework identifies specific policy actions, investment programs, and institutional reforms that can be implemented during the 8FYP with a view to strengthening the development impact of the demographic dividend.

The study is primarily based on a desk review of government reports and national and international research, and assessment of the available secondary data sets. Population projections and their changing structure based on UNFPA and BBS data are used to estimate the time frame of the demographic Window of Opportunity in Bangladesh. A thorough desk review of the various Plan documents including the Draft Eighth Five Plan and the background papers is done in order to design implementation strategies that are in line with the 8FYP. In addition to these official documents, a number of national and international research were reviewed and used in the study. These are listed in the bibliography section of the report.

B. Main Constraints to the Demographic Dividend

The positive contribution of FDD so far to the acceleration of GDP growth and national savings is reassuring. But maximizing the benefits of the window of opportunity for the demographic dividend will not be easy, given the many challenges confronting Bangladesh and the onset of COVID-19. The major

constraints work from both the supply side and the demand side of the labor market. The supply side constraints relate to: (i) high youth unemployment rate; (ii) low female labor force participation rate; (iii) low quality of education and training; and (iv) inadequate investment in human development. The demand side constraints include: (i) declining employment responsiveness to GDP growth; (ii) lack of dynamism in micro and small enterprise (MSE) sector; (iii) sluggish private sector investment rate; and (iv) slowdown in overseas employment owing to COVID-19.

i. High Youth Unemployment Rate

Youth in Bangladesh constitute 31% of the total population. However, the labour market profiles of the youth portray a rather dismal picture with high unemployment rate and a high share of the youth in the NEET group. The unemployment rate for youth is 10.6% as compared with 4.2% nationwide. Additionally, unemployment rates among youth with secondary education is 28%. The rate is 22.3% in the case of youth with higher secondary education, and 13% for youth with tertiary education. The high unemployment rate of the educated youth suggests the low quality and relevance of education to employment. Tracer studies show that tertiary graduates lack the skills that are required by the employers, especially relating to problem solving, technical competence, ICT and communications. Alarming, some 30% of the youth are in NEET group; of this 83% are female. High youth unemployment rate and large share of the NEET population both suggest a tremendous loss of the potential gains from the FDD.

ii. Low Female Labour Force Participation (FLFP) Rate

Increasing women's participation in the economy has a dramatic impact on growth and poverty reduction. Evidence shows that where women have opportunities for paid work, they are likely to stay in school longer and delay otherwise early marriage and childbearing. They are also more likely to use their earnings to invest in the human capital of their household, contributing to lower poverty and enhancing the capabilities of the next generation.

Until recent decades, Bangladesh had one of the lowest FLFP rates in the world. However, partly due to the rapid expansion of the ready-made-garment sector (RMG), which created around 3 million jobs in the first decade of the 2000s, FLFP expanded rapidly, rising 10 percentage points between 2002-03 and 2010 to reach 36%. This is still low in global context, and it is particularly low relative to males in Bangladesh, where the participation rate is above 80%. Moreover, in recent years FLFP has stagnated; in urban areas it has even declined from almost 35% in 2010 to below 32% in 2016-17. Women are also more likely than men to be in vulnerable employment; 39% of employed women are in unpaid work versus just 5% of employed men. And just 20% of female workers are wage employed compared with 23% of male workers.

Women face a broad range of constraints, often mutually reinforcing, to participate in the labour force, and particularly to access good jobs outside the house. These include: (i) Norms around childcare and household work, which make it difficult for female to balance work and family; (ii) mobility constraints linked to household responsibilities and purdah practices; (iii) human capital gaps reflected in low tertiary enrollment overall and in STEM subjects, which restrict access to good jobs; (iv) lack of access to ICT and information and networks limits the potential for women to take advantage of employment opportunities; (v) lack of access to safe transport represents another significant barrier to FLFP; (vi) gaps in social services provision, especially quality childcare represents an additional barrier to FLFP; (vii) women's lower access to productive resources, including financial and other assets, undermines their potential to generate sufficient returns from self-employment (including agriculture) and entrepreneurship; (viii) women face several workplace biases including restrictions in certain work areas, lack access to many occupations and workplaces due to occupational segregation resulting from social norms and practices within occupations, lack of equal pay and upward mobility, and widespread labour abuses in the workplace, including lack of safety and sexual harassment.

iii. Low Quality of Education and Training

Bangladesh has made solid progress in expanding primary and secondary school enrollment rates along with achievement of gender parity. Yet, there are serious concerns both with the quantity and the quality of education. According to the Labor Force Survey 2016-17 (LFS 2016-17), some 32% of the labor force still has zero education while less than 6% has tertiary education. Digging deeper, research shows that in addition to low education attainments, there are major issues with the quality of education and the skills level of the workforce. The quality issue remains a great concern for all the streams of education. They include low teacher to student ratio, weak learning outcomes, low cognitive skills, low technical skills, low ICT skills, large quality variation among schools, absenteeism of both teachers and students, limited or non-existent incentive for better performance, and low levels of accountability in the use of funds. At the higher levels, participation is low across the board, but especially low for females and for children from poor and low-income families.

Research shows that education does not often prepare the graduate for the job market. The high and growing incidence of the educated unemployed youths noted earlier is a reflection of this. Another indication is provided by the tracer studies on the employment status of tertiary graduates that shows that 46% of college graduates, 43% of university graduates and 32% of polytechnic graduates were unemployed even after 1-2 years of graduation.

iv. Low Public Spending on Health and Education

Full realization of the FDD and progress with SDD requires ‘quality’ human resources endowed in terms of education, health and skill. While private investment in health and education has increased, total investment needs in human capital is much larger than private investment. A Government of Bangladesh study shows that Bangladesh would need to spend 5.3% of GDP on health and 4% of GDP on education by 2030 in order to attain the respective SDG targets. As compared to this, Bangladesh spends only 0.7% of GDP on health and 2% on education. Clearly, the current levels of government health and education spending put a major constraint on the gains from the demographic dividend potential, especially for the SDD.

v. Falling Employment Responsiveness to GDP Growth

Even before COVID-19, three major challenges emerged on the employment front. First, employment growth has been much slower than GDP growth implying that the employment elasticity of GDP is falling. Second, employment in manufacturing and construction actually contracted between 2013 and 2016-17 even as value-added growth in these activities accelerated. Third, the concentration of jobs in the informal sector further increased raising concerns about the shortage of decent jobs. A new challenge that has been thrust upon Bangladesh and globally is the need to address the large unemployment problem owing to the adverse effects on economic activity of the ongoing COVID-19 pandemic.

Several factors have contributed to this slowdown in job creation: (i) Automation and consolidation in the RMG sector has caused a virtual stagnation in RMG employment since 2013 despite growth in value added and exports ; (ii) the success in the RMG has not been repeated elsewhere in the export sector for a range of reasons including anti-export bias of the trade policy and the appreciation of the real exchange rate; (iii) the micro and small enterprises (MSEs), which is the largest source of non-farm employment, is mostly informal in nature and lacks dynamism owing to a variety of constraints(see below); (iv) in construction, the number of jobs declined despite rapid growth in its value added owing to the growing capital intensity of production in construction; (v) job creation in services slowed owing to slowdown in employment growth in modern services that is relatively more skill intensive; (vi) the macroeconomic environment has weakened recently, reflected in a sharp reduction in the portfolio quality of the banking sector and the tax effort has faltered, which has hampered private investment and sharply constrained government efforts to finance investments in infrastructure and human capital.

vi. Lack of Dynamism in MSEs

MSEs are the second largest source of employment creation after agriculture accounting for almost 35% of total employment. The MSEs have several advantages that makes them the most viable option for job creation in the short to medium term: flexibility of entry and exit; relatively low investment needs; moderate skills requirements; buoyant demand; and abundant low-cost labor. Yet, MSEs lack dynamism owing to a number of constraints that prevents its ability to create good paying jobs at a rapid pace. These include: (i) serious financing constraint--while microenterprises have benefitted from the microcredit revolution, they face very high interest rates, and the small enterprises basically suffer from a severely constrained access to institutional credit; (ii) limited vertical connectivity with organized large or medium enterprises that limit access to working capital, marketing strategy, technology, and quality assurance; (iii) lack of skilled technicians and workers; (iv) poor management skills of entrepreneurs; (v) lack of market information; (vi) lack of understanding of global markets and trade regimes; (vii) absence of government support services; and (viii) high cost of doing business vis a vis government regulations because unlike the large and medium enterprises MSEs do not have political connections to overcome or bypass many of the bureaucratic hurdles.

vii. Sluggish Private Investment Performance

Research shows that capital formation has been the most important growth driver for Bangladesh. This has been largely fueled by the rapid increase in the private investment rate since the early 1990s well up to FY2009, rising from a meager 6% of GDP in FY1989 to 20% in FY2009. Unfortunately, however, the private investment rate did not gain further momentum during the 6th FYP or the 7th FYP. The private investment rate has shown signs of stagnation at the 22-23% of GDP rate over the past 9 years. An important factor that has contributed to inadequate private investment is the lack-luster response from foreign direct investment (FDI). Despite the large inflows of FDI in neighboring countries of China (\$132 billion), India (\$42 billion), Indonesia (\$22 billion) and Vietnam \$16 billion), Bangladesh receives a mere \$2-3 billion a year.

Several factors constrain the flow of FDI in Bangladesh. These are usefully summarized in global rankings of investment climate in Bangladesh. Thus, the Global Competitiveness Index (GCI) of the World Economic Forum for 2019 ranks Bangladesh at 111 out of 141 countries, while the ease of Doing Business Indicators (DBI) of the World Bank Group for 2020 ranks Bangladesh at 134 out of 189 countries. Drilling down the ease of DBI, Bangladesh performs poorly in 8 out of the 10 specific indicators: enforcing contracts (rank 189); registering property (rank 184); getting electricity (rank 176); trading across borders (rank 176); resolving insolvency (rank 154); paying taxes (151); dealing with construction permits (135); and starting a business (131).

viii. Constraints to Overseas Employment

An important way that Bangladesh has benefitted from its ample supply of population and labour force is by sending a part of its labour force to the oil-rich labour shortage economies of the Middle East. External migration has been a major source of job creation, income and poverty reduction for a substantive number of families, especially in the rural areas. Over a span of four decades since 1976, Bangladesh sent about 11 million workers to more than 140 countries. Overseas remittances into Bangladesh increased from around \$197 million in FY1980 to \$14.4 billion in FY2013. The share of remittances as a percentage of GDP increased from around 1% in FY1980 to about 10% in FY2013. The GDP share of remittances has fallen since then but in US Dollar terms has increased to \$16.4 billion in FY2019.

In addition to the COVID-19 related brake on overseas employment, several problems emerged in the pre-COVID phase that need to be addressed in order to ensure the continued supportive role of this

instrument for job creation and development in the post COVID-19 phase. These include: (i) Evidence shows that the non-poor have greater access to overseas migration than the poor, thereby limiting its poverty impact; (ii) the skills base of overseas workers has increased, but on average Bangladesh still caters mostly to the low-skill needs of the overseas; (iii) the cost of migration is excessive relative to other countries; (iv) the rights of migrant workers are not adequately protected, including violation of contractual agreements on wages and benefits; (v) harassment and abusive behavior towards female workers, who mostly work as household help, is a serious problem; and (vi) returnee workers face numerous challenges in resettling back at home. Supportive services are missing or weak.

C. Policy Actions to Address the Constraints to the Demographic Dividend

The analysis of labor market supply and demand constraints to the demographic dividend suggests that strategies and policy actions for harnessing the demographic dividend can be organized under the 7 strategic themes that constitute the Strategic Framework for Demographic Dividend (SFDD).

i. Strategic Theme: Creating Higher Productive Employment for Youth Through Training and Self Employment

This theme also subsumes the education and training reform agenda for improving the skills base of the labor force since the youth are the frontline workers of today. It is important for the government to develop a Bangladesh Youth Employment Policy Framework (BYEPF) that should have timebound measurable targets to assess progress. The main elements of the BYEPF include:

- a. Strengthen education and training for the youth:** The biggest policy challenge on the supply side of the labor market is to increase the quality and relevance of education and training to the job market. The key policy actions include: (i) ensure 12 years of compulsory education for all children by 2030; (ii) strengthen access to and quality of vocational and tertiary education; (iii) sharply increase budget allocation for education and training; (iv) decentralize education system delivery to local government institutions (LGIs); (v) sharply upgrade teacher quality by adopting a long-term teacher professional development program learning from the experiences of East Asian and OECD countries; (vi) strengthen teaching of science, mathematics and ICT; and upgrade school facilities including buildings, furniture, playground, labs and ICT equipment.
- b. Integrating ICT in the education system:** Progress in integrating ICT in education has been constrained by low public spending on education and the availability of trained teachers. The A2i Initiative of the government of Bangladesh is collaborating with the education ministry to speed up the integration of ICT in the education system. This needs to be complemented with a substantial increase in the public spending on education and proper allocation to procure the needed ICT facilities and to train and recruit quality teachers.
- c. Strengthen the skill base of the existing youth labor force:** There are two types of unskilled youth employed labor force: those with little or no education (zero- primary level); and those with reasonable exposure to the schooling system (secondary and above).

For the first category, the main challenge is to impart basic literacy and numeracy skills to this labor force through publicly funded programs. The major challenge is to convert the government's Non-Formal Education (NFE) Program into a concept of lifelong learning. Widespread use of ICT resources for organised lifelong learning (e.g., through a nationwide network of community learning centres) and expanding self-learning opportunities, have to be key features of non-formal education and lifelong learning. Adequate funding and organization based on partnership between NGOs, local community, ministry of education and local government officials is necessary.

For the second category, the main challenge is to impart them with relevant on-the-job training in strong partnership with the business sector. A strategy for public-private partnership for on- the- job-training

scheme can be developed, where the public sector provides the funding while the private sector imparts the training. There are two strands of this strategy. The first element concerns partnership with enterprises in the formal sector. Several government programs such as The TVET Reform Project of 2008-15, the National Skills Development Project (NSDP) 2011, the Skills and Training Enhancement Project (STEP) and the Skills for Employment Investment Project (SEIP) are all aimed at addressing this concern. These are important policy initiatives but implementation has been uneven and need to be strengthened further. A major initiative that has good prospects for developing employable skills and productivity is the SEIP project that seeks to develop employable skills in partnership with the business sector. The lessons of experience must be consolidated to develop a coherent strategy for public-private initiative for skills development linked to market demand. Given the large gap of skills, the scaling up of this program will require innovative financing arrangements including cost sharing by employers.

A second element should be geared to addressing the training needs of youth who are employed in the informal sector, who are self-employed, who belong to the NEET group, and who are looking for international migration opportunities. The large bulk of the youth is in this category. The most promising training option for this would be to enter into partnerships with the donor community and the NGOs. The common principle should be to provide training that will lead to employable skills related to market demand.

- d. Addressing the challenge of the NEET:** The NEET stock presents a complex challenge. This is not simply a matter of providing better training. An expert task force led by the Ministry of Youth should be tasked with the responsibility of doing a solid diagnostic study of this complex multi-dimensional problem and come up with a long-term solution. In the short term, several measures can be taken to prevent a worsening of the situation. First, since some 83% of the NEET are women, the tougher implementation of the child marriage law and laws to prevent violence against women, and the elimination of gender gap in access to tertiary and vocational education will be a major step to reduce the female entry to the NEET group. Second, the implementation of the 12 years compulsory education will help reduce the NEET population substantively. Third, quality enhancements in education and training discussed above will help reduce the incidence of both the unemployed youth and the NEET population. Fourth, the government can develop an outreach scheme in partnership with NGOs / CBOs that provides incentives to the existing NEET population to actively participate in employment-based training schemes. Finally, the promotion of self-employment schemes can play a catalytic role in lowering the incidence of NEET.
- e. Promotion of youth self-employment through entrepreneurship:** The best prospects for creating employment opportunities for the youth who have only primary or secondary education are by promoting self-employment through entrepreneurship. The MSEs are the dominant source of non-farm employment, the range of activities covered is huge and can easily accommodate all the unemployed and NEET youth who are willing to participate in this market. Therefore, policies to promote MSEs noted above can also facilitate the growth of self-employed youth, while also providing training and access to credit for the youth to enter the MSE market.

For the youth with higher secondary or tertiary education, the best option would be the promotion of ICT based self-employment. The demand for ICT skills is huge in the labor market and a thriving ICT-based self-employment in a range of services including web design, mobile financial services, e-commerce, and transport has emerged. To enable the full potential of the ICT-based self-employment option, a number of policy reforms are needed. These include: (i) enhanced access to institutional credit; (ii) accelerate the growth of ICT infrastructure and ICT-based services by sharply reducing the overwhelmingly large taxation of the ICT sector; (iii) simplify the regulatory framework for self-employed ICT specialists and other ICT-based services including registration, foreign currency regulations and tax filing.

ii. Strategic Theme: Creating a Conducive Environment for Higher Participation of the Female Labour Force

Increasing FLFP requires addressing a range of related objectives, including addressing the quality of educational outcomes, the quality of jobs available to women, and the opportunities for women to achieve upward mobility in occupations. In this context, an umbrella-type initiative like a National Women's Employment Initiative may be helpful in bringing together the various diverse measures. The proposed policy reforms include: (i) Strengthen national and local government capacities to implement all government policies relating to child marriage and violence against women; (ii) introduction of paternity and/or parental leave; (iii) introduction of law explicitly restricting gender discrimination in provision of credit; (iv) enactment of Child Daycare Act and introduction of licensing and regulatory regime for childcare facilities; (v) strengthening enforcement of Labour Act requiring childcare provision in firms with >40 female workers; (vi) introduction of mechanisms to help finance childcare services for lower income workers (e.g. subsidies, tax credits, etc.); (vii) amending inheritance laws to ensure equal rights to women; (viii) amendment of Labour Act to eliminate all work-place related discrimination against women; (ix) strengthening enforcement capacity for labour inspection of work place safety standards; (x) introducing mechanisms for female workers to report labour abuses, including sexual harassment, without fear of retribution; (xi) introduction and implementation of criminal penalties or civil remedies for sexual harassment in employment; (xii) revisit the share of women in public services and consider revising the quota upwards; (xiii) sharply increase female access to technical and tertiary education through a combination of female technical colleges at the district level and stipends program to finance university education; (xiv) scale up tested education-related conditional cash transfers aimed at keeping girls in school beyond grade 10, and encouraging their acquisition of STEM skills; (xv) implement programs to recruit and train cadres of female service providers in healthcare, childcare and education; (xvi) scale up conditional cash transfers (CCTs) and other established methods to further raise age at marriage; (xvii) introduce public campaigns using innovative media/approaches—on educational choices and LFP; (xviii) adopt pilot programmes for safe, affordable public transport for women; and (xix) promoting women's access to ICT and digital financial services.

iii. Strategic Theme: Enhancing Social Sector Investment

This policy action is necessary for realizing the potential benefits of both the FDD and the SDD. Recognizing this, the 8FYP projects to increase education spending to 3% of GDP and health spending to 2% of GDP in health by FY2025. While, these levels of funding are still lower than the needs, the planned increase in education and health spending will boost the return to the demographic dividend and all efforts must be made to preserve these allocations. The ability to implement the fiscal policies of the 8FYP will be the most important determinant of this.

iv. Strategic Theme: Increasing the Job-creation Responsiveness of GDP

The 8FYP puts considerable emphasis on improving the job-creation capability of higher GDP growth. To this end it develops a comprehensive employment strategy. Full implementation of the job strategy will be very important for enhancing the benefits from the demographic dividend. While the promotion of labor-intensive exports will remain the major focus of job-creation strategy for the 8FYP, as during the 6FYP and the 7FYP, there are important differences. First, the 8FYP will need to focus on the diversification of the export base instead of relying only on RMG. Second, within RMG, the emphasis will be on product and market diversification. Third, in addition to factor services exports, strong emphasis should be placed on the expansion of non-factor services exports.

The main specific reforms include: (i) Create level playing field for all exports; (ii) correct the anti-export bias of trade policy by phasing away the large number of supplementary and regulatory duties, and lowering the upper bound and dispersion of custom duty rates; (iii) restore and maintain a competitive

exchange rate policy. (iv) strengthen trade logistics performance to lower cost of trading; (v) liberalize the Foreign Currency Regime (v) adopt a comprehensive export strategy for non-factor services (NFS); and (vi) review and reform the high taxation of ICT to facilitate the expansion of ICT services contributing to growth of ICT-based employment.

v. Strategic Theme: Dynamizing the Role of the MSE sector

Given the nature of employment challenge facing Bangladesh (informality of employment, slowdown of employment in large manufacturing and construction, growing automation and technology change, and the severe skills constraint in the organized sector), the strength of job creation in MSEs offer the best solution for addressing the employment problem during the 8FYP. To jump-start the MSE reform process, immediate attention should be given to the following reforms (i) Redefine support focus to micro and small enterprises; (ii) adopt a comprehensive MSE development strategy; (iii) establish effective policy and support coordination mechanism; (iv) adapt regulations to serve informal MSEs (v) simplifying business procedures for MSEs; (vi) refocus and strengthen the SME Foundation to serve the needs of the MSEs; (vi) sharply scale-up MSE access to bank financing by converting the Bangladesh Bank (BB) SME financing window into an MSE financing window; (vii) strengthen startup capital financing through the BB refinancing schemes; (viii) Develop capacities of the banks and non-bank financial institutions (NBFIs) to better service the financing needs of MSEs.

vi. Strategic Theme: Improving the Investment Climate to Promote Domestic and Foreign Direct Investment

The 8FYP seeks to raise the private investment rate from 23% of GDP in FY2020 to 27% by FY2025 to boost GDP and create jobs. The main task would be to increase the inflows of FDI from the present low levels of 0.6% of GDP in FY2020 to 3% of GDP by FY2025. Several reforms are needed to achieve these private investment targets: (i) Preserve prudent macroeconomic management; (ii) restore health of the banking system; (iii) overhaul and simplify the regulatory regime and improve its implementation with a view to reducing transactions costs of doing business; and (v) strengthen institutional capabilities of the BIDA

vii. Strategic Theme: Boosting Overseas Employment Prospects in a Post-COVID-19 World

A strong effort would be needed to enhance the overseas employment prospects for Bangladeshi workers in post COVID-19 environment. The main reforms include: (i) Develop a strategy and time-bound overseas employment action plan; (ii) strengthen database and research to identify new markets and skills in demand; (iii) strengthen overseas employment prospects for less-served districts through information and training; (iv) Increase training opportunities for all potential migrant labors; (v) further lower cost of migration in partnership with the Bangladesh Probashi Kalyan Bank (PKB); (v) strengthen G2G dialogue to promote expansion of overseas employment; (vi) strengthen protection of overseas workers through high-level policy dialogue and support from local embassy staff; (vi) provide adequate support service to returnees.

D. Implementation Responsibilities and Time Frame

The Strategic Framework and the Reform Agenda identified above needs to be implemented during the 8FYP. To make the reform agenda implementable within the 5-year time span of the 8FYP, it is important to assign each of the proposed policy reform identified under the 7 themes of the Strategic Framework to the concerned implementation agencies and indicate the suggested implementation timeline. This is done in Chapter 5 that defines 7 policy matrices showing specific reform agenda of each theme, responsible agency and the time frame.

1. Introduction and Background

1.1. Importance of Demographic Dividend in the 8FYP

The Government of Bangladesh is expected to launch the implementation of the 8th Five Year (8FYP) around end-December 2020 (Government of Bangladesh 2020a). The 8FYP is the first of a series of four 5-year plans that are tasked with the responsibility to help implement the government's Perspective Plan 2020-2041 (PP2041) (Government of Bangladesh 2020b). At the macroeconomic level, the main task of the 8FYP is to start the implementation of PP2041 in a way that it brings Bangladesh closer to the goals of attaining UMIC status, attaining major SDG targets, and eliminating extreme poverty by FY2031. Consistent with these goals, the 8FYP sets ambitious growth, employment, and poverty reduction targets. The average GDP growth is targeted to increase from 7.4% in the 7FYP to 8.3%, with annual growth rate reaching 8.5% by FY2025. Poverty incidence is projected to fall from 20.5% in FY2019 to 15.6% in FY2025, while extreme poverty is targeted to reduce from 10.5% in FY2019 to 7.4% in FY2025.

The quantity and quality of labor force of a country is among the most critical determinant of the growth prospects. The quantity of labor force is influenced by the demographic profile of a country. The demographic window of opportunity (DWO) is the period when the proportion of a country's working age population aged 15 to 64 years is higher than the share of the dependent populations, i.e. young dependent population aged 0 to 14 years and elderly dependent population aged 65 years and above. The DWO can enhance economic growth by allowing labor force to grow faster than the population growth rate. Over time, growth can also benefit from an associated rise in the savings rate and higher investment in human capital. Proper use of the DWO is therefore very important. Bangladesh started its DWO in 1978 and projections show that this will end in 2033. Has Bangladesh used its DWO effectively? Can it do better? Both are important policy questions that need careful analysis.

1.2 Objectives and Methodology of the Study

Objectives: The 8TH Five Year Plan (8FYP) has placed considerable emphasis on harnessing the demographic dividend to support GDP growth. The two major objectives of the study are to first, answer the two policy questions raised above relating to the use of the DWO; and second, to develop a strategic framework that combines the 8FYP strategies with concrete implementable action plan along with implementation responsibilities and time frame to reap the demographic dividend. Since the key strategic focus of the demographic dividend is to make the best possible use of the work force, the strategic framework is developed based on analysis of the demand and supply side issues of the labor market and related policy actions. The strategic framework identifies specific policy actions, investment program, and institutional reforms that can be implemented during the 8FYP with a view to strengthening the development impact of the demographic dividend.

Methodology: The study is primarily based on desk review of government reports and national and international research, and assessment of the available secondary data sets. Population projections and their changing structure based on UNFPA and BBS data are used to estimate the time frame of the demographic Window of Opportunity in Bangladesh. Furthermore, a thorough desk review of the various Plan documents including the Draft Eighth Five Plan and the background papers is done in order to design implementation strategies that are in line with the 8FYP. The data sets and reports that have been assessed and reviewed include:

- The draft report of the 8TH Five Year Plan
- The Perspective Plan of Bangladesh 2041
- Background studies prepared for the 8FYP and PP2041
- Population Situation Analysis (PSA), 2019
- The 2011 Census report
- The BBS report on population projections 2011-2061

- Bangladesh Demographic and Health Survey
- Sample Vital Registration System (SVRS)
- Bangladesh Maternal Mortality and Health Care Survey (BMMS report)
- Labour Force Survey, 2017

In addition to these official documents, a number of national and international research was reviewed and used as relevant to the needs of the study. The specific studies consulted are listed in the bibliography section of the report.

1.3. Presentation of the Study Report

The first section deals with introducing the development context, objectives and methodology of the study. Discussions on the meaning of demographic dividend and an assessment of window of opportunity in Bangladesh are presented in section two. Section three assesses the main challenges in harnessing the demographic dividend. Pathways and strategies for strengthening the use of the demographic dividend are elaborated in section four. Implementation arrangements and time frames are provided in the last section.

2. Demographic Dividend and Window of Opportunity in Bangladesh

This section focuses on concepts, definition and estimated sizes of first and second demographic dividend. Furthermore, an assessment on the window of opportunity in Bangladesh has also been undertaken.

2.1. What is Demographic Dividend?

The demographic dividend is the accelerated economic growth that may result from a rapid decline in a country's fertility and the subsequent change in the population age structure. With fewer births each year, a country's working-age population grows larger in relation to the young dependent population. With more people in the labor force and fewer young people to support, a country can exploit the window of opportunity for rapid economic growth if the right social and economic investments and policies are made in health, education, governance, and the economy. While the benefits of a dividend can be great, the gains are neither automatic nor guaranteed.

The African Union Commission (AUC) and UN Economic Commission for Africa (UNECA) in their 2013 policy brief defined demographic dividend as involving a pathway from population structure (mainly natural) to demographic dividend (guided by policies and strategies) (see Figure 1).

Figure 1: Defining the Demographic Dividend



Source: AUC and UNECA (2013)

Accordingly, realization of the demographic dividend in a country would depend on strategic investments in four key areas:

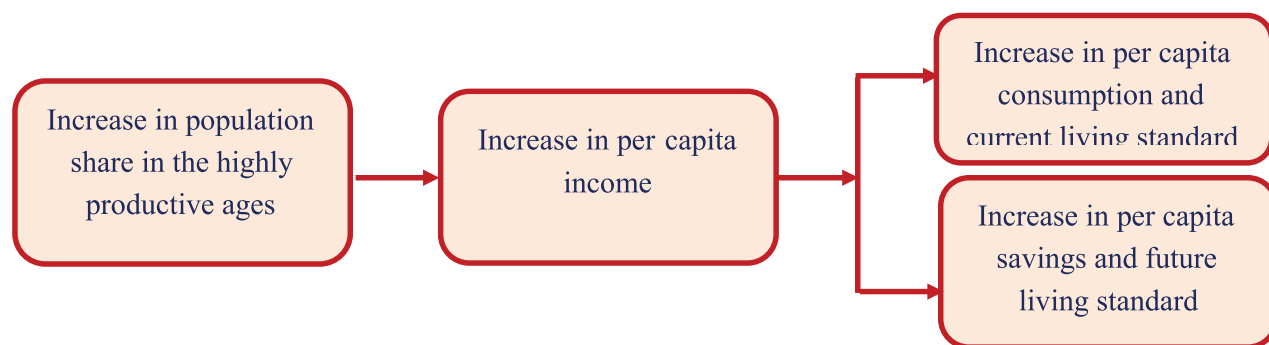
- **Initiate Demographic Change.** The first step toward a demographic dividend is a rapid fertility decline through investments in family planning, child survival, and educating girls.
- **Improve Citizen's Health.** Healthy children do better in school, and this success ultimately contributes to a higher skilled labor force. Youth also have health needs to be addressed and maintaining the health of adult workers is critical to economic productivity.
- **Invest in Education.** Education systems must focus on ensuring that more young people complete school and give youth the skills to adapt to the changing labor market.
- **Implement Economic and Governance Policies.** Economic and governance policies must foster job growth and investment in labor-intensive sectors, support the expansion of infrastructure, promote trade to ensure access to international markets, and create a secure environment and incentives for foreign direct investment.

According to Lee and Mason (2006), the demographic transition can enhance economic growth in two broad ways. First, as the dependency ratios decline, and the share of working age population grows relative to the total population, the labor force grows faster than population thereby contributing to the GDP growth potential. This is called the first demographic dividend (FDD). Second, a second demographic dividend (SDD) arises when the FDD leads to larger savings in the short run and higher investment in the human capital and investment per worker in the long run. While the positive effects of the FDD are time bound dictated by the demographic transition, the effects of the SDD can be of much longer duration and dictated by the country's response to the growth in the national savings rate, and in particular how effectively this is channeled into investment in human capital. This implies that the focus on increasing national savings rate and increasing investment in human capital can play a much more solid and long-lasting development role than the pure demographic-transition related to the FDD.

The First Demographic Dividend (FDD)

Following Lee and Mason (2006), the working of the FDD can be illustrated as in Figure 2.

Figure 2: The First Demographic Dividend Outcomes



Abrigo (2019) argued that during the FDD, fertility decline leads to a substantial time-bound rise in the number of workers relative to the number of consumers. He argues that 70 per cent of the countries are currently benefiting from the FDD. He also provides the start and end of FDD by major regions of the World (Table 1). It appears that except for Africa, the time for other regions to reap the FDD is small, at around 13 to 15 years from 2020.

Table 1: Key features of FDD

Regions	Timing (Average)		Dividend (percentage points)		
	Start	End	Average	25th	75th
Africa	1991	2084	0.38	0.15	0.53
Americas	1974	2032	0.51	0.21	0.71
Asia-Pacific	1975	2033	0.56	0.18	0.80
Europe	1964	2001	0.35	0.14	0.51
World	1977	2041	0.45	0.17	0.62

Source: Abrigo (2019)

Second Demographic Dividend (SDD)

As a result of a “first” demographic transition, age structures of populations become older. Economically, people often move into higher-paying jobs and countries experience higher per capita income. These social and economic changes motivate people to accumulate greater personal wealth—a process that leads to the SDD. This second dividend operates in two ways:

- Greater accumulation of wealth: Lower fertility and increased life expectancy generally lead to greater wealth.
- First, people accumulate wealth during their working years, and by the time they reach old age their wealth is at or near its peak.
- Second, as people realize they will live longer, they will be more motivated to accumulate wealth that they can use to support themselves in old age.
- Greater investments in human capital: As people’s wealth increases, research indicates that they are more likely to invest in the health and education of each of their children. With fewer children to care for, it is possible for parents to invest more resources in each child.
- Public policy support for human capital formation: Public policy can play a major role in both initiating the first FDD through investments in population management and healthcare as well as supporting greater investment in human capital during the FDD period.

Figure 3 shows the working process for the SDD (Lee and Mason 2006).

Figure 3: Second Demographic Dividend Outcomes

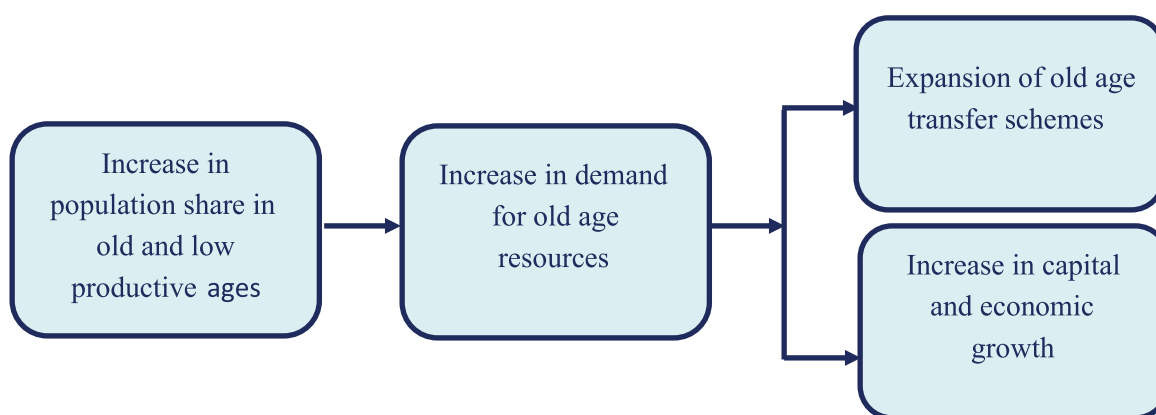


Table 2: Estimated Size of the First and Second Demographic Dividend

Regions	Demographic Dividend's contribution to GDP/N*			Actual Growth in GDP/N	Actual Dividend
	First	Second	Combined		
Industrial	0.34	0.69	1.03	2.25	1.22
East Asia and Southeast Asia	0.59	1.31	1.90	4.32	2.42
South Asia	0.10	0.69	0.80	1.88	1.08
Latin America	0.62	1.08	1.70	0.94	-0.76
Sub-Saharan Africa	-0.09	0.17	0.08	0.06	-0.02
Middle East and North Africa	0.51	0.70	1.21	1.10	-0.11
Transitional**	0.24	0.57	0.81	0.61	-0.20
Pacific Islands	0.58	1.15	1.73	0.93	-0.79

Source: Lee and Mason (2006)

Notes: *Actual growth in GDP per effective consumer (GDP/N), 1970–2000, in percent a year. The effective number of consumers is the number of consumers weighted for age variation in consumption needs.

** Includes Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, FYR Macedonia, Moldova, Mongolia, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

The World Bank's Global Monitoring Report 2016 provides a list of policy priorities for leveraging the demographic dividend at the country level based on the phase of the FDD (Table 3). Many countries in the South Asia (including Bangladesh) may find themselves inching towards the phase of late dividend (i.e. phase 3).

Table 3: Policy Priority for Leveraging Demographic Change at Country Level

Phase	Issues	Recommended Policies and Strategies
1. Pre-dividend	Sparking demographic transition	<ul style="list-style-type: none"> • Improve maternal and child health by strengthening provision of basic health care services.
	Improving human development outcomes to reduce fertility rates	<ul style="list-style-type: none"> • Expand education without letting girls fall behind. • Empower women and give them access to comprehensive family planning services.
2. Early dividend	Accelerating job creation	<ul style="list-style-type: none"> • Invest in human capital, including vocational and technical training.
	Creating productive jobs for the growing share of the population in working age to reap the first demographic dividend.	<ul style="list-style-type: none"> • Enhance labor market mobility. • Reduce barriers to female labor force participation.
3. Late-dividend	Sustaining productivity growth	<ul style="list-style-type: none"> • Continue mobilization of savings for productive investment.
	Creating conditions necessary to reap the second demographic dividend and beginning to prepare for aging	<ul style="list-style-type: none"> • Ensure that public policies across the board encourage labor-force participation of both sexes. • Design cost-effective and sustainable systems for welfare and human development that address current needs (including health, childcare, education, and support to vulnerable elderly) and that can be adapted to meet the needs that emerge as aging proceeds.
4. Post-dividend	Post-dividend Adapting to aging	<ul style="list-style-type: none"> • Complete reforms of welfare systems—including pensions, health care, and long-term care—that ensure fiscal sustainability and, as part of integrated approaches, protection of the vulnerable, elderly and others, and encouragement of work among those who are able.
	Maintaining and improving welfare in the context of a declining working-age share and growing old-age share.	<ul style="list-style-type: none"> • Raise labor force participation and productivity (including incentives for participation targeted at women and older cohorts; and lifelong. • Pursue policies that encourage a rebound of fertility, among other things by making it easier for men and women to combine child rearing and participation in the labor market

Source: Based on Table 6.1 Global Monitoring Report (2015/16), World Bank 2016

The report also opined that in addition to pursuing the domestic agendas for demographic dividend at the country level (as explained above), countries can also arbitrage and in the process leverage demographic change at the global level through cross-border capital flows, international migration, and global trade. It is argued that the diversities in the demographic transition at the country level are producing important spillovers across countries, contributing to changes in comparative advantages underpinning trade, and in the returns earned by labor and capital. However, these changes require the implementation of policies to support enhanced trade in goods and services as well as greater factor mobility. Table 4 summarizes the policy priorities at the global level.

**Table 4: Policy Priorities that Leverage the Differences in
Demographic Change Across Countries**

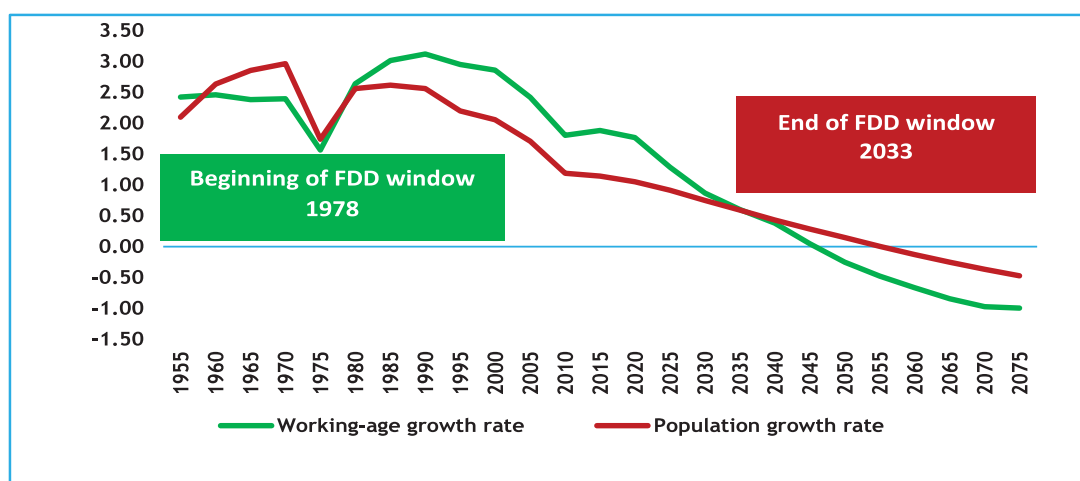
Focus areas	Policy priorities	Recommendations
International trade	<ul style="list-style-type: none"> • Promoting foreign provision of education services to boost educational opportunities in countries with a high share of youths, or to facilitate lifelong learning for aging countries • Using foreign providers to meet demand for health services in aging countries • Supporting comparative advantage in producing labor-intensive products in labor-abundant countries 	<ul style="list-style-type: none"> • Ease visa requirements for the free flow of international students and academics; address qualification recognition issues; reduce limits on foreign ownership; and increase transparency of government education regulations • Address restrictions affecting the physical presence of foreign suppliers, foreign equity ceilings, or barriers on the movement of health care professionals across borders • Streamline customs, border and transit procedures; improve logistics and transport services and extend physical infrastructure; tackle remaining tariff and nontariff barriers on goods trade
Migration	<ul style="list-style-type: none"> • Promoting legal migration flows to counteract the decline in working-age populations in aging countries and to mitigate labor market pressures in labor-abundant countries • Reducing the burden of brain drain in sending countries 	<ul style="list-style-type: none"> • Formulate clear migration policies; enforce minimum wage laws; provide adequate information to migrants about their rights and obligations; facilitate their contribution to and benefits from social protection schemes and public services; sanction potential abuses by firms • Develop comprehensive and targeted policies to retain, attract talent; encourage return migration
International finance	<ul style="list-style-type: none"> • Attracting international capital flows to young, labor-abundant countries • Addressing challenges posed by large and volatile capital flows to developing countries • Supporting opportunities for capital-abundant countries to increase returns and diversify investment portfolios 	<ul style="list-style-type: none"> • Create favorable investment climate; strengthen macroeconomic stability, the financial sector, and governance • Undertake measures to relax investment barriers at the domestic, regional, and global level • Introduce macroeconomic policies to address risks from volatile capital inflows, supervision, regulation, strong institutions • Provide investment guarantees or technical assistance

Source: World Bank (2016)

2.2. Estimated Time Horizon for FDD in Bangladesh

Figure 4 captures the growth rates of population and working age population for Bangladesh over 1975 to 2075. In the case of Bangladesh, the share of country's working age population started to increase vis-à-vis the total population in 1978, which is the beginning of its FDD. In terms of age group-wise growth of population, the growth rate of working age population aged 15 to 64 years has been declining since 1990s and it will start to shrink in 2033, which is the end of the country's FDD. The rate of decline of this age group is much faster than that of the total population, which has also been on a declining trend but at much slower pace, and its absolute number will start to decline only in 2060. Thus, the duration of Bangladesh's demographic window of opportunity is 55 years and as of 2019, the country already passed 75 per cent of its demographic window of opportunity.

Figure 4: Bangladesh First Demographic Window, 1975 to 2075



Source: Based on BBS data on population projections

The length of window of opportunity in Bangladesh is not very different from the windows of opportunity experienced by some of her East Asian neighbours (Table 5). Bangladesh's demographic window of opportunity, at 55 years, is similar to that of Indonesia, Nepal, Malaysia, and Taiwan, all of which have either already experienced or are experiencing their windows of opportunities at more advanced stages of their development. The window of opportunity of Bangladesh is shorter than that of Japan – one of the fastest aging societies in the world – which enjoyed 59.5 years of demographic window of opportunity. But Japan aged at a much-advanced stage of her development.

Table 5: Demographic Window of Opportunity in Bangladesh and other Asian Countries

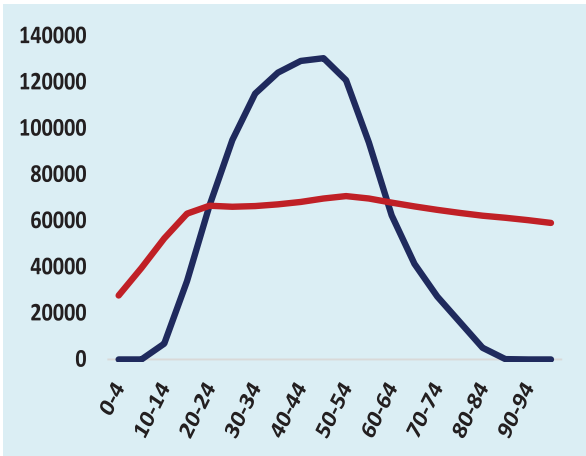
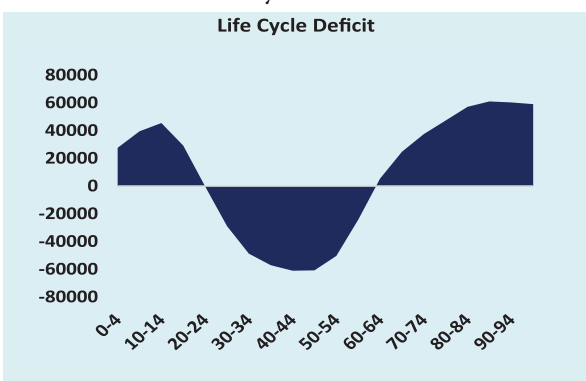
Country	Year		Length
	Start	End	
Thailand	1966	2010	44
China	1968	2012	44
Singapore	1966	2012	46
Hong Kong	1964	2011	47
South Korea	1968	2016	48
Taiwan	1963	2014	51
Indonesia	1973	2025	52
Malaysia	1966	2021	55
Nepal	1992	2047	55
Bangladesh	1978	2033	55
Japan	1930-35	1992	59.5

Source: UNICEF (2020)

An important policy question is how has the population responded to the ongoing demographic transition. The relevance of the policy question has to do with the balance of adjustments from within the population versus the role of social transfers from the government. The National Transfer Accounts is a helpful analytical tool to understand this. It provides a complete accounting of economic flows by age of the residents of a country of how economic resources are produced and consumed, and how each of them relies on government programs, family systems, and financial markets to achieve the final distribution of these economic resources in a year. The response mechanism in Bangladesh is illustrated in Box 1 with the construction of the 2016 National Transfer Account (NTA) for Bangladesh. The results follow the model predictions quite well. Per capita income continues to rise from low-levels in the early years reaching a peak at around age group 40-44 and then declines. The pattern of per capita consumption climbs steeply between age group 0-4 and 10-14 and then flattens out across the following age groups. Overall, the age distribution of per capita consumption is much more smooth than per capita income throughout the life cycle.

At the national level, the adjustment process suggests that the FDD did contribute to both higher GDP growth and increasing domestic savings rate (Table 6), which is reassuring. While there are many factors that contributed to growing GDP and national savings rate in the FDD phase, the results of the NTA shown in Box 1 suggests that FDD was also an enabling factor. But an important policy question that remains is whether the full potential of the FDD has been realized. This will be addressed in Section 3.

Box 1: First Demographic Dividend and Economic Lifecycle in Bangladesh

<p>Using the National Transfer Accounts (NTA) methodology, the economic life cycle and dependency of junior dependent and senior dependent populations have been estimated for 2016. It used HIES 2016 data.</p> <p>The labor income profile is an inverse U-shaped curve suggesting low earning potential at early ages, increases steeply till about 34 years of age, and then steadily increases between 35 and 49 years of age. Thereafter, income starts declining, and after 54, it declines rapidly with advancing age. Per capita yearly consumption increases sharply from about 4 years of age till it attains an early peak at about 19 years, indicating investment in education which continues up to 25 years. Afterward, the consumption is similar across rest of the ages.</p>	<p>Figure 1: Per Capita Profile (in thousand taka), 2016 Consumption and Labour Income</p>  <table><caption>Estimated data for Figure 1: Per Capita Profile (in thousand taka), 2016</caption><thead><tr><th>Age Group</th><th>Labour Income (thousand taka)</th><th>Consumption (thousand taka)</th></tr></thead><tbody><tr><td>0-4</td><td>0</td><td>25,000</td></tr><tr><td>10-14</td><td>5,000</td><td>55,000</td></tr><tr><td>20-24</td><td>40,000</td><td>65,000</td></tr><tr><td>30-34</td><td>110,000</td><td>65,000</td></tr><tr><td>40-44</td><td>130,000</td><td>65,000</td></tr><tr><td>50-54</td><td>125,000</td><td>68,000</td></tr><tr><td>60-64</td><td>80,000</td><td>65,000</td></tr><tr><td>70-74</td><td>30,000</td><td>60,000</td></tr><tr><td>80-84</td><td>5,000</td><td>55,000</td></tr><tr><td>90-94</td><td>0</td><td>50,000</td></tr></tbody></table>	Age Group	Labour Income (thousand taka)	Consumption (thousand taka)	0-4	0	25,000	10-14	5,000	55,000	20-24	40,000	65,000	30-34	110,000	65,000	40-44	130,000	65,000	50-54	125,000	68,000	60-64	80,000	65,000	70-74	30,000	60,000	80-84	5,000	55,000	90-94	0	50,000
Age Group	Labour Income (thousand taka)	Consumption (thousand taka)																																
0-4	0	25,000																																
10-14	5,000	55,000																																
20-24	40,000	65,000																																
30-34	110,000	65,000																																
40-44	130,000	65,000																																
50-54	125,000	68,000																																
60-64	80,000	65,000																																
70-74	30,000	60,000																																
80-84	5,000	55,000																																
90-94	0	50,000																																
<p>Three distinct age groups are found in terms of LCD. As expected, two deficit groups are children (age 0 to 14) and the elderly (65 +). However, the deficit for elderly group is higher than the children perhaps indicates that low levels of income as well as higher poverty among households with children compared to household with elderly. The group encompassing age 15 and 64 is generating surplus in Bangladesh.</p> <p>The falling support ratio in Bangladesh suggests that the surplus generating group must be able to create enough income to support other two deficit groups – especially the elderly.</p>	<p>Life Cycle Deficit</p>  <table><caption>Estimated data for Life Cycle Deficit</caption><thead><tr><th>Age Group</th><th>Life Cycle Deficit (thousand taka)</th></tr></thead><tbody><tr><td>0-4</td><td>30,000</td></tr><tr><td>10-14</td><td>40,000</td></tr><tr><td>20-24</td><td>0</td></tr><tr><td>30-34</td><td>-40,000</td></tr><tr><td>40-44</td><td>-60,000</td></tr><tr><td>50-54</td><td>-50,000</td></tr><tr><td>60-64</td><td>0</td></tr><tr><td>70-74</td><td>30,000</td></tr><tr><td>80-84</td><td>60,000</td></tr><tr><td>90-94</td><td>60,000</td></tr></tbody></table>	Age Group	Life Cycle Deficit (thousand taka)	0-4	30,000	10-14	40,000	20-24	0	30-34	-40,000	40-44	-60,000	50-54	-50,000	60-64	0	70-74	30,000	80-84	60,000	90-94	60,000											
Age Group	Life Cycle Deficit (thousand taka)																																	
0-4	30,000																																	
10-14	40,000																																	
20-24	0																																	
30-34	-40,000																																	
40-44	-60,000																																	
50-54	-50,000																																	
60-64	0																																	
70-74	30,000																																	
80-84	60,000																																	
90-94	60,000																																	

Source: Khondker, B. and M. Rahman (2016)

Table 6: Demographic Window of Opportunity in Bangladesh and other Asian Countries

FDD Response Indicator	1973-1980	1981-2000	2001-2020
GDP growth rate (% per year)	3.7	4.3	5.6
National savings rate (end of period) (% of GDP)	10.6	23.1	30.2

Source: Bangladesh Bureau of Statistics National Accounts

3. Key Challenges in Harnessing Demographic Dividend in Bangladesh

The positive contribution of FDD to the acceleration of GDP growth and national savings is reassuring. But maximizing the benefits of the window of opportunity for the demographic dividend will not be easy, given the many challenges confronting Bangladesh and the onset of COVID-19. The major constraints work from both the supply side and the demand side of the labor market.

The supply side constraints relate to: (i) high youth unemployment rate; (ii) low female labor force participation rate; (iii) low quality of education and training; and (iv) inadequate investment in human development.

The demand side constraints include: (i) Declining employment responsiveness to GDP growth; (ii) lack of dynamism in micro and small enterprise (MSE) sector; (iii) sluggish private sector investment rate; and (iv) slowdown in overseas employment owing to COVID-19.

The prevalence of these constraints despite 43 years of the onset of the FDD suggests that Bangladesh has not fully benefited from the FDD. In particular, high youth unemployment rate, large proportion of youth that is not in education, employment or training (NEET), and the low female labor force participation rate all suggest that the FDD benefit has been much below potential.

Labor Market Supply Side Issues

3.1. Youth Unemployment

Youths (aged between 15 and 29) in Bangladesh constitute the second largest group when the population structure is considered. Youth constitutes 31 percent of the total population. However, the labour market profiles of the Youth in Bangladesh portray a rather dismal picture with high unemployment rate and a high share of the youth in the NEET group (Table 7).

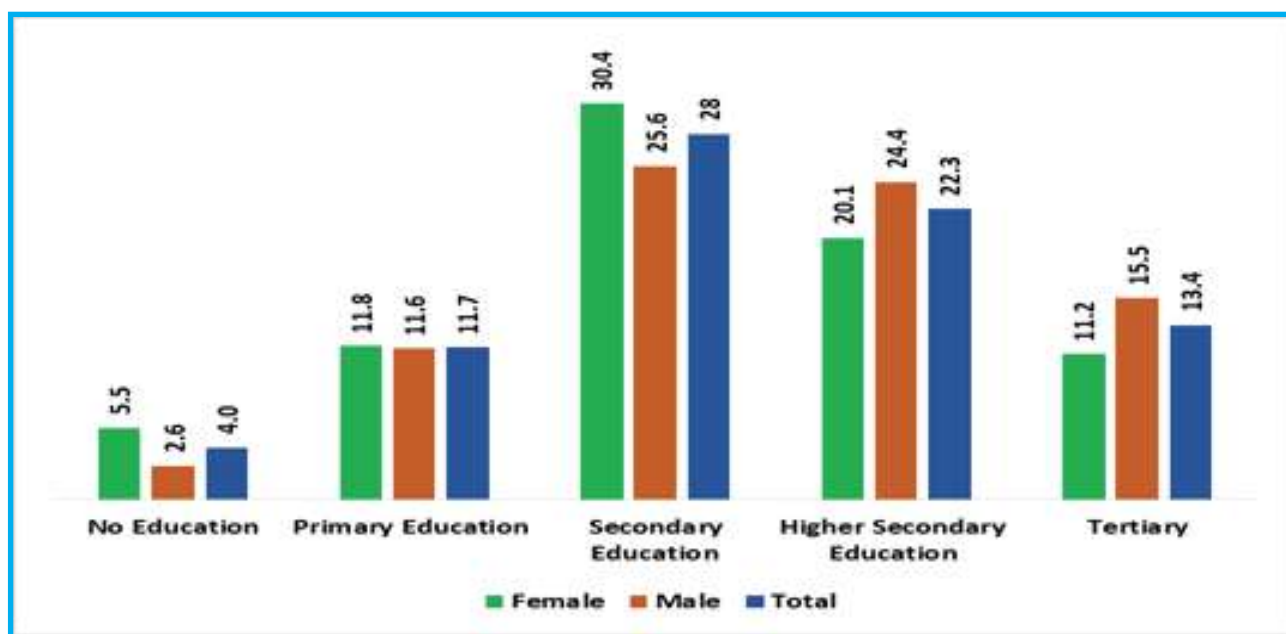
The challenge for the working age youth population is particularly demanding as progress in this area has been highly inadequate. A significant portion of the youth population is deprived of the opportunity to develop their capabilities. One of the main challenges faced by young people is the lack of skills. Many do not reach secondary education and those who do have often low learning achievements. Additionally, there is not enough vocational training available to compensate. Most importantly, the educated youth have very low skills needed at the work force. Consequently, there is a high incidence of unemployed educated youth. Also, due to various social biases, lack of security in educational institutions and workplace, the female youth face even a more difficult challenge on the employment front.

Table 7: Labour Market Profile of Youths in 2016-17

Indicators	Male	Female	All
Youth Working Age Population (in million)	19.6	21.6	41.3
Youth labour force (% of total Labour Force)	30.1	35.0	31.6
Youth (% of total employed)	27.4	35.0	29.5
Youth Unemployed (% of total unemployed)	80.2	79.0	79.6
Youth Unemployed (% of total youth)	5.4	5.2	10.6
Youth Unemployment Rate (%)	8.2	15.0	10.6
Youth NEET (% of total youth)	8.1	49.4	29.8

Source: BBS Labour Force Survey (LFS) 2016-17

high unemployed youth suggests that despite efforts to grow the economy and spread the coverage of education at secondary and tertiary levels, Bangladesh is facing a major youth employment problem. Further dissection of unemployed youth, it is found that the unemployment rate among educated youth is high in Bangladesh. According to LF 2016-17, unemployment rates among Youth with secondary education was 28 per cent. The rate is 22.3 per cent in the case of Youth with higher secondary education. Around 13 per cent of tertiary educated Youth are also deprived of employment.

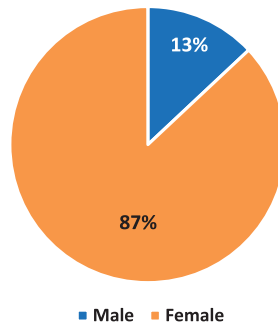
Figure 5: Unemployment Rate Among Educated Youth in 2017 (%)

Source: BBS LFS 2016-17

The problem of Youth Not in Employment, Education or Training (NEET)

Adding to the difficulties of the youth unemployment is the group of youth not in employment, education or training (NEET). In 2016-17, this NEET group accounted for 28.9% of the youth population, higher than 25% found in 2013 (Box 2). The overwhelmingly large percent of the NEET group is female (87%). Some 63% of the NEET population has secondary plus education, with a higher percentage for female.

Distribution of NEET youths aged 15-29 years by sex in 2016

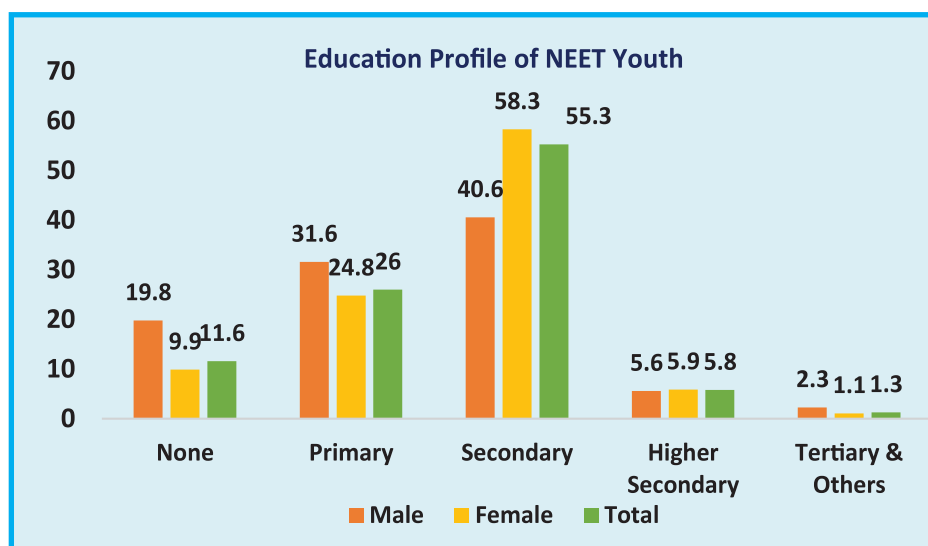


NEET (not in Education, Employment or Training) represents the share of youth who are not in employment, education or training, as a percentage of the total number of youths in the corresponding age group, by gender. Youth in education comprise of individuals attending part-time or full-time education but exclude those in non-formal education and in educational activities of very short duration. Employment covers all individuals who have been in paid work for at least one hour in the reference week of the survey or were temporarily absent from such work. Therefore, young people classified as NEET can be either unemployed or inactive and not involved in education or training. Youth not engaged in neither employment nor in education or training stand a high risk of becoming socially excluded – individuals having an income below the poverty-line do not have the skills necessary to improve their economic situation.

NEET is a better measure of the potential youth labour market entrants compared to the youth inactivity rate. A high NEET rate and a low youth unemployment rate may indicate significant discouragement of youth. Overall, 29.8 percent of the working age population aged 15-29 were not in education, employment or training (NEET) in 2016. Among the NEET youths, 13 percent of them were male and the rest 87 percent female. A high NEET rate for young females indicates their involvement in household activities and the existence of institutional barriers restrict female labour market participation.

The large incidence of educated unemployed youth and educated youth in the NEET group suggests that are major concerns with the quality of education and training in Bangladesh. This is a high priority reform agenda that requires urgent concerted actions on a long-term basis (Ahmed and Sattar 2019).

Box 2: The Challenge Youth Not in Education, Employment or Training (NEET)



Source: BBS – LFS (2017)

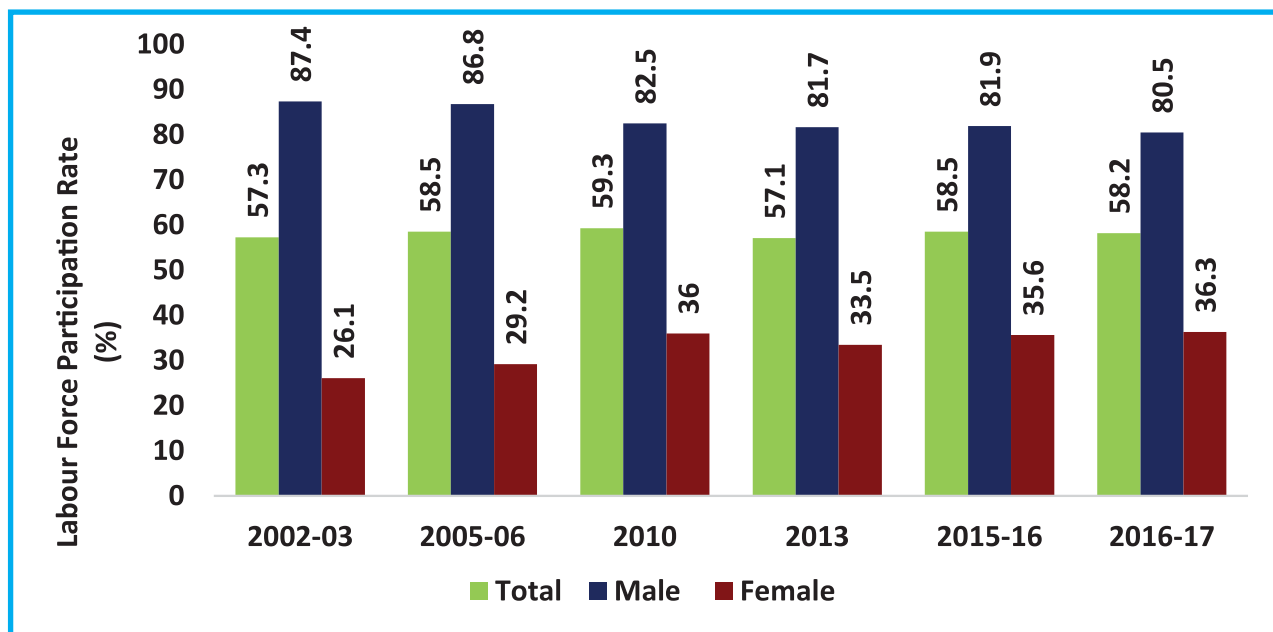
3.2. Low Female Labor Force Participation

Increasing women's participation in the economy has a dramatic impact on growth and poverty reduction. In Bangladesh's case, sustaining the growth levels required to meet long-term development targets requires mobilizing substantially higher levels of female labour force participation. Moreover, evidence shows that where women have opportunities for paid work, they are likely to stay in school longer and delay otherwise early marriage and childbearing. They are also more likely to use their earnings to invest in the human capital of their household, contributing to lower poverty and enhancing the capabilities of the next generation.

Until recent decades, Bangladesh had one of the lowest female labour force participation (FLFP) rates in the world. However, partly due to the rapid expansion of the ready-made-garment sector (RMG), which created around 3 million jobs in the first decade of the 2000s, FLFP expanded rapidly, rising 10 percentage points between 2002-03 and 2010 to reach 36 percent (Figure 6). This is still low in global context, and it is particularly low relative to males in Bangladesh, where the participation rate is above 80 percent. Moreover, in recent years FLFP has stagnated; in urban areas it has even declined from almost 35 percent in 2010 to below 32 percent in 2016-17.

Where women are participating in the labour market, they are also more likely than men to be in vulnerable employment; 39 percent of employed women are in unpaid work versus just 5 percent of employed men. And just 20 percent of female workers are wage employed compared with 23 percent of male workers.

Figure 6: Labour Force Participation in Bangladesh



Source: Labour Force Surveys various years

Quantitative research for Bangladesh on the relationship between labor force participation of women and economic development and growth is rather limited. Mahmud, S., and S. H. Bidisha (2018) used a probit model to find out key determinants that influence the female labour force participation. They found that:


- Education has strong positive impact on labour market participation, and all three education dummies have come out to be statistically significant with positive coefficient estimates.
- Another crucial determinant of labour market participation of females that distinguishes their decision from that of males is childbearing and subsequent involvement in care activities. Age of the child can also affect participation decisions as relatively younger children require more

attention, and therefore can act as a discouraging factor for a woman to participate. According to the results, the presence of younger children less than 6 years of age acts as an obstacle toward female labour market participation– children under 6 years of age reduces female LFP by around 3.6 per cent.

- Wage has a strong positive impact on their participation decision.

Association between female labour force participation and GDP growth as observed in other countries suggests that there is a high opportunity cost of LFPR in Bangladesh. According to the estimates of the World Bank (2015), increase in the FLPR from the current level (i.e. 36%) to that equal to men (i.e. 82 %), over a ten- year period, would result in an increase in GDP growth by an additional 1.8 percentage point (Figure 7).

Figure 7: FLPR and GDP growth

				GDP growth rise (% points)
	FLPR Increase (%)	48		0.7
		75	→	1.6
		82	→	1.8

Source: based on WB (2015)

The World Bank also considered two other scenarios – (i) if FLPR enhances to 48 per cent in ten years (i.e. reaching the level of Japan in 1990), some 0.75 million female labor are added to the labor force each year and the additional GDP growth rate would be 0.75 percentage point; (ii) if LFPR rises to 75 percent in ten years (i.e. reaching the level of Thailand in 1990), as many as 2.1 million additional female labor are added to the labor force each year with the additional growth GDP growth of 1.6 percentage points per year.

The patterns of the Bangladesh female workforce are compared with the relevant indicators of other South and East Asian countries to get useful insights and implications. According to Table 8, Bangladesh performed better than several other South Asian countries (e.g. India, Pakistan and Sri Lanka) when it comes to female labour force participation rate. The South Asian average female participation rate is only 26 per cent, while the average for Bangladesh is 36 per cent. Female labour force participation of Bangladesh is however much lower than the high-performing East Asian countries, e.g. Indonesia, Malaysia, Thailand and Korea. The female unemployment rate (7%) in Bangladesh is higher than the South Asian average of 4 per cent, and significantly higher than female unemployment rates in East Asian countries.

Table 8: Comparison of Key Labour Market Indicators

Country	LFP (%)		Unemployment Rate (%)	
	Male	Female	Male	Female
South Asia	79	26	2.4	4.0
India	79	24	2.3	3.6
Bangladesh	81	36	3.3	6.5
Pakistan	81	24	2.4	5.1
Sri Lanka	72	35	3.0	7.0
Bhutan	74	58	1.6	3.0
Nepal	84	82	1.5	1.1
South-East Asian Countries				
Indonesia	82	52	4.4	4.1
Malaysia	77	51	3.1	3.8
Philippines	74	42	2.5	2.6
Thailand	76	59	0.6	0.7
Korea	87	74	3.6	3.0

Source: World Bank WDI (2018)

Evidence suggests that women face a broad range of, often mutually reinforcing, barriers – both on the supply and demand sides – to participate in the labour force, and particularly to access good jobs outside the home.

Supply side Constraints

Norms around childcare and household work, which make it difficult for female to balance work and family, represents a major social factor limiting FLFP in Bangladesh. In urban areas (but not in rural areas), marriage is highly correlated with lower FLFP. And having young children dramatically reduces the likelihood of women participating in the labour market (Solotaroff et. al. 2019). According to recent Labour Force Survey data, the majority of inactive women (80 percent) report household responsibilities as the main reason for not seeking employment. This is supported by time use patterns, which show that females spend on average 26 hours a week on household chores compared with only 8 hours for males; and that women's time committed to household chores rises by almost 70 percent with marriage, while men's declines.

Mobility constraints also restrict FLFP, particularly in rural areas. This is linked to household responsibilities, but also to purdah practices. While purdah practices do not necessarily prevent women from working, they do significantly restrict access to employment outside the home, which limits women to working in household enterprises and family farms, often as unpaid, contributing-family labour.

Human capital gaps, which restrict access to good jobs, also contribute lower FLFP. While enrolment rates for girls are equal to or higher than for boys at the primary and secondary school level, there remains a gender gap in tertiary education and female students are less likely to enroll in educational fields that open the door to quality jobs. For example, women account for 28 percent of graduates from tertiary education and only 20 percent of graduates from STEM fields. Moreover, once in a job, women are only half as likely as men to receive on-the-job training (although the levels are very low for both sexes) (Solotaroff et. al. 2019). The lack of technical skills prevents many female workers from being promoted, especially as industries shift to more high-skilled and capital-intensive forms.

Lack of access to information and networks limits the potential for women to take advantage of employment opportunities. In Bangladesh, the vast majority of job openings are filled through informal networks, which tend to be less accessible to women. Similarly, limited access to business networks and trade associations undermines the activity of women entrepreneurs and traders through lower access to information, training, and markets (IFC 2011; Asia Foundation 2017). Moreover, men are twice as likely as women to have access to mobile phones and the Internet (World Bank 2018). This puts women at a disadvantage since ICTs are increasingly used as means both to access information and generate income.

Lack of access to safe transport represents another significant barrier to FLFP. Existing public transportation is not efficient, safe, affordable or regular, with overcrowded buses and waiting areas, and sexual harassment being rife. Studies from urban slums show that women do not participate in garment factory work because of the lack of public transport: they are reluctant to travel long distances to the factories and especially afraid to walk back home after dark (ADB-ILO 2016). Women also report significant harassment in public spaces. A recent study found that 94 percent women commuting in public transport in Bangladesh have experienced some form of sexual harassment (Andaleeb et. al. 2018). Gaps in social services provision, especially quality childcare represents an additional barrier to FLFP in Bangladesh. Despite the legal mandate to provide childcare for many medium and large firms, few do so in practice. Moreover, while several good models for childcare centers exist in from the NGO and private sector, they remain very limited in number, and lack of quality assurance (due, in part, to the absence of a regulatory regime) in the sector remains a concern for women.

Women's lower access to productive resources, including financial and other assets, undermines their potential to generate sufficient returns from self-employment (including agriculture) and

entrepreneurship (Quisumbing et. al. 2017). In rural areas, 96 percent of household land is solely owned by men. Where women are not listed as farmers, they miss out on agricultural extension programmes and information on new technologies. The lack of land to put down as collateral also sees them miss out on access to finance (Solotaroff et. al. 2019). While the microfinance sector has expanded access to finance for women, the gender gap remains wide. Sixty-five percent of unbanked adults are women and the gender gap in account ownership was nearly 30 percentage points in 2017 (World Bank 2018). For women entrepreneurs, access to finance (both in obtaining loans and the cost of borrowing) is often the most significant barrier to business operation/expansion and to exporting.

Demand-side Constraints: Factors in the Workplace

While Bangladesh's labour laws are not particularly restrictive from a gender perspective, women do face legal barriers to working in occupations that are deemed to be physically arduous or dangerous (World Bank 2019b). Moreover, there are no provisions in the law to protect women from gender discrimination in hiring (IFC 2011; World Bank 2019b), in pay, or in provision of credit. Finally, some legal protections designed to support women in the workplace – notably the requirement for firms with more than 40 female employees to offer childcare services – may act as a barrier, at the margin, to employers hiring women. Surveys indicate that the majority of employer's express reservations about hiring women for a variety of reasons, including additional expenses for providing separate workplace facilities and potential implications in workplace dynamics.

Second, women lack access to many occupations and workplaces due to occupational segregation resulting from social norms and practices. For example, data from LFS 2016-17 show that 63 percent of women are employed in agriculture versus just 32 percent of men. The opposite holds for construction and services. Even within the RMG sector, which is majority female, there exists sharp occupational segregation – cutting and sewing jobs are almost exclusively held by women, while jobs in finishing, which involve greater use of machinery and equipment, are largely held by men.

Within occupations, lack of equal pay and upward mobility prevents many women from participating in the labour market. For example, it is estimated that women represent around 80 percent of production line workers in Bangladesh's RMG factories; yet just one in every 20 (5 percent) of production line supervisors is female.

Finally, widespread labour abuses in the workplace – including lack of safety, failure to deliver on contractual rights (hours, pay, rest, etc.), sexual harassment, and gender-based violence – may restrict women's willingness to seek employment and bias women toward female-dominated occupations. Bangladesh has laws against sexual harassment in public spaces and in the workplace. However, no civil remedies or criminal penalties are prescribed for such acts, which weakens enforcement.

3.3. Low Quality of Education and Training

Since the early years of independence, Bangladesh understood the importance of education as a core input to the development process. It also recognized that in a market economy like Bangladesh, investment in education for the poor was the best long-term instrument for reducing poverty and lowering income inequality. So, education was a major bridge for reconciling the objectives of higher growth with growth inclusiveness. The long-term progress on the education front is illustrated in Table 9. Several results stand out. First, Bangladesh has made solid progress in expanding primary and secondary school enrollment rates. Second, while much emphasis has been given to primary and secondary education, progress in tertiary education has been modest. Third, Bangladesh education spending has remained low and virtually unchanged at around 2% of GDP. Evidence shows that while progress in improving quantity of primary and secondary education has been impressive along with strong progress in gender parity, there are serious concerns with the quality of education reflected in high dropout rates, low education

attainments, and weak learning (Government of Bangladesh 2018; World Bank 2013). An important reason for this weak quality is the modest education spending by international standards (Government of Bangladesh 2018). Importantly, the inadequate emphasis on higher education has created major challenges for the readiness of Bangladesh to meet the skills needs of an UMIC.

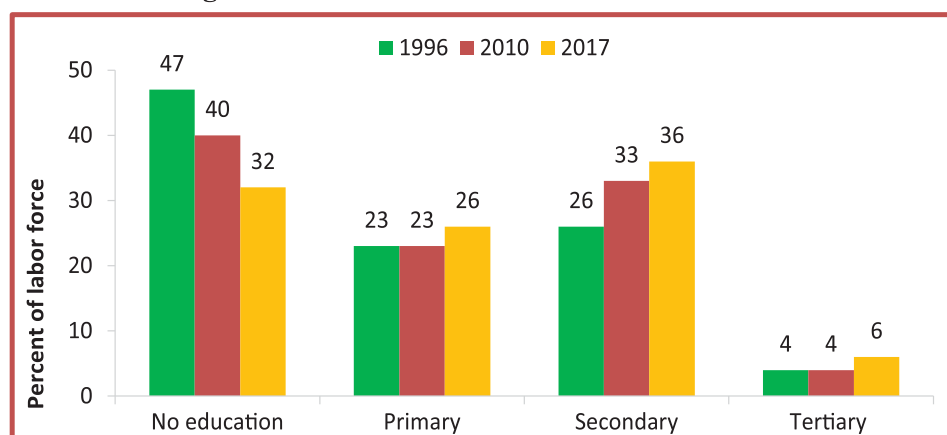
Table 9: Indicators of Education Sector Development (%)

Indicators	1980	1990	2000	2010	2018
Net Primary enrollment	58.6	64.4	80.0	94.8	97.9
Net Secondary enrollment	16.0	22.0	41.0	46.0	62.3
Tertiary enrollment	2.8	3.9	11.5	13.2	17.8
Education spending % of GDP	1.8	2.0	1.9	1.8	2.0

Source BBS, BANBEIS and Ministry of Finance

The focus on primary and secondary education has had some positive effects in upgrading the skills base of the labor force, but major gaps remain. The education attainments of the Bangladesh labor force are illustrated in Figure 8. Investment in education noted above has helped improve the education attainments of the Bangladesh labor force but the broad picture that emerges is worrisome. According to the latest available Labor Force Survey 2016-17 (LFS 2016-17), some 32% of the labor force still has zero education while less than 6% has tertiary education. This education profile of the work force is not consistent with the skills need of an UMIC. Digging deeper, research shows that in addition to low education attainments, there are major issues with the quality of education and the skills level of the workforce.

Figure 8: Education Attainment of Labor Force

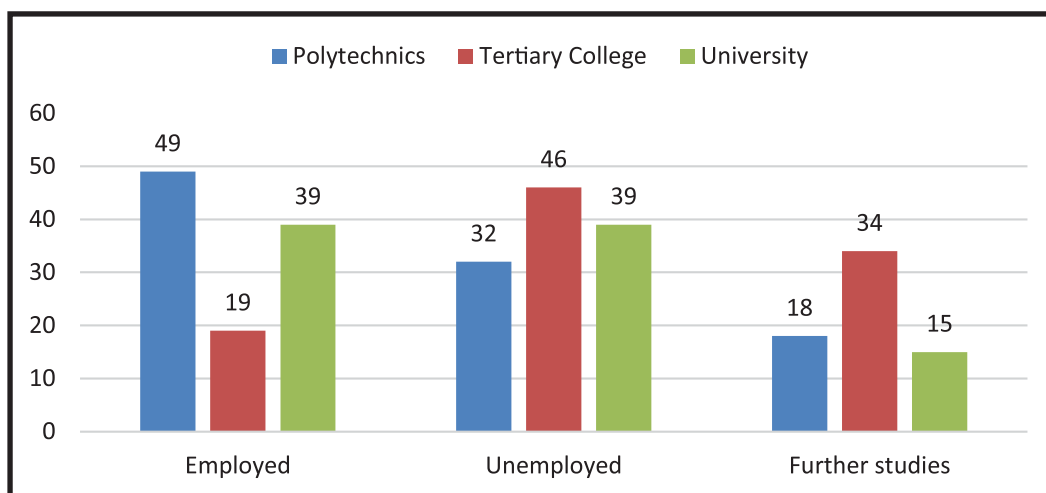


Source: Labor Force Surveys, Bangladesh Bureau of Statistics

The quality issue remains a great concern for all the streams of education. A number of studies have shown the nature of these quality challenges (World Bank 2013; World Bank 2017; World Bank 2019; Government of Bangladesh 2018). The quality issues include low teacher to student ratio, weak learning outcomes, low cognitive skills, large quality variation among schools, absenteeism of both teachers and students, limited or non-existent incentive for better performance, and low levels of accountability in the usage of funds. At the higher levels, participation is low across the board, but especially low for females and for children from poor and low-income families.

Research shows that education does not often prepare the graduate for the job market (World Bank 2019a). The high and growing incidence of the educated unemployed youths noted earlier is a reflection of this. Another indication is provided by the tracer studies on the employment status of university graduates. As shown in Figure 9. The incidence of unemployment for all tertiary graduates is high but particularly so for tertiary college graduates and university graduates.

Figure 9: Employment Status of Graduates after 1-2 Years of Graduation (%)



Source: World Bank 2019

One important reason for this disconnect is that the emphasis of education is much more on general education than on Science, Technology Engineering and Mathematics (STEM) subjects. Additionally, tracer studies on employer feedback suggest that the graduates face key skills gap in relation to the needs at the work place (World Bank 2019a). These gaps include:

- **Weak cognitive and interactive skills:** In today's world of fast-changing technologies and global competitiveness, skills related to critical thinking, problem solving, leadership, communication, and team work are essential. Many of these skills are weak or lacking in graduates entering the job market.
- **Deficiency of practical technical skills and knowledge for jobs:** For graduates seeking technical and engineering jobs, the absence of practical technical skills and job-related knowledge often becomes a major handicap. These graduates typically have acquired theoretical knowledge at the tertiary level without having a good understanding or experience how these theoretical concepts can be applied on the job.
- **Inadequate ICT skills:** In addition to a growing demand for ICT specialists, many jobs today require strong competence in ICT skills to be fully productive. While there is a growing supply of ICT specialists, ICT integration in the education system is still inadequate. Many graduating youths are unable to compete for good jobs owing to this handicap.
- **Weak quality at entry:** Due to poor quality and relevance of education in primary and secondary education, the deficiencies spill over to higher levels of education and training. As a result, many graduates are unable to acquire other skills noted above and as such become unemployable.

3.4. Low Social Sector Spending

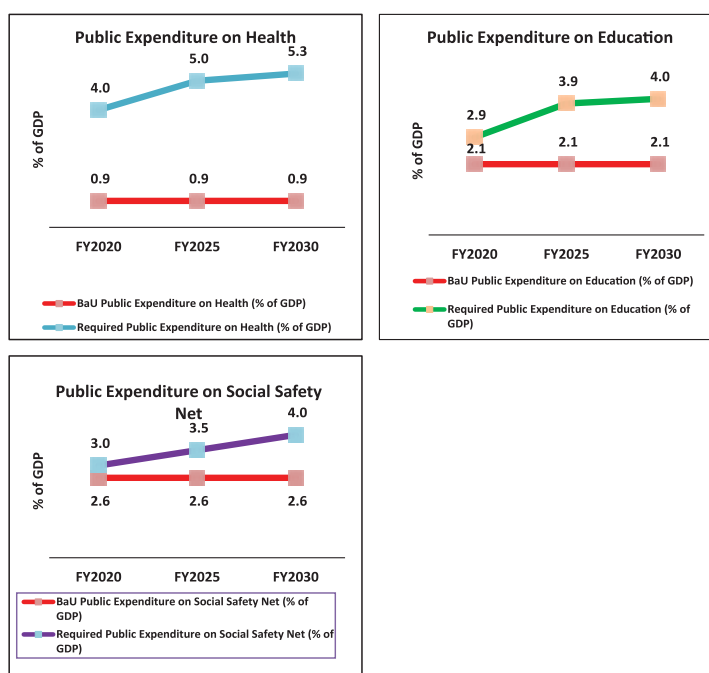
Low social sector spending in Bangladesh results in lack of appropriate skills among the workers in Bangladesh. As mentioned above, full realization of the FDD and progress with SDD requires 'quality' human resources endowed in terms of education, health and skill. While private investment in health and education has increased, total investment needs in human capital is much larger than private investment. Realizing the full potential of demographic dividend therefore requires timely budgetary allocation in social sectors e.g. education and health in particular. In FY 2019-20 budget, the proposed allocation for health and education sectors are 0.9 per cent of GDP and 2.1 per cent of GDP, respectively.

A study by the Government of Bangladesh (2017) shows that Bangladesh would need to increase its average total health spending to 5.3 per cent of GDP by 2030 in order to attain SDG 3 (Good Health and

Well-being). The same study on SDGs suggests the need to increase the government expenditure on education from its current level (2.1 per cent of GDP) to 4.0 per cent of GDP to attain the education-related SDGs. Therefore, Bangladesh needs to gradually increase its public expenditure on the health and education sectors by an additional 4.4 per cent of GDP and 2.0 per cent of GDP, respectively. These spending will also facilitate the fostering of longer-term benefits of the second demographic dividend. The current levels of health and education spending put a constraint on this potential.

Figure 10 shows the comparison between business as usual public expenditure and required public expenditure to achieve SDGs scenario of health, education and social safety net. Without appropriate policy actions, the gap between the BAU and the SDG spending scenarios grows cumulatively, jeopardizing both the ability to fully reap the benefits of the ongoing first demographic dividend and the potential returns from the second demographic dividend.

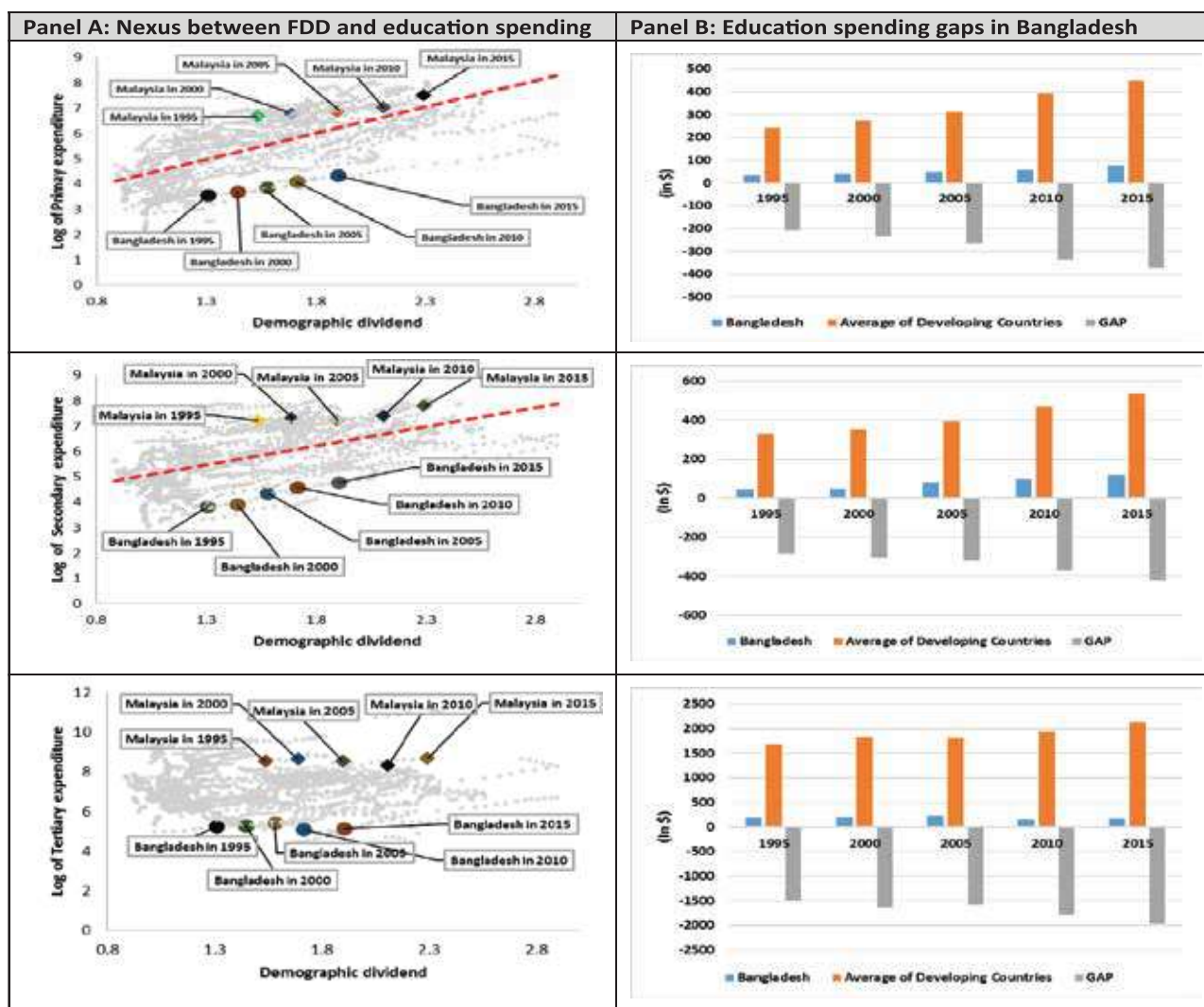
Figure 10: Social Sector Investment Requirement for SDG Attainment



Source: Government of Bangladesh (2017)

How low education spending hurts the return from the demographic dividend: The nexus between education spending and demographic dividend is captured below in Figure 11. The scatter-plot in Panel A is generated with the data of 130 developing countries for the period from 1995 to 2015. The demographic dividend is defined as the ratio of working age population to the dependent population. The per student government expenditure on different education data are from the World Bank World Development Indicators (WDI). The trend line (red-dotted) shows a strong positive association between the demographic dividend and per student government expenditure on primary and secondary education across countries. There is no trend in case of tertiary education.

Figure 11: Inadequacy of Education Spending to Capture the FDD in Bangladesh



Source: Panel A is based on Raihan (2018) and Panel B is based on Khondker and Rahman (2018)

In case of primary and secondary education Bangladesh is far behind the average trend line in terms of educational expenditure. Comparing an East Asian country (Malaysia) with a South Asian country (Bangladesh), between 1995-2015 both countries were experiencing rising demographic dividends, which contributed to the rise in their per capita incomes. Yet, Bangladesh has always been much below the trend in investing in per student expenditure on primary and secondary education, whereas Malaysia was always on or above the trend line.

The above analysis suggests that compared to Bangladesh, Malaysia has invested much more in developing human capital and thus was in a much better position to utilize the demographic dividend for economic growth. In case of tertiary education, although there is no trend, it is apparent that Malaysia has invested much more in developing their upper level of human capital.

For Bangladesh, the apprehension is that the nation is yet to achieve the full benefits of the demographic dividend it has, and after some time, the distance from the trend line has widened. Interestingly, in 2005, Bangladesh had the demographic dividend similar to that Malaysia had in 1995, but Bangladesh in 2005 had less than one-twentieth of the per student expenditure in different level of education of what Malaysia had in 1995. Moreover, Malaysia has invested a lot in the initial stage of their window of opportunities and had got its lag effect on the per capita GDP in the coming years.

According to Panel B, comparing the investment on different education levels in Bangladesh with the average of developing countries reveals interesting scenarios. Average expenditure on primary, and secondary education is increasing over time for both developing countries and Bangladesh. In the case of tertiary education, the average expenditure of developing countries is increasing but expenditure of Bangladesh remains practically stagnant. It also depicts that the gap between the average expenditure of developing countries and Bangladesh is widening over the time across all type of education.

Labor Market Demand Side Issues

3.5. Falling Employment Responsiveness to GDP Growth

The government's growth strategy achieved considerable success in accelerating GDP growth and changing the production structure away from agriculture to industry and services. This growth strategy created many jobs in manufacturing, construction, professional services, transport, trade and other informal services. Research shows that several factors contributed to growth acceleration including: rapid increase in the investment rate leading to capital accumulation, growth in the labor force, macroeconomic stability that spurred savings and investment, the emergence of a modern and competitive banking sector that intermediated financing of investment and working capital at a reasonable cost, public spending on infrastructure, especially power and transport, and trade policy reforms and special incentives for the ready-made garments (RMG) sector.

While GDP continued to grow rapidly well until the start of the COVID-19 pandemic in March 2020, employment growth faltered. Three major challenges emerged on the employment front. First, employment growth has been much slower than GDP growth implying that the employment elasticity of GDP is falling (Table 10). Second, employment in manufacturing and construction actually contracted between 2013 and 2016-17 even as value-added growth in these activities accelerated. Third, the concentration of jobs in the informal sector further increased raising concerns about the shortage of decent jobs. A major policy challenge facing the 8FYP is how to ensure that GDP growth acceleration creates more good jobs in the economy. This calls for increasing jobs at a faster pace than in recent years in manufacturing, construction, transport, trade and professional services that will also increase the share of jobs in the formal sector and thereby improve the quality of employment.

Table 10: Employment Elasticity of GDP

Employment Elasticity wrt	2000-2010	2010-2016/17	2013-2016/17	2000--2016/17
Total GDP	0.64	0.25	0.17	0.58
Agriculture	0.56	Negative	Negative	0.43
Manufacturing	0.92	0.39	Negative	0.84
Services	0.94	0.64	0.36	0.89

Source: BBS National Accounts and LFS data

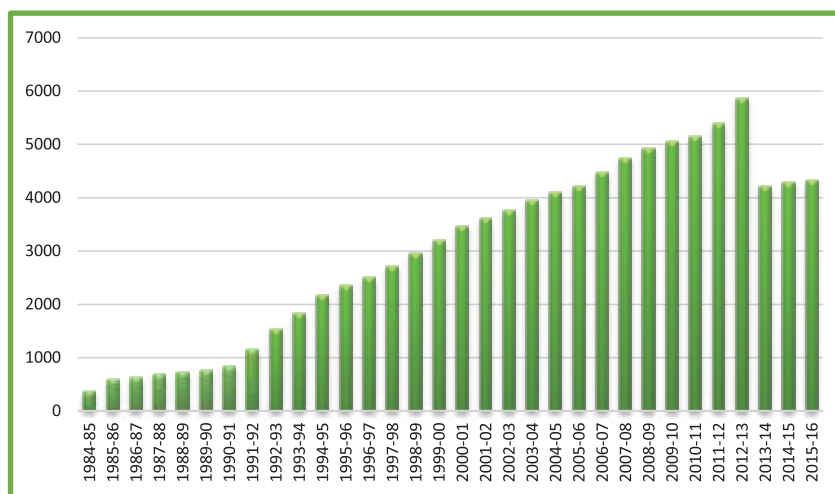
A new challenge that has been thrust upon Bangladesh and globally is the need to address the large unemployment problem owing to the adverse effects on economic activity of the ongoing COVID-19 pandemic. The full implications are not yet known. But it is agreed that the short-term unemployment problem will be substantial, which has to be a first order priority for resolution during FY2021, which is the first year of the 8FYP.

Factors Underlying Recent Slowdown of Job Growth

Several factors have contributed to this slowdown in job creation, the most important of which is the enterprise consolidation and automation in the Ready-made Garments (RMG) Sector that created some 4 million jobs, mostly for young women, between 1990 and 2012. The consolidation of the RMG sector

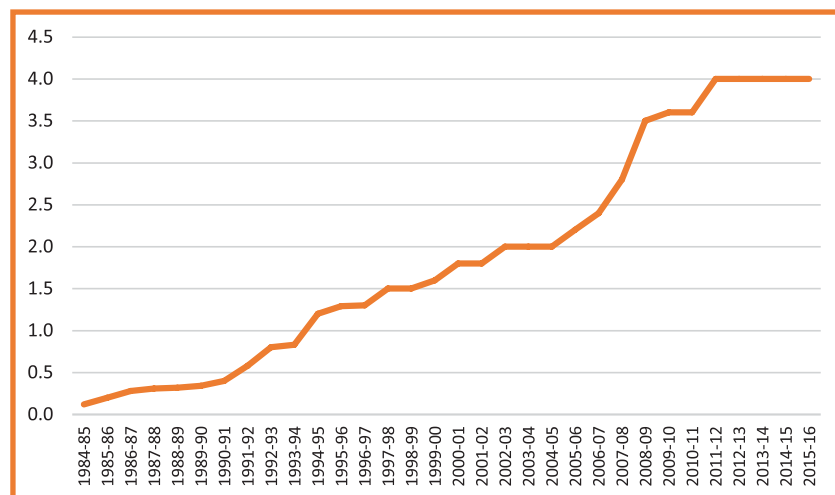
owing to automation, compliance with safety and other buyer-induced regulations, and scale economies has resulted in a noticeable reduction in the number of RMG enterprises, mostly small-scale in nature and intensive in low-skill female-oriented employment since 2012 (Figure 12). This has caused a virtual stagnation in RMG total employment at 4.0 million since FY2012 despite rapid growth in RMG production and exports (Figure 13). This development has had a large negative effect on manufacturing job creation, especially for urban female youth. Many of the functions performed by these female youth workers are now fully automated.

Figure 12: Number of RMG Factories



Source: BGMEA

Figure 13: RMG Employment (million workers)



Source: BGMEA

Second, the success in the RMG sector that created an export-oriented labor-intensive manufacturing sector industry has not been repeated elsewhere in the export sector for a range of reasons including anti-export bias of the trade policy and the appreciation of the real exchange rate. Despite the dismantling of many trade restrictions over the 1990-2000 periods, there is still considerable trade protection that favors production for domestic markets (Ahmed and Sattar 2019a). Along with an appreciation of the real exchange rate, trade protection has imparted strong anti-export bias that has hurt export diversification and growth of exports (Ahmed and Sattar 2019b). The resultant import substitution industrialization has not dynamized the domestic market-based production structure. The employment effects of this import-substituting manufacturing have also been modest (Ahmed and Sattar 2019a).

Third, the micro and small enterprises (MSEs) are the backbone for non-farm job creation in Bangladesh. According to the 2013 Census, some 99 per cent of all non-farm enterprises fall in the MSE categories and they provided employment to 20.3 million people in 2013. This makes them the largest source of employment outside agriculture. This sector is mostly informal in nature and lacks dynamism owing to a variety of constraints including financing (see below).

Fourth, in construction, the number of jobs fell from 4.0 million in 2013 to 3.6 million in 2016/17, even as the GDP growth of construction increased by 8% per year. This surprising result is explained by the growing capital intensity of production in construction.

Fifth, job creation in services slowed owing to slowdown in employment growth in modern services that is relatively more skill intensive. As noted above, there are major concerns with the education and training outcome of labor force. Modern services are much more capital and skill intensive with strong ICT focused. While there has been a rapid growth of a range of ICT-based services such as web design, e-commerce and mobile financial services, the skills requirements in such modern services as banking, other financial services, health care, education, tourism, real estate and modern transport have changed radically and the informal services sector is not ready to transfer to meet the demands for these services. Importantly, as noted, skills required in these services are not readily available even in tertiary school graduates.

Finally, the macroeconomic environment has weakened recently reflected in a sharp reduction in the portfolio quality of the banking sector and the tax effort has faltered that has hampered private investment and sharply constrained government efforts to finance investments in infrastructure and human capital.

3.6. Lack of Dynamism in Micro and Small Enterprises (MSEs)

Global experience with SMEs: International experience with small and medium enterprises (SMEs) suggests that the sector can be an important driver of employment, investment, exports and economic growth. Such enterprises are especially crucial in developing countries where growth of large-scale enterprises might be constrained by technology, finance, skills, external competition and domestic institutions. A healthy SME sector can provide the bridge for transition *from an agrarian economy to a modern manufacturing and service-based economy*.

The economic development of Taiwan is an important example of the potential of SMEs: The SMEs can also be seen as an important element of the growth of large-scale enterprises through forward and backward linkages. Thus, co-production arrangements between large scale manufacturing and SMEs could be instrumental in spurring the expansion of large enterprises while also providing the major source of employment. The industrialization of Japan and Korea arguably provide the best examples of this potential. The transition of some formerly centrally planned developing economies, like Vietnam and China, and extremely regulated economies, such as India, towards a more market driven framework along with deregulation – with an emphasis on facilitating a vibrant private sector oriented economy – are other examples of how business deregulation and process simplification could reduce transaction cost and spur the growth of small businesses in many developing countries.

SMEs can also serve as a learning ground for acquisition of technology and skills by getting connected to the global manufacturing production vertical value chain. Developing countries like Bangladesh have a natural advantage in being endowed with an abundance of under-utilized low-cost labor. With minimum training this factor endowment advantage could be converted to development by linking appropriately with the global manufacturing value chain. The success of China's industrialization is an important example of this role.

Despite this potential, Bangladesh have been able to reap this benefit. There are many reasons for that. The issues range from defining and monitoring SMEs to providing the right policy environment. Countries define and identify SMEs differently and as such policy practices differ among countries. Some established guidelines define SMEs in terms of fixed investment, head-count (the number of employees), annual sales and total assets. The lack of proper classification of SMEs and the absence of consistent data hamper policymakers' efforts to provide an accurate picture of the role of SMEs and how these might be nurtured.

Role of SMEs in Bangladesh: In the absence of a proper database on SMEs, any meaningful analysis must rely on the Economic Census carried out every 10 years by the Bangladesh Bureau of Statistics (BBS). The latest round of the 'Economic Census' was conducted in 2013. The Economic Census 2103 counted a total of 7.8 million enterprises, which is a huge number. Some 89% belong to the cottage and microenterprise category; 11% are small enterprises and only 0.2% are medium and large (Table 11). Importantly, the total number of enterprises more than doubled during 2003 – 2013, suggesting an annualized growth rate of around 11.3%.

Table 11: Types of Enterprises in Bangladesh

Enterprise Type	2003		2013	
	Number of enterprises (000)	% of total	Number of enterprises (000)	% of total
Cottage and Micro	3,589,544	97.7	6,942,891	88.8
Small	74,629	2.0	859,318	11.0
Medium	5,125	0.1	7,106	0.1
Large	5,673	0.2	5,250	0.1
Total	3,674,971	100.0	7,818,565	100

Source: BBS, Economic Census 2013

Table 12 shows the employment growth between 2003 and 2013. In conformity with the growth of enterprises, employment also doubled over the two periods, registering an annual growth rate of 7.1% per year. The micro and small enterprises dominate the employment accounting for 83% of total employment outside agriculture and the public sector. On the other hand, the share of medium and large enterprises in employment fell from 21% in 2003 to over 17% in 2013. These results are broadly in line with the findings of the LFS 2013 that shows that informal employment in services and manufacturing accounted for almost 87% of total employment.

Table 12: Total Employment, 2003-2013

Enterprise Type	2003			2013		
	Employment	% of total	Average employment	Employment	% of total	Average employment
Cottage and Micro	8,375,542	68.2	2.3	13,727,197	56.0	2.0
Small	1,375,223	11.2	18.4	6,600,685	26.9	7.7
Medium	342,737	2.8	66.9	706,112	2.9	99.4
Large	2,191,842	17.8	386.4	3,466,856	14.1	660.4
Total	12,285,344	100.0	3.3	24,500,850	100.0	3.1

Source: BBS, Economic Census 2013

Distribution of enterprises in 2013 by broad economic activities and size are shown in Table 13. Two clear patterns are observed. More than 85% of the micro enterprises are engaged in different types of services. The share of services is even higher at almost 94% for small enterprises. On the other hand, industrial activities dominate in the case of medium and large enterprises. Almost 50% of the medium enterprises are involved in manufacturing activities. The share is almost 53% in the case of large enterprises.

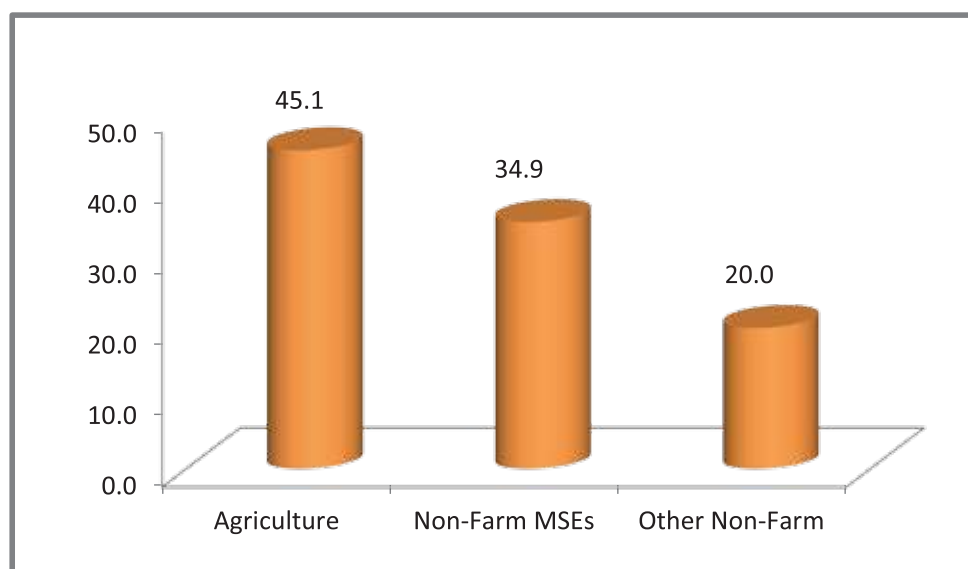
Table 13: Distribution of Enterprises by Major Economic Activities 2013 (numbers in 000)

	Micro		Small		Medium		Large		All enterprises	
	Number	%	Number	%	Number	%	Number	%	Number	%
Manufacturing	831.2	12.0	30.9	3.59	3.0	42.1	3.12	59.4	868.2	11.1
Other Industrial activities	26.1	0.4	7.8	0.91	0.3	4.6	0.17	3.2	34.3	0.4
Trading and related activities	3,057.7	44.0	531.0	61.80	0.6	8.9	0.08	1.5	3,589.5	45.9
Transport and storage	1,265.9	18.2	37.7	4.39	0.2	2.3	0.04	0.8	1,303.8	16.7
Other services	1,766.0	25.4	251.9	29.32	3.0	42.2	1.84	35.0	2,022.7	25.9
Total	6,946.9	100.0	859.3	100.0	7.1	100.0	5.25	100.0	7,818.6	100.0

Source: BBS, Economic Census 2013

From the employment perspective, the most important message that emerges from this brief review is that micro and small enterprises (MSEs) are the backbone for non-farm job creation in Bangladesh. Some 99% of all non-farm enterprises fall in the MSE categories and that they provided employment to 20.3 million people in 2013. This makes them the largest source of employment outside agriculture (Figure 14) and their most important development role is in terms of poverty reduction. The medium enterprises are relatively insignificant and research shows that for all practical purposes they face similar constraints and challenges as the large enterprises, which are vastly different from constraints and challenges faced by the micro and small enterprises. So, lumping the challenges of the MSEs with medium enterprises is misleading.

Figure 14: Distribution of Employment 2013 (Percentage)



Source: BBS, LFS 2013 and Economic Census 2013

Constraints Faced by MSEs

In Bangladesh, the lack of a proper baseline, the lack of updated data, and the lack of quality research to follow up on the performance of MSEs have resulted in confusing and outdated information on even such basic parameters on value added and growth, employment size and growth, capital base, investment, product composition, technology and source of market. In the absence of such basic data, it is impossible to do a proper diagnostic of what ails this sector and to identify the policy and institutional reforms to be developed to strengthen this critical economic activity. This is an important knowledge gap that must be addressed urgently. Nevertheless, several researches have pieced together some useful conclusions about the likely constraints faced by the MSEs in Bangladesh (Ahmed, Sattar and Rahman 2013; Ahmed, Alam and Khondoker 2018; Choo and Farole 2017). The main results are as follows:

Serious financing constraint: The biggest constraint faced by MSEs is access to finance at affordable rates. While microenterprises have benefitted from the microcredit revolution, they face very high interest rates. The small enterprises basically suffer from a severely constrained access to institutional credit.

Inability to market products: The present and future growth prospect of any product depends to a large extent upon marketing activity. This requires a well-planned marketing strategy including advertisement campaign as well as resources for implementing that strategy. Unfortunately, most MSEs entrepreneurs lack necessary marketing skills because they cannot make adequate investments in marketing.

Inability to improve and maintain product quality: A major constraint to the sustainability of MSEs growth is the inability to improve and maintain the product quality. At present, MSEs produce mostly consumer goods for the home market that are labor-intensive and require relatively simple technology. But due to low quality, many of these products cannot compete with imports or produce for the export market.

Lack of skilled technicians and workers: Lack of skilled manpower is a perennial problem in Bangladesh. This problem is particularly acute for export-oriented manufacturing enterprises. Large enterprises are by-passing the skill constraint by importing guest technical experts from neighboring countries, especially India and Sri Lanka. But MSEs cannot afford to do so due to the high financial and other transaction costs of these guest workers.

Poor management skills of entrepreneurs: In the modern economy, managerial skills for undertaking planning, marketing, and cash-flow management are vital for survival of an industry, small or large. Small entrepreneurs in Bangladesh lack managerial skills and are not experienced in doing strategic planning.

Lack of market information: In a competitive world, market information regarding demand and supply situation for a product, changing consumer tastes, etc. are crucial elements for the success of an enterprise. In Bangladesh, although some financial institutions and few trade bodies like Dhaka Chamber of Commerce (DCCI) have introduced help desk and knowledge centers with internet facilities, such services are too few to adequately provide service to all MSEs.

Non-tariff barriers (NTB) and changes in world trade regimes: Lack of knowledge about the status and essential components of WTO Agreements hampers trade and business for MSEs. The need for product standardization and compliance with health and hygiene requirements are an unavoidable part of international trade in farm and non-farm products. The long-term growth of MSEs will significantly depend upon turning the challenges of globalization into opportunities.

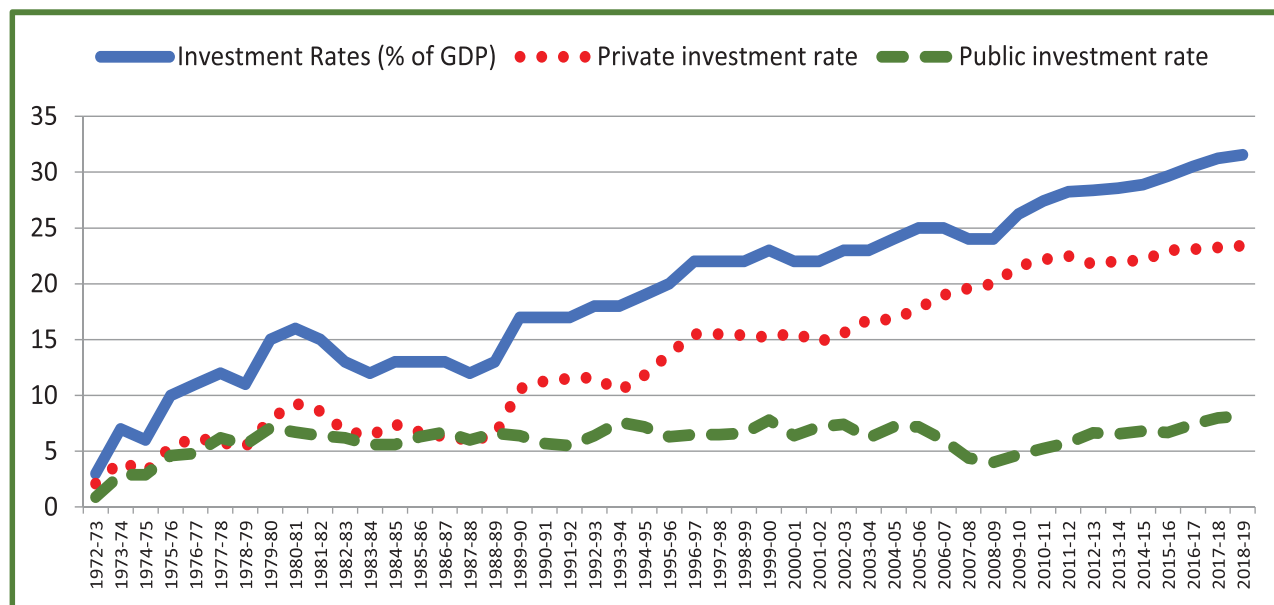
Absence of government support services: Most MSEs are informal and therefore do not benefit from any government support services including access to special credit or technical assistance programs.

High cost of doing business: Other constraints of a general nature that affect both large enterprises and MSEs are inefficient infrastructure support especially power, customs tariff anomalies, low productivity of labor, low level of technology, lack of research and development and the high cost of resolving business disputes and enforcing contracts. The constraints are particularly problematic for the MSEs because unlike the large enterprises they do not have political connections to overcome or bypass many of the bureaucratic hurdles.

3.7. Sluggish Private Investment Performance

Research shows that capital formation has been the most important growth driver for Bangladesh. This has been largely fueled by the rapid increase in the private investment rate since the early 1990s. The long-term investment trend is shown in Figure 15. The investment effort in both public and private sectors started rising from the very low base in the early 1970s, but private investment remained weak well until 1989 hovering on average around 5-6% of GDP. Indeed, in the early years after independence, public investment took the lead in boosting the investment rate based on generous availability of official development assistance (ODA). However, the public investment effort moved to a declining path after 2000 as ODA inflows fell and public resource mobilization effort did not gain adequate speed. Indeed, this trend continued until 2009 when the public investment rate fell to a low 4% of GDP, down from a peak of 7.8% in 2000.

Figure 15: Investment Trends (% of GDP)



Source: BBS and Ministry of Finance

There has been an important recovery in public investment during the 6th FYP and 7th FYP. This was spear-headed by the government's efforts to increase public investment in infrastructure, especially power and transport network. Public investment grew substantially from a low of 5% of GDP in FY2010 growing to 8.2% of GDP in FY2019. This effort paid off handsomely, especially in terms of the rapid growth of power generation that was essential to support the increase in GDP growth. Even so, the public investment rate remains below what is needed to meet the government's Perspective Plan 2041 (PP2041) targets of average GDP growth of 8.5% per year during the 8th FYP and the elimination of extreme poverty by FY2031.

Unlike the stagnant public investment path well unto FY2009, the private investment effort accelerated after FY1989 in response to the initiation of the various liberalization measures, especially trade and investment deregulation. Private investment rate climbed from a low of 6% of GDP in FY1989 to 20% of GDP in FY2009. In many ways, these 20 years transformed Bangladesh from a public investment driven and regulated economy to a private investment-led market economy.

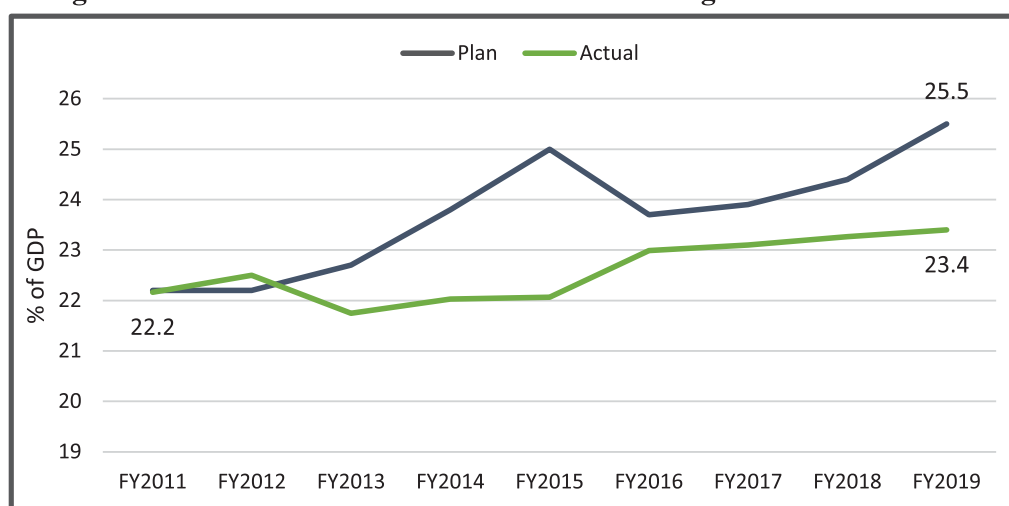
Unfortunately, however, the private investment rate did not gain momentum during the 6th FYP or the 7th FYP (Table 14). While the public investment rate out-performed its target during the first four years of the 7th Plan, the private investment rate has shown signs of stagnation at the 22-23% of GDP rate over the past 9 years (Figure 16). The Sixth Plan aimed at accelerating private investment rate to 25% of GDP by the end of the plan period (FY2015). The actual performance fell far short, which caused a major revision in the private investment targets for the 7th FYP. Even so, actual performance during the first 4 years of the 7FYP is much lower than what was planned.

Table 14: Actual Investment Performance During 6th and 7th FYP (% of GDP)

Plan Period	Total Investment		Private Investment		Public Investment	
	Plan	Actual	Plan	Actual	Plan	Actual
Sixth Plan average ¹	29.9	28.3	23.2	22.1	6.7	6.2
Seventh Plan Average	32.0	30.4	24.7	22.8	7.3	7.6

Source: Sixth and Seventh Plan and BBS

Figure 16: Private Investment Performance During the 6th and 7th FYP

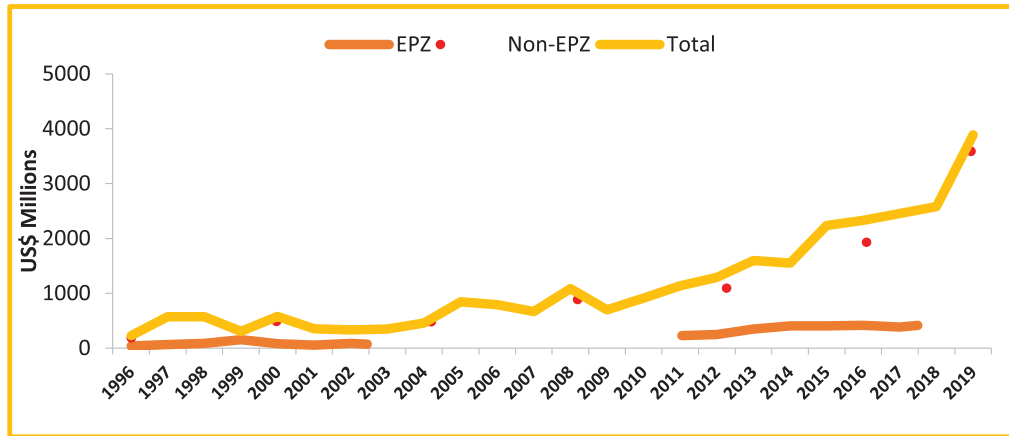


Source: Sixth and Seventh Plans and BBS.

Low levels of Foreign Direct Investment: An important factor that has contributed to inadequate private investment is the lack-luster response from foreign direct investment (FDI). FDI can play a major role in export diversification through investment financing, technology transfer and market access. Starting from very low levels, FDI flows gained some momentum reaching \$3.9 billion in FY2019 (Figure 17). This is a welcome development, but this is much lower than projected under the 7FYP and much below potential. Additionally, the surge in FY2019 is owing to inflow of \$1.5 billion from one-time transaction involving the purchase of the Akij Tobacco Company by Japan Tobacco Inc. Excluding this transaction, the trend inflow is about \$2.4 billion.

¹The private and total investment targets for the first year of the Sixth Plan (FY2011) were revised to reflect the revision of the national accounts that changed the base year national accounts numbers.

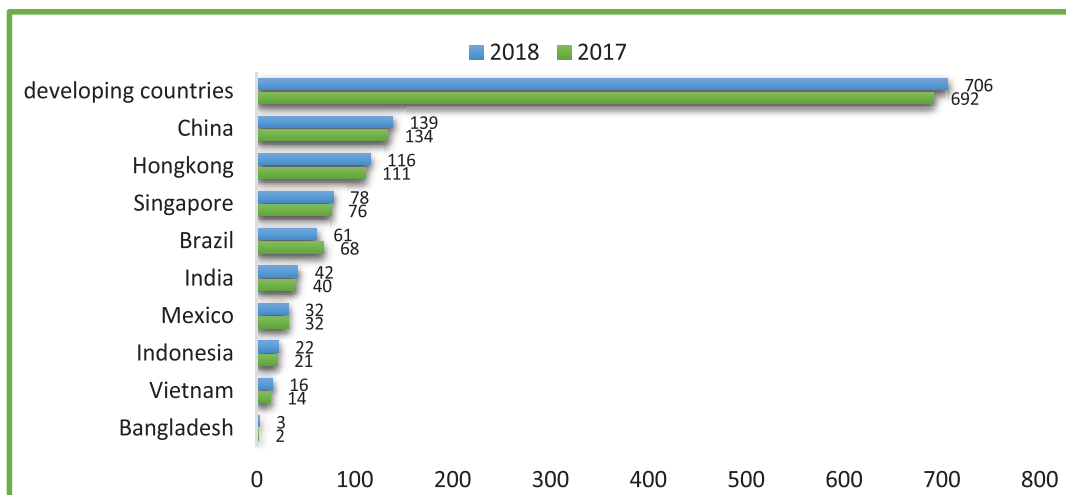
Figure 17: Inflow of FDI (\$ millions)



Source: Bangladesh Bank

Importantly, total FDI flows in Bangladesh are relatively insignificant in relation to total supply to developing countries (Figure 18). In 2018 total global total FDI inflows were estimated at 1.3 trillion US dollars, of which developing countries received \$706 billion (54%). FDI inflows amounted to \$139 billion in China, \$42 billion in India, \$22 billion in Indonesia and \$16 billion in Vietnam. These numbers easily dwarf the \$2-3 billion inflow in Bangladesh.

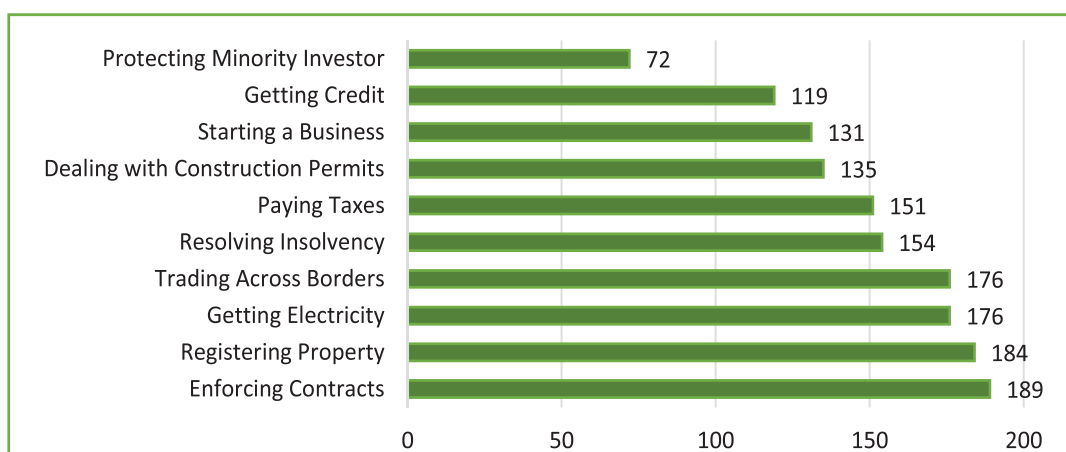
Figure 18: FDI Inflows in Selected Countries



Source: UNCTAD 2019

Several factors constrain the flow of FDI in Bangladesh (Ahmed 2019c). These are usefully summarized in global rankings of investment climate in Bangladesh. Thus, the Global Competitiveness Index (GCI) of the World Economic Forum for 2019 ranks Bangladesh at 111 out of 141 countries, while the ease of Doing Business Indicators (DBI) of the World Bank Group for 2020 ranks Bangladesh at 134 out of 189 countries (Ahmed 2019c). Drilling down the ease of DBI, Bangladesh performs poorly in 8 out of the 10 specific indicators (Figure 19).

Figure 19: Bangladesh Key Regulatory Constraints to Private Investment 2020
(Ranking, 190 Countries)

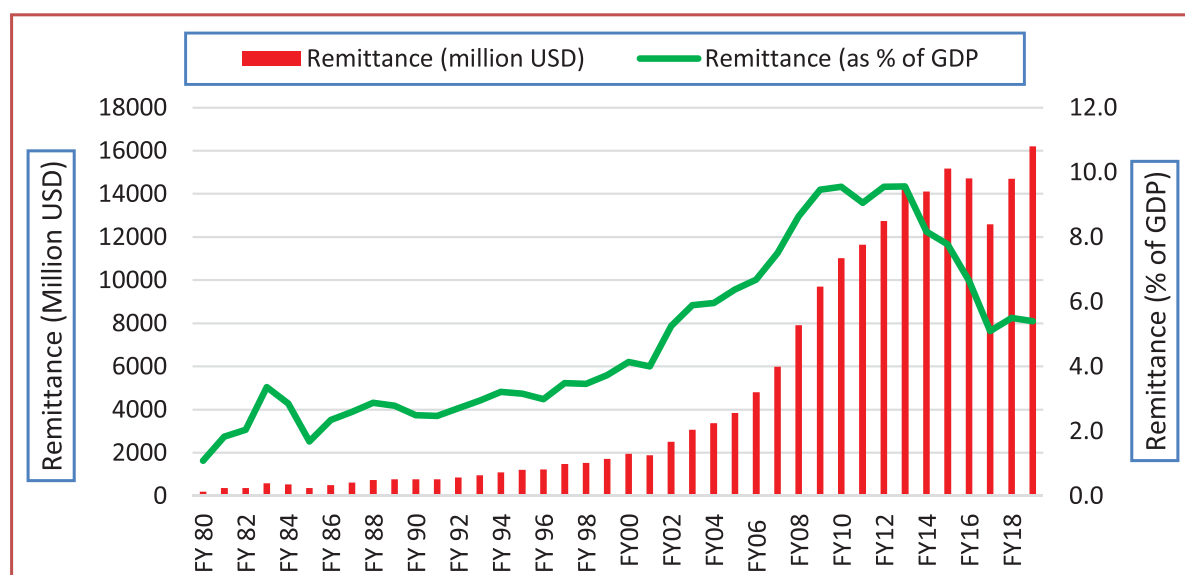


Source: World Bank 2019.

3.8. Constraints to Overseas Employment in the COVID-19 Environment

An important way that Bangladesh has benefitted from its ample supply of population and labour force is by sending a part of its labour force to the oil-rich labour shortage economies of the Middle East. External migration has been a major source of job creation, income and poverty reduction for a substantive number of families, especially in the rural areas. Over a span of four decades since 1976, Bangladesh sent about 11 million workers to more than 140 countries. Overseas remittances into Bangladesh increased from around \$197 million in FY1980 to \$14.4 billion in FY2013. The share of remittances as a percentage of GDP increased from around 1% in FY1980 to about 10% in FY2013. The GDP share of remittances has fallen since then but in US Dollar terms has increased to \$16.4 billion in FY2019 (Figure 20).

Figure 20: Bangladesh Remittance Inflows, FY1980-FY2019



Source: Bangladesh Bank

Key Characteristics of Foreign Employment

The major characteristics of overseas employment are as follows:

- From a low of 6000 workers in 1976, overseas employment surged to a high of 1 million workers in 2017. The numbers have fallen since then. Importantly, the average annual overseas employment increased from 0.4 million in the 6FYP to 0.7 million in the 7FYP. This was an important labor market cushion to the slowdown of job creation during the 7FYP.
- In the early years, migration was overwhelmingly comprised of low-skilled workers. This changed over the years. In 2016, around 33% were skilled workers, and some 2.2 % were professionals. This is an important transformation in the migration profile that has continued since then, although the less-skilled workers still dominate the migrant worker profiles.
- Most migrant workers attained only lower secondary and primary education. However, some workers of more recent origin have graduate degrees, mirroring the increased share of skilled workers. The employment of educated workers abroad is a welcome news for Bangladesh, given the high unemployment of educated youth, providing an important option for addressing the growing incidence of educated unemployed youth.
- In the initial years of the immigration outflow, there was very little female participation. This changed after 2004 and the outflows peaked in 2016. The outflow has fallen since then in view of safety and security of female guest workers in several host countries. The participation of female workers in international migration has raised an important policy question about public policy role in securing the safety and protection of rights of all workers but especially for female workers. Some political and social activists have even called for a ban on the migration of female workers.
- In 2016 about 78% of the migrant workers were aged 39 years or lower. In the case of female migrant workers this rate is more than 85%. Importantly, some 36% of the migrant workers belonged to the youth group, suggesting the prospect of overseas employment as a major instrument to address the youth employment challenge.
- Bangladeshi workers have mainly migrated to six major Gulf Cooperation Council (GCC) countries: Saudi Arabia (31.1%), United Arab Emirates (23.5%), Oman (4.3%), Kuwait (4%), Bahrain (2.3%), and Qatar (2.3%). The share of workers in these countries exceeded more than 60% of the total outmigration between 2000 and 2010. More recently, new migrants have found employment in Malaysia, Jordan, Korea and Lebanon (Farole and Cho 2017). Even so, the GCC countries remain the dominant host countries.
- There is a substantial dispersion in the district-wise outflow of migrant workers. The districts belonging to the Divisions of Chittagong, Sylhet, Dhaka and Mymensingh on average participate strongly in external migration compared to the districts of Khulna, Rajshahi and Rangpur Divisions. In particular, the participation from Rangpur Division is minimal. Within the Chittagong Division, the Hill tract districts of Khagrachari, Bandarban and Rangamati are poorly represented.

Emerging Problems and Challenges

Overseas employment has clearly been a major source of development impetus for Bangladesh in terms of supporting GDP growth, employment, investment and poverty reduction. Several problems have emerged that need to be addressed in order to ensure the continued supportive role of this instrument for job creation and development during the 8FYP.

- The foremost challenge is the brake on new employment put by COVID-19. The COVID-19

induced economic downturn in the host countries, especially the largest employers in the Middle East and Malaysia, combined with health restrictions on travel have taken a huge toll on new overseas job since April 2020. Furthermore, many jobs have been shortened or not renewed, leading to a reverse migration of workers back to Bangladesh. The current outlook for new overseas employment is bleak. Although a recovery can be expected later in 2021 after the availability of COVID-19 vaccine and the associated recovery in economic activities in the host countries, considerable uncertainties prevail. Additionally, there are several constraints that have prevailed prior to the onset of COVID-19, which need to be addressed. These are discussed below.

- Evidence shows that the non-poor have greater access to overseas migration than the poor (World Bank 2019a). In view of the important poverty reduction role of overseas employment, it is very important to find ways to improve the access of the poor to overseas employment.
- The skills base of overseas workers has increased, but on average Bangladesh caters mostly to the low-skill needs of the overseas. Greater efforts are needed to enhance the skill base of the migrant labors to increase their employment and earnings prospects.
- The cost of migration is excessive relative to other countries (Farole and Cho 2017; ADB 2016). This is an important barrier that limits access of the poor to overseas employment. Ways must be found to reduce the cost of migration and make it affordable to the poor.
- The rights of migrant workers are not adequately protected, including violation of contractual agreements on wages and benefits. Stronger efforts are needed to protect migrant workers' rights and working conditions.
- Harassment and abusive behavior towards female workers, who mostly work as household help, is a serious problem that needs strong action at top level of the host countries with monitoring and follow up by the Bangladesh Foreign Ministry and local embassies.
- Returnee workers face numerous challenges in resettling back at home. Supportive services are missing or weak.

4. Reform Options to Strengthen the Returns to the Demographic Dividend

The analysis of key constraints to strengthening the use of the demographic dividend show that these constraints are wide ranging and a comprehensive effort will be needed to address these constraints during the 8FYP in order to increase the return from the remaining years of the FDD and potential returns from the SDD. Since the constraints work both through the supply and demand sides of the labor market, the policy responses to address these constraints will need to be similarly aligned.

Addressing the Labor Market Side Constraints

4.1. Creating Higher Productive Employment for Youth Training and Self Employment

This theme also subsumes the education and training reform agenda for improving the skills base of the labor force since the youth are the frontline workers of today. It is important for the government to develop a Bangladesh Youth Employment Policy Framework (BYEPF) that should also include monitorable targets to measure progress. The SDGs provide a relevant reference point to set the time-based and monitorable goals for youth employment. Based on the SDGs, the suggested youth employment targets for the periods FY2021-FY2031 encompassing the 8FYP and the 9FYP are shown below. These targets are broadly consistent with the SDGs and the targets set in the PP2041.

Table 15: Youth Employment Targets FY2021-FY2031

Indicator	Base year values (2016-17 LFS)	FY2025 (End of 8th FYP)	FY2031 (End of 9th FYP)
Percentage of unemployed youth	10.6	5.0	2.0
Percentage of NEET youth	29.8	15.0	5.0
Percentage of 15-19 years in school	75	85	100

The national policy framework for youth employment could be organized under three themes: create job opportunities economy wide; improve the quality of education and training; and interventions to promote self-employment. Creation of job opportunities are relevant for the entire working population including the youth. These are discussed in greater detail under labour market demand side interventions. Of particular importance is the strengthening of the MSEs that employs a substantial chunk of the youth population, particularly in the rural areas and those with education levels below higher secondary. Most of these youth are also a part of the NEET population.

Strengthen Education and Training for the Youth

The biggest policy challenge on the supply side of the labour market is to increase the quality and relevance of education and training to the job market. This is especially important for the youth, both male and female, because without quality at entry in the job market, finding productive employment for the youth will be a tough endeavour.

Ensure quality universal primary, secondary and higher secondary education (age 6-18): As per SDG target 4.1, Bangladesh needs to ensure 12 years of compulsory education for all children by 2030. This will mean that children 15-18 are not in the work force and instead are a part of the school system, which will reduce the incidence of youth unemployment and youth NEET. Regarding education reforms, these include: sharply increase budget allocation for education and training from 2% of GDP to 3.0% of GDP by FY2025 and 3.5% of GDP by FY2030; decentralize education system delivery to local government institutions (LGIs); sharply upgrade teacher quality by adopting a long-term teacher professional development program learning from the experiences of East Asian and OECD countries; strengthen teaching of science, mathematics and ICT; and upgrade school facilities including buildings, furniture, playground, labs and ICT equipment.

Strengthening access to vocational tertiary education: The major policies where further efforts are needed include strengthening of public-private partnership in the supply of vocational and tertiary education, public funding for scholarships focussed on the female, public funding for capital grants to upgrade education facilities, and better supervision and monitoring of accreditation policies. On the institutional front, the main reform needed is to strengthen the University Grants Commission by increasing its autonomy, instituting high-quality management, and ensuring transparency of decision-making and full accountability.

Integrating ICT in the education system: Progress in integrating ICT in education has been constrained by low public spending on education and the availability of trained teachers. The A2i Initiative of the government of Bangladesh is collaborating with the education ministry to speed up the integration of ICT in the education system. This needs to be complemented with a substantial increase in the public spending on education and proper allocation to procure the needed ICT facilities and to train and recruit quality teachers.

Upgrading vocational and technical skills of potential work force: The strengthening of vocational and technical skills of the potential work force is a critical requirement to address the demand -supply gap

for skills in the labour market. The TVET Reform Project of 2008-15, the National Skills Development Project (NSDP) 2011, and the adoption of the Skills and Training Enhancement Project (STEP) and the Skills for Employment Investment Project (SEIP) are all aimed at addressing this concern. These are important policy initiatives but implementation has been uneven and need to be strengthened further. A major initiative that has good prospects for developing employable skills and productivity is the SEIP project that seeks to develop employable skills in partnership with the business sector. The first tracer study of the SEIP graduates shows encouraging results for both trainees looking for job and trainees already in employment. The lessons of experience must be consolidated to develop a coherent strategy for public-private initiative for skills development linked to market demand. Given the large gap of skills, the scaling up of this program will require innovative financing arrangements including cost sharing by employers.

Strengthen the skill base of the existing youth labour force: There are two types of unskilled youth employed labour force: those with little or no education (zero- primary level); and those with reasonable exposure to the schooling system (secondary and above).

For the first category, the main challenge is to impart basic literacy and numeracy skills to this labour force through publicly funded programs. The governments Non-Formal Education (NFE) program seeks to address this skills gap. Despite progress, there is still a large unfinished agenda. The major challenge is to convert the NFE into a concept of lifelong learning. Widespread use of ICT resources for organised lifelong learning (e.g., through a nationwide network of community learning centres) and expanding self-learning opportunities, have to be key features of non-formal education and lifelong learning. Adequate funding and organization based on partnership between NGOs, local community, ministry of education and local government officials is necessary.

For the second category, the main challenge is to impart them with relevant on-the-job training in strong partnership with the business sector. A strategy for public-private partnership for on- the- job-training scheme can be developed, where the public sector provides the funding while the private sector imparts the training. There are two strands of this strategy. The first element concerns partnership with enterprises in the formal sector. The SEIP project has some elements of this. Based on the lessons of SEIP experience, a broader public-private partnership training scheme for on-the-job training could be developed. The second element should be geared to addressing the training needs of youth who are employed in informal sector, who are self-employed, who belong to the NEET group, and who are looking for international migration opportunities. The large bulk of the youth is in this category. The most promising option to bring these youths in the fold of training for employment is to enter into partnerships with the donor community and the NGOS. The common principle should be to provide training that will lead to employable skills related to market demand. These types of training are much more cost-effective and sustainable compared to the low-return National Service Program.

Ensuring education and training for all: The dominance of female youth in the NEET group suggests the need to further strengthen the gender empowerment policies of the government. The main policy challenge moving ahead is to implement the National Women's Development Policy (NWDP) 2011 more strongly and monitor progress. The government may want to assign monitoring responsibilities to concerned line ministries with a requirement to prepare annual progress reports on implementation that should be submitted to the cabinet for review.

Addressing the challenge of the NEET: The NEET stock presents a complex challenge. This is not simply a matter of providing better training. An expert task force led by the Ministry of Youth should be tasked with the responsibility of doing a solid diagnostic study of this complex multi-dimensional problem and come up with a long-term solution. In the short term, several measures can be taken to prevent a worsening of the situation.

First, some 83% of the NEET are women. The tougher implementation of the child marriage law and laws to prevent violence against women, and the elimination of gender gap in access to tertiary and vocational education will be a major step to reduce the female entry to the NEET group. Second, the implementation of the 12 years' compulsory education will help reduce the NEET population substantively. Third, quality enhancements in education and training discussed above will help reduce the incidence of both the unemployed youth and the NEET population. Fourth, the government can develop an outreach scheme in partnership with NGOs/CBOs that provides incentives to the existing NEET population to actively participate in employment-based training schemes. Finally, the promotion of self-employment schemes can play a catalytic role in lowering the incidence of NEET.

Promotion of Youth Self- Employment through Entrepreneurship

The best prospects for creating employment opportunities for the youth in the short term are by promoting self-employment through entrepreneurship.

Non-ICT based self-employment: The MSEs are the dominant source of non-farm employment. The range of activities covered is huge and can easily accommodate all the unemployed and NEET youth who are willing to participate in this market. Therefore, policies to promote MSEs noted above can also facilitate the growth of self-employed youth. However, special efforts will be needed to jump start the self-employment prospects of the existing cohort of unemployed and NEET youths. Two specific measures will be required. First, action will be needed to impart them with training for entrepreneurship. The government can enter into partnership with the donor and NGO communities to impart these types of training. Second, access to credit will have to be ensured. Enhancing access to institutional credit for individual entrepreneurs and small business is a fundamental development challenge facing Bangladesh and is among the most pressing policy reform for job creation.

ICT-based self- employment: For the educated youth, the best option would be the promotion of ICT based self-employment. The demand for ICT skills is huge in the labor market and a thriving ICT-based self-employment in a range of services including web design, mobile financial services, e-commerce, and transport has emerged. The dynamic potential of self-employment for youth based on ICT is best illustrated by looking at the progress with the global online labour market, also known as “freelancing and gig working via internet platforms”. The online labour market based on internet websites has grown rapidly across the globe. The online labour platforms match buyers and sellers to deliver a range of services that can be done remotely using internet. Examples of these services include software development; data entry, translation, multi-media, sales and marketing support and professional services. A unique characteristic of the online labour market is that the work is transnational and many transactions cross national boundaries. This essentially means, the online worker need not be constrained by domestic demand and can actively bid for online demand globally.

To enable the full potential of the ICT-based self-employment option, a number of policy reforms are needed. The most important is the access to institutional credit, as already noted. The second policy measure is to accelerate the growth of ICT infrastructure and ICT-based services by sharply reducing the overwhelmingly large taxation of the ICT sector. This will boost private investment in ICT infrastructure and supply of ICT services while supporting the demand for internet and smart phone services by lowering their prices. Third, the regulatory framework for self-employed ICT specialists and other ICT-based services must be made conducive to their growth. The registration and licensing requirements for web-designers, e-commerce and ICT-based transport service providers must be simple and low-cost. Foreign currency regulations need to be simplified to enable retention and accounting for earnings from international i-labour services. These should be treated at par with remittance income from migrant labour. Furthermore, the tax filing requirements should also be simple and hassle free.

4.2. Creating a Conducive Environment for Higher Participation of Female Labour Force

Increasing FLFP requires addressing a range of related objectives, including addressing the quality of educational outcomes, the quality of jobs available to women, and the opportunities for women to achieve upward mobility in occupations. Addressing these multiple objectives, requires a combination of measures ranging from promoting the growth of sectors that are more amenable to female employment (e.g., labour intensive industries like garments, shoes, electronics, as well as social sectors) to removing barriers to women's employment and establishing the infrastructure and environment to facilitate their employment.

In this context, an umbrella-type initiative like a National Women's Employment Initiative may be helpful in bringing together the various diverse measures. Such an initiative could have two broad components: i) covering policy and regulatory measures; and, ii) covering programmes and practical interventions to facilitate FLFP. These policies and programmes will need to address both supply and demand side constraints. The proposed policy reforms are outlined below.

Supply Side Regulatory Reforms

- Strengthen government capacity including at the local government level to implement all government policies relating to child marriage and violence against women. Ensure that violations are punished in accordance with the provisions under the law and publicized through mass media to prevent such violations.
- Introduction of paternity and/or parental leave.
- Introduction of law explicitly restricting gender discrimination in provision of credit.
- Enactment of Child Daycare Act and introduction of licensing and regulatory regime for childcare facilities.
- Strengthening enforcement of Labour Act requiring childcare provision in firms with >40 female workers.
- Introduction of mechanisms to help finance childcare services for lower income workers (e.g. subsidies, tax credits, etc.)
- Amending inheritance laws to ensure equal rights to women.
- Introduction of Secured Transactions Act and establishment of moveable collateral registry to expand eligible assets for loan collateral.
- Simplification/harmonization of business/ trade procedures and documentation.

Demand Side Regulatory Policies

- Amendment of Labour Act to: i) remove explicit provisions that restrict women's access to specific occupations and to jobs that are considered 'arduous or dangerous'; ii) require non-discrimination in employment based on gender; iii) require equal remuneration for work of equal value; and, iv) prohibit dismissal of pregnant workers.
- Strengthening enforcement capacity for labour inspection of work place safety standards.
- Introducing mechanisms for female workers to report labour abuses, including sexual harassment, without fear of retribution.
- Introduction and implementation of criminal penalties or civil remedies for sexual harassment in employment.
- Revisit the share of women in public services and consider revising the quota upwards.

Supportive Actions and Programmes

- Sharply increase female access to technical and tertiary education through a combination of female technical colleges at the district level and stipends program to finance university education.
- Scale up tested education-related conditional cash transfers aimed at keeping girls in school beyond grade 10, and encouraging their acquisition of STEM skills.
- Implement programmes to recruit and train cadres of female service providers in healthcare, childcare and education.
- Introduce employment services programme (information provision, training, matching) targeted to young women.
- Scale up conditional cash transfers (CCTs) and other established methods to further raise age at marriage.
- Introduce public campaigns using innovative media/approaches—on educational choices and LFP.
- Adopt pilot programmes for safe, affordable public transport for women
- Promoting women's access to digital financial services.

4.3. Enhancing Social Sector investment

As noted in Section 3, a major reason for the low productivity of the labor force is the very low spending on health and education in Bangladesh. Thus, Bangladesh spends only 2% of GDP on education and 0.7% of GDP on health, whereas cost estimates to attain related SDG targets suggest that spending has to grow to 5.3% of GDP for health and 4% of GDP for education. Clearly, these levels of spending are out of reach for Bangladesh in the current constrained resource environment. Nevertheless, a proper use of the demographic dividend calls for a substantial increase in health and education spending, especially education.

Recognizing the need for sharply strengthening the domestic resource mobilization effort, the fiscal framework for the 8FYP adopts a tax policy reform program that should allow Bangladesh to substantially increase its tax to GDP ratio from the current (FY20) low levels of 8.6% to 12.3% by the end of the Plan period. Along with non-tax reforms, total revenue to GDP is projected to grow from 9.8% in FY20 to 14.1%. This increase in fiscal space by 3.3% of GDP provides some scope for increasing spending on health and education. The suggested increase in health and education spending that is consistent with the 8FYP fiscal framework and other government spending priorities is illustrated in Table 16. The projected increase for education in the 8FYP is consistent with the resource requirements to achieve education-related SDGs, but falls short of the estimated needs for attainment of SDG targets in the health sector. Even so, the planned increase in education and health spending will boost the return to the demographic dividend.

Table 16: Feasible Increase in Social Sector Spending (% of GDP)

Indicators	FY2020	FY2025
Total Revenue to GDP	9.8	14.1
Education spending	2.0	3.0
Health spending	0.7	2.0

Source: 8FYP

4.4. Increasing the Job-creation Responsiveness of GDP

The 8FYP puts considerable emphasis on improving the job-creation capability of higher GDP growth. To that end it develops a comprehensive employment strategy. Implementation of the job strategy will be very important for enhancing the benefits from the demographic dividend. The core elements of that strategy are to accelerate GDP growth led by an export-oriented and labor-intensive manufacturing sector, diversify the export base, promote MSEs, and invest in human capital.

The growth of RMG exports supported by remittance inflows were the main architects for GDP expansion during the 1990s-2020 periods. They also provided the basis for rapid job creation in manufacturing sector. The promotion of labor-intensive exports will also be the major focus of job-creation strategy for the 8FYP. But there are important differences. First, the 8FYP will need to focus on the diversification of the export base instead of relying only on RMG. Second, within RMG, the emphasis will be on product and market diversification. Third, in addition to factor services exports, strong emphasis will be placed on the expansion of non-factor services exports. The main specific reforms include:

- **Create level playing field for all exports:** Provide all exports the same facilities as offered to RMG, including access to duty-free imports through bonded warehouse system, back-to-back LC facilities, and export financing through the BB export financing facility.
- **Correct the anti-export bias of trade policy:** The main task is to lower over all trade protection and especially the protection on consumer goods by phasing away the large number of supplementary and regulatory duties, and lowering the upper bound and dispersion of custom duty rates.
- **Maintain a competitive exchange rate policy:** The large appreciation of the real exchange rate since 2013 must be reversed to protect the incentives for exports. Implementation can happen in two steps, whereby in the first step adjustments are made over 2-3 years to correct for the sharp overvaluation of the exchange rate since FY2013. Following this, the exchange system should be managed such that overvaluation is avoided.
- **Strengthen trade logistics performance:** This involves two types of reforms. First is the need to strengthen transport services focusing specifically on the port to factory delivery. This entails a coordinated transport strategy involving rail, road and inland water transport (IWT). The road network is heavily congested and cargo traffic will benefit much more from coordinated expansion of rail and IWT with ports. Bangladesh is very well connected with each district through waterways and the focused development of IWT can have a major impact in reducing transport cost. The second aspect concerns port clearances. This is best done through the use of electronic clearance arrangements as done in efficient ports in Hong Kong, Singapore and Rotterdam.
- **Liberalize the Foreign Currency Regime:** In this 21st century globalized world of trade and financials, Bangladesh will seriously need to rethink its control-oriented and 19th Century-originated foreign currency regime. Even neighboring countries like India and Pakistan have moved with significant enabling reforms of the foreign currency regime but Bangladesh has lagged behind. As a starting point, Bangladesh should remove the restrictions on payments by Bangladeshi residents for services purchased from abroad (e.g. restrictions on payments for education, medical services and tourism) based on proper documentation. Second, all regulatory barriers on the inflow of foreign service export earnings must be removed. Third, Bangladesh investors who earn foreign exchange should be allowed to use them for investment abroad with proper checks and balances. Fourth, foreign currency holders must be allowed the flexibility to encash their foreign currency in Bangladesh or transfer abroad using e-banking. Progressively as Bangladesh moves towards UMIC, the capital account restrictions will also need to be lifted in line with practices in other UMIC.

- **Adopt a comprehensive export strategy for non-factor services (NFS):** The government should immediately develop a comprehensive strategy for promoting exports of NFS. The effort should be led by the Ministry of Commerce with support from Ministry of Finance and the Bangladesh Bank. The Ministry of Commerce could seek technical assistance to do this. The objective should be to develop a strategy to exploit the full export potential of the three key services: ICT, tourism and transport. The study should be completed by FY2022 and then implemented with the support of the Ministries of Shipping, ICT, and Civil Aviation and Tourism. The Commerce Ministry should be responsible for coordinating its implementation.
- **Review and reform the taxation of ICT:** The development contribution of ICT is enormous in all areas of the Bangladesh economy including ICT exports. The COVID-19 pandemic has reinforced the importance of adopting ICT solutions in all business including finance, trade, education, health and most services. The government should undertake a full review of the ICT taxation structure on inputs, outputs and investments and take corrective steps to eliminate over-taxation of the sector. Given its development impact, the taxation burden should be minimized with reliance on income and profit taxation as the main source of government revenue from ICT.

4.5. Dynamizing the role of the MSE sector

Given the nature of employment challenge facing Bangladesh (informality of employment, slowdown of employment in large manufacturing and construction, the implications of automation and technology change, and the severe skills constraint in the organized sector), the strength of job creation in MSEs offer the best solution for addressing the employment problem in the 8FYP. For addressing the short-term COVID-19 related employment crisis, the MSEs provide the only viable option. Dynamizing the MSEs will require that the specific policies that address the MSE constraints must be combined with the policies for job creation through the trade and exchange reforms noted above. The main reforms specific to MSEs are discussed below. Some of the reforms are medium-term in nature. To jump-start the MSE reform process as a means to solve the short-term COVID-19 related unemployment problem, immediate attention should be given to the financing solutions.

- **Redefine support focus to micro and small enterprises:** Since MSEs face very different constraints than medium enterprises that are for all practical purposes similar to large enterprises, the government's support focus should shift to micro and small enterprises (MSEs).
- **Adopt a comprehensive MSE development strategy:** The government should immediately undertake a major research on the state of play of MSEs and establish a baseline database on type of enterprise, output, input, technology, investment, employment, product-lines, market, financing pattern, skills and the major constraints facing these enterprises. Based on that survey, a solid diagnostic of constraints, strategy to address them and policies necessary should be developed and approved by the cabinet. This strategy should be updated on a 3-year basis along with the database and an M&E that takes stock of policy implementation and impact. Since this is a critical strategic component of medium-term development strategy and multi-sectoral in nature, the research is best done under the coordination of the General Economics Division of the Planning Commission with inputs from the SME foundation, the Ministries of Industry, Commerce and Finance, and the Bangladesh Bank.

- Establish effective policy and support coordination mechanism: Effective institutional arrangements to promote MSEs are critical. Two good examples emerge from the experience of Japan and the USA. In Japan, the powerful Ministry of Economy, Trade and Industry (METI) coordinates the small business development strategy and policies through two major dedicated institutions: the Small and Medium Enterprise Agency (SMEA) and the Japan Small Business Research Institute (JSBRI). The SMEA conducts periodic surveys to find out the constraints and needs of the small enterprises and coordinates the implementation of the various support programs, while JSBRI conducts regular research on a wide range of policy and institutional support. The JSBRI prepares reports on the state of small enterprises on an annual cycle. The JSBRI works in close contact and collaboration with METI. In USA, there is a one-stop shop called the Small Business Administration (SBA) to promote small enterprises. The SBA coordinates finance, regulations and technical assistance all under one window. In Bangladesh, METI type super ministry does not exist, the SME Foundation is not very effective because of weak capacity and empowerment, and there is no research institution for MSEs. The Bangladesh Bank (BB) has strong capacity to administer financial programs but it does not have capacity to effectively monitor and promote MSEs comprehensively. Given this serious institutional gap, the most attractive option would be to have one stop shop like the SBA of the USA to promote MSEs. Since there are two institutions already in place in Bangladesh, to avoid the dislocation effects of rebuilding under one window, a second-best pragmatic option would be to assign the regulation, research and monitoring and evaluation functions to the SME Foundation and keep all financing issues under the re-defined MSE Department of the BB. The working of these two institutions should be jointly coordinated by the Ministry of Industry and the BB. The specific arrangements of this coordination mechanism could be worked out by the government. Other relevant ministries, like Finance and Commerce, should be represented as members in this coordinating committee.
- Adapting regulations to serve informal MSEs: Since MSEs operate in an informal environment without registration and tax IDs, they cannot benefit from government supported initiatives including access to bank credit. The policy challenge is to adapt the regulations regarding the support services for MSEs including access to finance in a way that reconciles the MSE expansion objective with tax regulations. An expert team of the National Board of Revenue (NBR), the Ministry of Finance (MoF), BB and PKSf could be formed to look specifically how best to reconcile the two objectives. The government could also learn from the experience of other countries regarding how this policy dilemma could be best addressed.
- Simplifying business procedures for MSEs: Similar to any business, the case for deregulating and simplifying the business licenses and clearance processes for MSEs is very strong. The main objective should be to encourage MSEs to become a part of the formal business environment and voluntarily comply with the regulatory requirements. The SMEF should also review the clearance procedures for manufacturing based MSEs. The objectives of the simplification process should be to sharply reduce the transaction costs for MSEs with the removal of duplicate clearances, use of online applications and clearances, and flexible labor laws.
- Refocus and Strengthen the SME Foundation: It is very important to refocus SME Foundation to providing services to MSEs rather than medium enterprises. To signal this important change the name of the Foundation should be changed to MSE Foundation (MSEF). The capacity of the MSEF should be sharply strengthened to provide a range of services to MSEs including skills training, marketing, trade information, technology transfer and research. Some of these activities will require coordination with other ministries especially in the area of training.
- Sharply scale-up MSE access to bank financing: The existing BB dedicated SME financing window should be restructured to make this focused exclusively on MSEs. The medium

enterprises have been dominating the use of this window at the expense of the MSEs, when they do not need such preferential access because they can obtain all their financing needs from the normal commercial bank credit operations, same as other organized enterprises. The loan procedures should be simplified and transaction costs lowered through ICT solutions as done presently by leading commercial banks like BRAC Bank and Prime Bank (see below).

- Strengthen startup capital financing through the BB refinancing schemes: An important instrument that has good prospects in Bangladesh is start-up debt-financing from non-bank financial institutions (NBFI) using the approach adopted by the Industrial Development Leasing Company (IDLC), the largest NBFI. The IDLC uses refinancing money from BB to finance start-ups and growth of micro and small enterprises at low interest rates. These features: loan limit of up to 25 lacs; loan tenure of up to 5 years; grace period of 3 to 6 months; and repayment method could be equal monthly installment or structured payment. The IDLC approach can be mainstreamed by BB by establishing a special window where the BB could pool all donor funding along with some funding from the government to be used exclusively for financing NBFIs who are willing to provide start-up financing to micro and small enterprises. This can be a huge step forward in supporting the growth of MSEs even without any fundamental change in the credit market structure. So, this initiative can run alongside with reforms to improve the structure of the credit market.
- Develop capacities of the banks and NBFIs to better service the financing needs of MSEs: An important constraint that limits the ability of financial institutions to serve the financing needs of MSEs is the high transaction costs of loan development, disbursement and supervision. Several financial institutions (BRAC Bank, the Prime Bank, and the IDLC) have used innovative solutions including use of ICT solutions to reduce cost and increase their MSE portfolios. Drawing on these successful experiences, the BB should ask each bank and NBFI for business plan about how they will move forward their MSE portfolio. The strategic business plan should include human resource plan, the MSE outreach plan, and the business model. BB should institute incentive measures for genuine structural/ organizational changes to move forward the extended small enterprise agenda.

4.6. Improve the Investment Climate to Promote Private Domestic and Foreign Direct Investment

As noted, physical capital formation has been the most driver of growth in Bangladesh. While efforts are underway to increase the role of human capital and technology in the growth process, physical capital will continue to play a determining role in accelerating growth and creating jobs. The growing capital intensity of production, human capital formation and technology adoption will all require additional physical capital. So, over time the incremental capital output ratio will increase. The 8FYP recognizes this factor and projects the private investment rate to grow substantially during the Plan period. It also projects a sharp increase in the role of FDI (Table 17), which provides the impetus for the growth of the private investment rate. These are ambitious targets but necessary to achieve the GDP growth and employment targets of the 8FYP, which in turn are critical for reaping the benefits of the demographic dividend.

Table 17: Private Investment Targets for the 8FYP

Indicators	FY2020	FY2025
Incremental capital output ratio (ICOR)	4.0	4.3
Private investment rate (% of GDP)	23.6	27.3
Domestic private investment (% of GDP)	23.0	24.3
FDI (% of GDP)	0.6	3.0
Source: 8FYP		

Several reforms are needed to achieve these private investment targets.

- **Preserve prudent macroeconomic management:** Strong efforts will be needed to preserve and continue with prudent macroeconomic management that keeps inflation and interest rates low and enables steady flow of credit to the private. This has been a strength of past policy management but has come under pressure in recent years owing to major slippages in fiscal policy management. Government must adopt the fiscal policy framework of the PP2041 and ensure its full implementation to allow revenue growth that is necessary to support infrastructure and human development spending while preserving fiscal discipline and avoiding a crowding out of private credit flows.
- **Restore health of the banking system:** Through its deregulation drive Bangladesh made tremendous progress in improving the quantity and quality of the banking sector that has played a substantial enabling role in job creation by providing credit at relatively low cost to the organized business sector. This has come under serious stress owing to an acceleration in non-performing loans that threatens the financial health of the banking sector (Ahmed 2020b). The government must immediately restore the health of the banking system through enforcement of prudential regulations and strengthened supervision, removing all political interventions in lending decisions, freeing up interest rates to reflect market conditions, reforming public banks through corporatization such that they perform as profit-earning entities and not as a tool for favor distribution, and bringing all public bank under the full regulatory regime of the Bangladesh Bank.
- **Overhaul the regulatory regime and improve its implementation:** Three types of reforms are needed. First, all restrictions on FDI investments should be removed including in RMG. Second, there is a need to establish effective prudential regulations to facilitate contract enforcement and resolving insolvency. Third, the procedures for getting electricity, for property registration, and paying taxes need to be simplified. The objective of this regulatory simplification should be to reduce the time taken to get these services and without the need for side payments. All public agencies should be required to provide online services with defined service fees and service delivery timelines. An active grievance redressing mechanism should be established to speedily resolve disputes.
- **Strengthen institutional capabilities of the BIDA:** The BIDA is supposed to be a one-stop shop for FDI clearances. It lacks institutional capabilities, although the appointment of the new Advisor to the PM for Private Investment has strengthened its inter-ministerial coordination and decision-making process. It needs lot more technically competent staff to do research, provide follow-up support on FDI requests for clearances and other services, and conduct aggressive FDI mobilization activities.

4.7. Boosting Overseas Employment Prospects in a Post-COVID-19 World

The COVID-19 related global economic slump and associated loss of employment opportunities is a major setback for all labor exporting countries including Bangladesh. It is expected that global recovery could start in the middle of 2021 as COVID-19 vaccine gets adopted and provides immunization from adverse health effects. While Bangladesh prepares for this recovery, it must also prepare a strategy to respond to some of pre-COVID-19 constraints that adversely affected overseas employment and earnings discussed in Section 3. The main reforms to boost overseas employment prospects in a post-COVID-19 world are noted below.

- **Develop a strategy and action plan:** Develop a well-thought out and comprehensive strategy and policy action plan for the recovery of overseas employment and stronger participation in the post COVID-19 recovery period. Since overseas employment is a core element of the overall national job strategy, this task is best done by the GED with technical assistance support. The strategy and action plan should be initiated and completed by December 2021 with implementation in FY2022.
- **Strengthen database and research:** Notwithstanding the database developed by BMET, there is a need to further strengthen the database and research on overseas employment as well as on the issue of reintegration of returnees. There are several areas of knowledge gap including stock of migrant labor by countries; net annual outflows, changing market structure and demand for skills for overseas employment; migration prospects in the new markets of Japan, Korea,
- **Strengthen overseas employment prospects for less-served districts:** Given the strong potential poverty reduction effects of overseas employment, this should be integrated in the poverty reduction strategy and promoted through public support focused on less well- served districts in terms of better information sharing, job-related training and financing grants or subsidy to make this affordable.
- **Increase training opportunities for migrant labors:** The BMET's training programs for migrant labours should be increased based on the specific areas of demand in host countries. The government should develop this training in consultation with the findings of market research noted above regarding location of demand and the types of skill required. Some of the training could be out-sourced to private providers with government funding.
- **Further lower cost of migration:** The government's dialogue with the recruiting agencies and the establishment of the PKB are helpful steps. These efforts should be further strengthened to bring the average migration cost in line with other countries. The government issued 2 new rules (to Migration Act 2013) around Recruitment Agency Licensing and on Classification. The latter rule sets up a transparent system for 'grading' recruitment agencies and can help reduce price gauging and other exploitation. This needs to be implemented and properly monitored and enforced. The PKB should be encouraged to provide low-cost loan financing with repayments linked to future earnings. The government might also consider providing loan subsidy through PKB at 5% interest rate.
- **Strengthen G2G dialogue to promote expansion of overseas employment:** Building on the success of earlier agreements, the government may want to further strengthen this dialogue in both GCC and non-GCC countries.
- **Strengthen protection of overseas workers:** Despite progress, this remains an area of concern. This is not just a matter of signing international conventions or bilateral MOUs and Agreements with host countries. The main challenge is implementation. The embassies in the main overseas labor markets should be strengthened with stronger capacity to provide service to overseas workers and protect their rights with local level oversight and follow up interventions.
- **Service to returnees:** Presently there is no strategy to support the reintegration of returnee workers in the society. While most returnees may not need this service and can make their own choices with family support, this option should be available for those who do not have strong family connections and have only small savings. They may be looking for employment and have acquired skills that are marketable but lack the information and connectivity.

5. Implementation Time Frame by Strategies and Agencies

The Reform Agenda identified in Section 4 needs to be implemented during the 8FYP. To make the reform agenda implementable within the 5-year time span of the 8FYP, it is important to assign each of the proposed policy reform identified under the 7 themes of the Strategic Framework to the concerned implementation agencies and indicate the suggested implementation timeline. These themes are:

1. Creating Higher Productive Employment for the Youth Through Training and Self Employment.
2. Creating a Conducive Environment for Higher Participation of the Female Labor Force.
3. Enhancing Social Sector Investment.
4. Increasing the Job-Creation Responsiveness of GDP Growth
5. Dynamizing the Role of MSEs
6. Improve the Investment Climate to Promote Private Domestic and Foreign Direct Investment.
7. Boosting Overseas Employment Prospects in a Post-COVID-19 World

The specific actions associated with each of these strategic themes, the reform timetable and the responsible agency / agencies are discussed below.

5.1. Theme 1: Creating Higher Productive Employment for the Youth Through Training and Self Employment

The policy reforms involve the participation of several ministries and agencies. The implementation responsibilities are summarized in Table 18. Policy reforms should start during FY2021 and continue over the full 5 years of the 8FYP. The Ministry of Youth and Sports should monitor progress with the implementation of the policy reforms. It is also important that the Ministry develops a results-based M&E framework to measure progress and report that to the cabinet. A simple M&E framework is provided by Table 12 reflecting the targets of the proposed Bangladesh Youth Employment Framework (BYEF). The M&E framework can be further developed with intermediate targets as needed.

Table 18: Implementation Matrix for the Youth Training and Employment Theme

Reform Area	Line Ministry	Time Table
Implement the National Youth Policy with well-defined targets by dates (Table 12 above) and monitor implementation	Ministry of Youth and Sports (coordination); Ministries of Finance, Education, Labor and Manpower	FY2021-FY2025
Disseminate labor market information	Ministry of Labor and Manpower; Ministry of Youth and Sports	FY2021-FY2025
Strengthen education and training through higher public financing and reform of the delivery system	Ministry of Finance, Ministry of Education and the University Grants Commission (UGC)	FY2021-FY2025 Budget
Strengthen skills for employment programs through higher public financing and public-private partnerships	Ministry of Finance, Ministry of Education, Ministry of Labor and Manpower	FY2021-FY2025
Promote youth entrepreneurship through access to finance and training	Ministry of ICT, Ministry of Finance, BB	FY2021-FY2022
Promote ICT-based youth entrepreneurships through ICT training, start-up capital, simplifying registration and tax laws	Ministry of ICT, Ministry of Finance, Ministry of Commerce, BB	FY2021-FY2025
Promote partnership with NGOs to develop training programs for NEET youth	Ministry of Youth and Sports; Ministry of Finance, Ministry of Education	FY2021-FY2025
Accelerate overseas employment prospects for youth through information and training	Ministry of Youth and Sports, Ministry of Labor and Manpower	FY2021-FY2025
Sharply reduce the incidence of female youth NEET by eliminating all discrimination against women; improving their access to tertiary and technical education and access to skills for employment programs	Ministry of Youth and Sports, Ministry of Women and Children affairs, Ministry of Education, and UGC	FY2021-FY2025
Monitor progress with implementation on NWDP 2011 on a 2-year cycle and send report to Cabinet	Ministry of Women and Children Affairs	FY2021-FY2025

5.2. Theme 2: Creating a Conducive Environment for Higher Participation of the Female Labor Force.

The policies are a mix of legal, regulatory, implementation oversight and programme development. Accordingly, a coordinated effort is needed to develop and implement these important reforms. The implementation arrangements are indicated in Table 19. The Ministry of Women and Children Affairs should coordinate these reforms and monitor implementation as a part of its responsibility to implement NWDP2011. A progress report on a two-year cycle should be prepared for cabinet review.

Table 19: Implementation Matrix for Strengthening the Female Labor Force Participation

Action Plan	Responsibility*	Timeline
Increase Female technical education and tertiary enrollment	MoE	FY2021-FY2023
Introduction of paternity and/or parental leave	MoLE	FY2021-FY2022
Introduction of law explicitly restricting gender discrimination in provision of credit	MoLE	FY2021-FY2022
Strengthening implementation of laws on child marriage	MoWCA	FY2021-FY2022
Enactment of Child Daycare Act and introduction of licensing and regulatory regime for childcare facilities	MoWCA	FY2022-FY2023
Strengthening enforcement of Labour Act requiring childcare provision in firms with >40 female workers	MoLE; DIFE	FY2022-FY2023
Introduction of mechanisms to help finance childcare services for low- income workers	MoF; MoWCA	FY2022-FY2023
Amending inheritance laws to ensure equal rights to women	MoLJPA	FY2022-FY2023
Expansion of eligible assets for loan collateral	MoF	FY2021-FY2022
Simplification/harmonization of business/trade procedures and documentation	MoC; BIDA; RJSC	FY2021-FY2022
Amendment of Labour Act to end all women discrimination	MoLE	FY2021-FY2022
Strengthening enforcement capacity for labour inspection	MoLE; DIFE	December 2021
Introducing mechanisms for female workers to report labour abuses, including sexual harassment.	MoLE; DIFE	December 2021
Well-defined penalties for sexual harassment at work place	MoLE; MoWCA	December 2021
Affirmative action to increase share of women in public services	MoPA	FY2021-FY2022
Targeted programs to recruit and train cadres of female service providers in health and education	MoHFW; MoE; MoWCA	FY2021-FY2022
Conditional cash transfers aimed at increasing female higher secondary school enrolment and acquisition of STEM skills	MoSW; MoE; MoF	FY2022-FY2023
Employment services programme for young women	MoLE; MoWCA	FY2021-FY2022
Scale up CCTs and other methods to further raise age at marriage	MoSW; MoF	FY2022-FY2023
Public campaigns on educational choices and LFP	MoWCA	FY2021-FY2022
Pilot programmes for safe, affordable public transport for women	MoRTB; MoWCA	FY2022
Promoting women's access to digital financial services	MoF; MoWCA	FY2021-FY2022
Monitor progress with implementation on NWDP 2011 on a 2-year cycle and send report to Cabinet	Ministry of Women and Children Affairs	FY2021-FY2025

*Note: BIDA (Bangladesh Investment Development Corporation); DIFE (Department of Inspections for Factories and Establishments); MoC (Ministry of Commerce); MoE (Ministry of Education); MoF (Ministry of Finance); MoHFW (Ministry of Health and Family Welfare); MoLE (Ministry of Labour and Employment); MoLJPA (Ministry of Law, Justice, and Parliamentary Affairs); MoRTB (Ministry of Road Transport and Bridges); MoSW (Ministry of Social Welfare); MoWCA (Ministry of Women and Children Affairs); RJSC (Registrar of Joint Stock Companies and Firms)

5.3. Theme 3: Enhancing Social Sector Investment.

The Action Plan for this theme involves strengthening domestic resource mobilization as defined in the 8FYP medium-term fiscal framework, ensure the allocation of adequate resources to health and education as articulated in the 8FYP, and take actions to properly implement all approved education and health programs. The key actors are the ministries of Finance, Education and Health (Table 20).

Table 20: Implementation Matrix for Enhancing Social Sector Investment

Reform Area	Line Ministry	Time Table
Implement the 8FYP Fiscal Policy Framework so as to raise the Total revenue to GDP ratio from 9.8% in FY2020 to 14.1% in FY2025	Ministry of Finance; National Board of Revenue (NBR)	FY2021-FY2025
Increase total budget allocation for education from 2% of GDP in FY2020 to 3.0% of GDP in FY2025	Ministry of Primary and Mass Education; Ministry of Education; and Ministry of Finance	FY2021-FY2025
Increase total budget allocation to health from 0.7% of GDP in FY2020 to 2.0% of GDP in FY2025	Ministries of Commerce, Finance and Industry	FY2021-FY2025
Ensure efficient use of budget resources provided for education and health.	Ministry of Primary and Mass Education; Ministry of Education; Ministry of Health	FY2022-FY2025

5.4. Theme 4: Increasing the Job Creation Responsiveness of GDP Growth

The implementation responsibilities are summarized in Table 21. Policy reforms should start from FY2021 and continue over the full 5 years of the 8FYP. Correction of the exchange rate appreciation should start immediately. It is also suggested that the General Economics Division (GED) of the Planning Commission should monitor progress with implementation of the various national level employment reforms with a mid-term review in FY2023 and an end of 8FYP review in FY2026.

Table 21: Implementation Matrix for Increasing Employment Elasticity of GDP Growth

Reform Area	Line Ministry	Time Table
Implement the 8FYP Employment Strategy	GED and Cabinet	FY2021-FY2025
Implement the Fiscal Policy Framework of the 8FYP	Ministry of Finance; NBR	FY2021-FY2025 Budgets
Restore health of the banking system	Bangladesh Bank (BB), Ministry of Finance	FY2021-FY2022
Ensure competitive exchange rate policy	BB	FY2021-FY2022
Do Trade Reforms to Lower Protection	Ministry of Commerce and NBR	FY2021-FY2025 Budgets
Adopt a comprehensive export strategy for NFS	Ministry of Commerce, Ministry of Finance and BB	FY2021-FY2022
Implement the NFS export strategy	Ministry of Commerce, Ministry of Shipping, ICT Division, Ministry of Civil Aviation and Tourism	FY2022-FY2025
M&E of implementation of 8FYP Employment Strategy	GED	FY2023 (mid-year); FY2026 (after end of 8FYP)

5.5. Theme 5: Dynamizing the Role of MSEs

Although the two core institutions are the Bangladesh Bank (BB) and MSE Foundation (MSEF), the policy reforms involve the participation of several ministries and agencies. The implementation responsibilities are summarized in Table 22.

Table 22: Implementation Matrix for Dynamizing the Role of MSEs

Reform Area	Line Ministry	Time Table
Redefine MSEs and develop a comprehensive strategy for MSEs	GED in coordination with MSEF, BB	December 2021
Implement MSE strategy and monitor progress	Ministries of Industry, Commerce, Finance, BB and MSEF	FY2022-FY2025
Develop regulatory framework for MSEs	SMEF in coordination with BB, NBR, Ministries of Commerce, Finance and Industry	December 2021
Implement regulatory framework for MSEs	MSEF, BB, NBR, Ministries of Commerce, Finance and Industry	FY2022-FY2025
Strengthen capacity of SMEF to do research, training and other support services to MSEs	SMEF, Ministry of Industry, Ministry of Finance, Ministry of Education, Ministry of Commerce, Planning Commission	FY2021-FY2022
Develop one-stop service for MSEs in the spirit of the SBA in the USA	BB and MSEF	FY2021-FY2022
Sharply enhance access of MSEs to bank and NBFIs credits and financial assistance programs	BB, commercial banks, NBFIs	FY2021-FY2025
Strengthen the start-up capital window for MSEs	BB and NBFIs	FY2021-FY2022
Strengthen capacities of banks and NBFIs to lend to MSEs	BB, commercial banks and NBFIs	FY2021-FY2022

5.6. Theme 6: Improving the Investment Climate to Promote Private Domestic and Foreign Direct Investment.

The policy reforms involve the participation of several ministries and agencies. The BIDA should play the coordinating role for mobilizing FDI. The implementation responsibilities are summarized in Table 23.

Table 23: Implementation Matrix for Increasing Private Domestic and Foreign Direct Investment

Reform Area	Line Ministry	Time Table
Strengthen macroeconomic stability through implementing the 8FYP fiscal framework	Ministry of Finance, NBR	FY 2021 - FY 2025 Budgets
Restore the health of the banking sector through strengthening implementation of prudential regulations and reforming public banks	BB, Ministry of Finance	FY2021-FY2025
Liberalize the foreign currency regime	BB	FY2021-FY2022
Boost FDI Flows through Regulatory Reforms	BIDA	FY2021-FY2025
Improve Trade Logistics	Ministry of Commerce, NBR and Ministry of Transport	FY2021-FY2025

5.7. Theme 7: Boosting Overseas Employment Prospects in a Post-COVID-19 World

Implementation of the overseas employment strategy involves multiple ministries, although overall oversight rests with the Bureau of Manpower Employment and Training (BMET) associated with the Ministry of Expatriates' Welfare and Overseas Employment. The implementation responsibilities for the suggested reform are summarized in Table 24.

Table 24: Implementation Matrix for Boosting Overseas Employment

Reform Area	Line Ministry	Time Table
Develop a comprehensive strategy and action plan for post-COVID19 Overseas Employment	GED	December 2021
Implement the strategy and action plan	BMET, Ministry of Finance	FY2022-FY2025
Strengthen policy dialogue with host governments on employment expansion prospects and protection of workers	Ministry of Foreign Affairs, Bangladesh embassies	FY2021-FY2025
Strengthen overseas employment outreach to less-served districts	BMET	FY2021-FY2025
Strengthen skills for programs for overseas workers	BMET	FY2021-FY2022
Strengthen dialogue with recruiting agencies on lowering cost and improving service to potential migrants	BMET	FY2021-FY2025
Strengthen loan options for potential migrants linked to future earnings	Probashi Kalyan Bank (PKB), BB	FY2021-FY2025
Strengthen support services to returnee workers	BMET	FY2021-FY2025
Strengthen data base and research on overseas employment	BMET, GED	FY2021-FY2025

References

- Ahmed, Sadiq. (2020a). *Strengthening the Investment Climate to Promote Domestic and Foreign Investment*. Background Paper Prepared for the 8th Five Year Plan of Bangladesh, General Economics Division, Planning Commission, Dhaka.
- Ahmed, Sadiq. (2020b). “The Imperative for Banking Reforms”. Paper Prepared for BIBM Special Bangabandhu Centenary Volume of Bank Parikrama, Dhaka.
- Ahmed, Sadiq. (2017a). *Services Sector Development to Support a High Growth in a Transforming Economy*. Background Paper Prepared for the Perspective Plan 2041, General Economics Division, Planning Commission, Dhaka, July 2017.
- Ahmed, Sadiq. (2017b). “Strengthening the ICT Revolution in Bangladesh” Chapter 2, in *Evidence Based Policy Making in Bangladesh: Selected Case Studies*. Policy research Institute of Bangladesh, Dhaka.
- Ahmed, Sadiq and Zaidi Sattar. (2020). *Bangladesh Youth Employment Policy Brief*. ILO, Dhaka
- Ahmed, Sadiq and Zaidi Sattar. (2019a). *Bangladesh Trade Policy for Growth and Employment: Collected Essays*, Policy Research Institute of Bangladesh, Dhaka.
- Ahmed, Sadiq and Zaidi Sattar. (2019b). “Making Post-Graduation Export Incentives WTO Compatible”. Paper Prepared for the Ministry of Commerce, Dhaka. December 2019
- Ahmed, Sadiq, Khurshid Alam and Bazlul Khondker. (2018). *Faster Development of the Micro, Small and Medium Enterprises (MSMEs): Role of Innovative Financing Solutions*. Report Prepared for the World Bank, Policy Research Institute of Bangladesh, Dhaka.
- Ahmed, Sadiq, Ashikur Rahman and Zaidi Sattar. (2013). *The Current State and Future Directions for Small and Medium Manufacturing Enterprises (SME) in the Manufacturing Sector in Bangladesh*. Report Prepared for the SME Foundation, Dhaka.
- Andaleeb, S.S., S. Mahmud, F.S. Rahman, and K. Chowdhury (2018) “Roads free from sexual harassment and crash for women”, BRAC University, March, 2018.
- Asian Development Bank and the International Labor Organization (ADB-ILO) (2016). *Bangladesh Looking Beyond Garments – Employment Diagnostics Study*. ADB and ILO, Manila and Geneva.
- Asia Foundation. (2017). *Expanding the Benefits of Trade to Women in the BBIN Region: A Programme Design Primer*
- AUC and UNECA. (2013). “Policy briefs on demographic dividend,” March 21-26, 2013.
- Farole, Thomas and Yoonyoung Cho (2017): *Jobs Diagnostics Bangladesh*. Jobs Series, Issue No. 9, World Bank, Washington D.C.
- Government of Bangladesh (2020a). *Making Vision 2041 A Reality: Perspective Plan of Bangladesh 2021-2041*. General Economics Division, Bangladesh Planning Commission, Ministry of Planning, March 2020, Dhaka
- Government of Bangladesh. (2020b). *The 8Th Five Year Plan of Bangladesh FY2021-FY2025: Accelerating Growth, Promoting Prosperity and Fostering Inclusiveness*. General Economics Division, Bangladesh Planning Commission, Ministry of Planning, Dhaka.
- Government of Bangladesh. (2017). *SDGs Need Assessment and Financing Strategy: Bangladesh Perspective*. General Economics Division of the Planning Commission, Dhaka.

- Khondker Bazlul and Rahman (2018), “Some Estimates of First Demographic Dividend in Bangladesh: An Application of the Bangladesh National Transfer Account” in Selim Raihan edited *Structural Change and Dynamics of Labor Markets in Bangladesh*, South Asia Economic and Policy Studies, Springer, 2018
- Mahmud, Simeen and Sayema Haque Bidisha. (2018). “Female Labor Market Participation in Bangladesh: Structural Changes and Determinants of Labor Supply,” in Selim Raihan edited *Structural Change and Dynamics of Labor Markets in Bangladesh*, South Asia Economic and Policy Studies, Springer, 2018.
- Mason, Andrew and Tomoko Kinugasa, “East Asian Economic Development: Two Demographic Dividends,” conference on “Miracles and Mirages in East Asian Economic Development” (Honolulu, 2004).
- Michael R.M. Abrigo, M. R. M., (2016), “Demographic Transition and Demographic Dividends New International Evidence,” Paper presented in NTA EGM, 2016.
- Quisumbing, A. R., Kumar, N., & Behrman, J. A. (2017). Do Shocks Affect Men's and Women's Assets Differently? Evidence from Bangladesh and Uganda. *Development Policy Review*, 36 (1), 3-34.
- Raihan S. (2018). “Challenges for Economic Growth and Employment Creation in Bangladesh” in Selim Raihan edited *Structural Change and Dynamics of Labor Markets in Bangladesh*, South Asia Economic and Policy Studies, Springer, 2018.
- Ronald Lee and Andrew Mason. (2006), “What Is the Demographic Dividend?” Finance and Development, a quarterly magazine of IMF, September 2006, Volume 43, Number 3
- Solotaroff et al (2019a) *Voices to Choices: Bangladesh's Journey in Women's Economic Empowerment*
- Solotaroff et al (2019b) *Country Gender Assessment: Bangladesh*.
- World Bank (2019a). *Bangladesh Poverty Assessment. Volumes 1 and 2*. World Bank, Washington D.C.
- World Bank (2019b) *Women, Business and the Law 2019: A Decade of Reform*, World Bank, Washington D.C.
- World Bank (2018). *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*, World Bank, Washington D.C.
- World Bank (2016), “Development Goals in an Era of Demographic Changes”, Global Monitoring Report (2015/16), A World Bank Group Flagship Report, A joint publication of the World Bank Group and the International Monetary Fund, Washington DC. 2016
- World Bank. (2015). *Bangladesh Development Update*. World Bank, Dhaka.
- UNFPA. (2020). *Implications of the Emerging Demographic Profile for Bangladesh Development Strategy*. Background Paper Prepared for the 8FYP, Dhaka.
- United Nations Fund for Population Analysis (UNFPA). (2019). *Population Situation Analysis Bangladesh 2019*. (Draft) UNFPA, Dhaka.
- UNICEF (2020), “Emerging Trends and Implications for Policy: Demographic Diversity of Bangladesh”, Policy Brief Prepared for the 8FYP, Dhaka.

POLICY PAPER: 2

Addressing Gender Differentials in Labor Force Participation to Reap Demographic Dividend in Bangladesh

Prepared by

Mohammad Mainul Islam, PhD*

December 2021

**Professor, Department of Population Sciences, University of Dhaka*

Acronyms

BBS	Bangladesh Bureau of Statistics
BDHS	Bangladesh Demographic and Health Survey
CSE	Comprehensive Sexuality Education
FLIP	Five Year Plan
GBV	Gender-Based Violence
GBSS	Gender Biases in Sex-Selection (GBSS)
GED	General Economic Division
GoB	Government of Bangladesh
LFS	Labor Force Survey
MICS	Multiple Cluster Indicator Survey
ICPD	International Conference on Population and Development
ICPD POA	International Conference on Population and Development (ICPD) Programme of Action (POA)
LFPR	Labor Force Participation Rate
NEET	Not in Education, Employment or Training
SDGs	Sustainable Development Goals
SEARCH	Sexual and Reproductive Health
SVRS	Sample Vital Registration System
RH	Reproductive Health
FP	Family Planning
UNFPA	United Nations Population Fund
UN	United Nations
WB	World Bank

Abstract

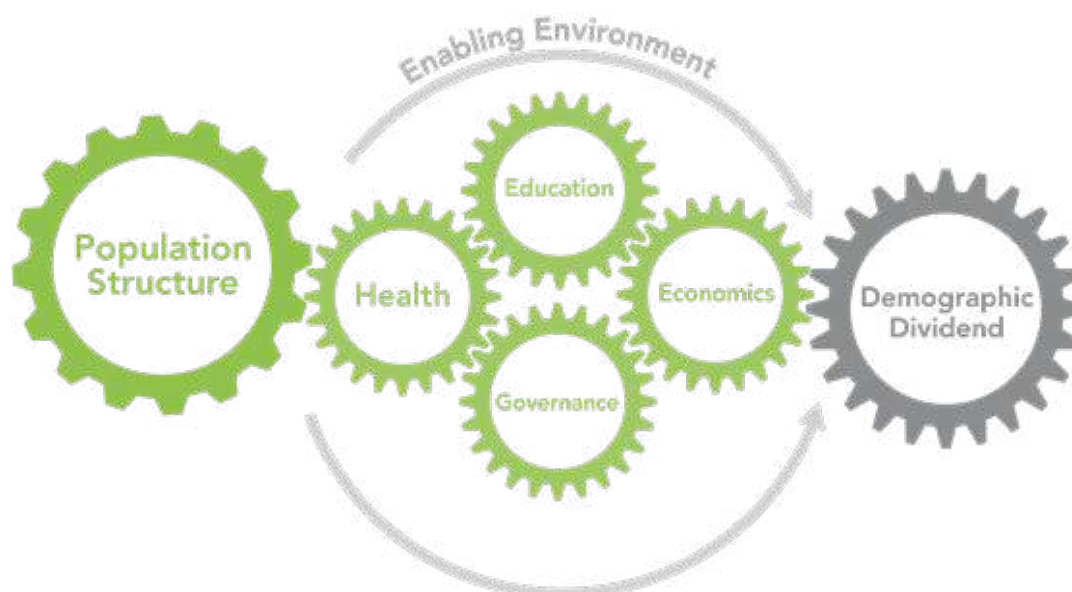
Bangladesh, in the midst of the demographic transition, is experiencing rapid shifts in the relative numbers of children, the working-age population, and older persons. The labor force composition in Bangladesh can play a significant role in its economic development. Here changes in change structure suggest two-third of the total population are of the working-age, which can be a stimulus for the first demographic dividend in Bangladesh. To address the demographic change that should keep being a top priority on the political agenda considering the time frame to achieve the first demographic dividend by 2035-2037 and changes in gender composition, including gender dividend. In Bangladesh, female labor force participation continues to be significantly lower than their male counterparts. The low participation of women in the workforce could seriously affect the country's chance of achieving the first demographic dividend. Thus, it is necessary to explore the scenarios of gender differentials in the labor force participation and to adopt necessary urgent actions to reap the first demographic dividend. In addition, to attain International Conference on Population and Development Programme of Action (ICPD PoA) on Gender Equality, Equity and Empowerment of Women; and Sustainable Development Goals (SDG-8): Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all; and SDG-5: Achieve gender equality and empower all women and girls- current gender gap in the labor force participation should be addressed. In this regard, this policy paper on "Addressing gender differentials in labor force participation to reap the demographic dividend in Bangladesh" finds that the most noticeable change has been observed regarding the rising participation of women in the labor market, with the rate rising from around 8% in the mid-1980s to almost 36% in 2016/17. Despite the increase, the female participation rate is still much lower than the male participation rate. Here the rate of growth of the female labor force and/or the annual average change in the participation rate has slowed over the past decade. The existence of low female labor force participation rate, low education attainment of the labor force, high youth unemployment rate, a large youth population that is not in employment, education, or training (NEET), and substantial under-employment restrict the country to realize the full potentiality of demographic dividend. Thus, interventions are required at the policy level as functional or operational. At policy level recommendations include-to ensure the availability of updated data on female labor force participation at the regular interval; to create enabling environment for females, ensuring fair opportunity for all in the job market and ensuring women-friendly services; gender norm-centric policies; institutional coordination/reforms and updating the national policy documents; policies and social protection to stimulate the participation of women in the labor market; Strategies to adapt to technological change and automation; strategies to address the impact of COVID-19 and climate change on vulnerable girls; seeking skilled employment opportunities abroad and to protect the human rights of the migrant workers are needed. For functional levels or operational level recommendations include- implementation of 'Child Marriage Restraint Act 2017', avoiding early pregnancies and continued education and integration in income-generating activities; skill development at the local level; strengthen ongoing activities by the Department on Women Affairs (DWA); outsourcing market opportunities in the developed countries; to revisit of tertiary education curriculum for demand-driven skilled human resource development; create more economic zones and employment opportunities; to encourage TVET and adopting example from successful foreign countries; to ensure a gender-friendly environment in education/training institutes; women's inclusion in the formal sector; to address the gender gap in wage differentials and unpaid family work should be special attention. Now, it is the time to deliver actions that will play effective roles to address gender differentials in labor force participation to reap the demographic dividend and to improve the quality of life of the population in Bangladesh.

1. POLICY INTERVENTIONS FACILITATING DEMOGRAPHIC DIVIDEND AND CLARIFYING DEMOGRAPHIC DIVIDEND THROUGH A GENDER LENS

1.1 Conceptualization of Demographic Dividend and Policy Intervention

The demographic dividend is the accelerated economic growth that may result from a decline in a country's mortality and fertility and subsequent change in the age structure of the population. These days, 'Demographic Dividend' has gotten attention from policymakers or actors. Still, an important topic is addressing gender to maximize the opportunity to achieve the dividend. Therefore, the demographic dividend is put forward as both a roadmap and a goal for helping countries move forward with economic growth.

Figure 1: Policy Interventions Facilitating a Demographic Dividend¹



However, it relies on all people being able to contribute. If women and girls are restricted in what they can contribute, then the demographic dividend will remain elusive. Addressing gender norms in all pillars of the demographic dividend won't necessarily lead to the desired goal of economic growth, but the potential gain will not be achieved unless policymakers look at all inputs to a dividend with a gender lens.²

1.2 The Population Age structure through Gender Lens

We used to talk about the demographic dividend with an eye on the population age structure—moving toward a larger working-age population relative to the younger and older people. This is where family planning fits in—for through addressing fertility, countries can reconfigure their population age structure so that it has fewer dependents and more working-age people. However, most often, family planning has been considered the woman's responsibility. Where is attention to men? Without effectively changing the discussion about family planning, it will be difficult to change the gender dynamics.

¹Gribble, James, and Jason Bremner, 2013, *Achieving Demographic Dividend*, *Population Bulletin*, vol. 67, no.2, PRB

²Gribble, Jay (2018). *Through a Gender Lens: Clarifying the Demographic Dividend*, *Health Policy Plus*, November 12, 2018

At the same time, biases against daughters result in their leaving school early, starting childbearing early, and even sex-selective abortion because of son preferences. Addressing these gender biases in sex selection (GBSS) is at the front of many FP/RH programs, and making issues related to population age structure more gender-equitable, achieving a demographic dividend will remain beyond the grasp to reap it.

1.3 A healthy population to Achieve Demographic Dividend through Gender Lens

A healthy population is vital to achieving a demographic dividend. However, gender biases stand in the way of reaching a population as healthy as possible. For example, when mothers have to get permission from their husbands to take children to health facilities, gender biases stand in the way of achieving a healthy population. Likewise, when feeding practices result in daughters getting less food than sons, thereby missing opportunities for growth and development, gender biases are present. Moreover, the prevalence and the acceptance of gender-based violence contribute to poor health—physical, reproductive, and mental and the role of gender bias. A country will not maximize the dividend it might have achieved until addressing these issues.

1.4 An Educated Population to Achieve Demographic Dividend through Gender Lens

An educated population is one of the most key inputs to achieve demographic dividend because a population must be educated to move into higher-paying. These more technical jobs spur economic growth. But in most places, boys' school enrollment is higher than girls'—especially at tertiary and university levels—and this reflects a gender bias that impedes progress toward a demographic dividend. Similarly, comprehensive sexuality education (CSE) can teach boys and girls about the gender norms needed to accelerate economic growth and eliminate some of those beliefs that limit progress. Unfortunately, many decision-makers back away from this aspect of education, and the result is teenage pregnancy, girls dropping out of school, and a perpetuation of gender norm stereotypes. Fostering new ways of thinking and supporting educational opportunities for all children and young people is essential to harnessing a dividend.³

1.5 Effective Governance to Achieve Demographic Dividend through Gender Lens

Effective governance structures need to engage both women and men. Accountability mechanisms are required to support implementing policies that have been developed but are falling short of achieving their policy goals. Women leaders at the community and national levels make tremendous differences, especially in human capital formation. Countries have many laws, policies, and frameworks that should enable equitable participation in all aspects of civic life. Still, the efforts fail to achieve their goals without political commitment and resources to carry them out. Gender biases stand in the way—long-held thinking that men are more effective leaders than women undermine progress toward a demographic dividend.

1.6 Economic Policies to Demographic Dividend through Gender Lens

There is evidence that economic policies remain with gender bias. A World Bank Study in 2018 refers 2.7 billion women are legally restricted from having the same choice of jobs as men, where 104 economies still have laws preventing women from working in specific positions.⁴

³Gribble, Jay (2018). *Through a Gender Lens: Clarifying the Demographic Dividend, Health Policy Plus*, November 12, 2018

⁴The World Bank (2018). *Women, Business and The Law*, World Bank Group, Washington, DC

Salary gaps, access to agricultural credit, inheritance, and land rights are only a few ways economic policies reflect gender biases and keep countries from achieving a dividend. No doubt much progress is being made in addressing gender equity. Still, one area reflects an inherent gender bias-when jobs are scarce; more people believe that men have the right to a job more than women and depend on traditional values, secular, rational values, survival values, and self-expression values.⁵ Addressing this type of gender bias so that all people have access to employment on merit and skills rather than their Sex, coupled with sound economic policies that advance economic growth and provide access to assets and credit for all people, are needed for countries to achieve a demographic dividend.

2. REALIZING DEMOGRAPHIC DIVIDEND, REVIEW OF LITERATURE AND EXISTING POLICY DOCUMENTS IN BANGLADESH

2.1 Realizing Demographic Dividend through the Review of Selected Literature

The demographic transitions, which comprise fertility transition, health and mortality transition, age structure transition, migration transition, urban transition, family and household transition, generate an impact on socio-economic development. Currently, Bangladesh is experiencing the third phase of demographic transition with declining population growth and consequent changes in the age structure; the working-age population increases and offers a window of opportunity referred to as the 'Demographic Dividend'. But emerging population issues in the era of Sustainable Development Goals (SDGs) and further, such as changes in fertility levels, aging, etc., could diminish the intensity of the opportunities to attain the first demographic dividend in Bangladesh. Very few studies are available on demographic dividends in the context of Bangladesh. However, existing studies show a negative and significant long-run impact of dependency ratio on per capita growth. Therefore, reducing the dependency ratio is expected to impact per capita growth positively. Over time with a decrease in the dependency ratio, the proportion of the working-age population has increased, leading to a positive contribution towards economic growth. Bangladesh is now standing at the crossroads of reaping the first demographic dividend. As we know, the demographic dividend is a time-sensitive phenomenon; we do not have enough time yet to take full advantage of it. Under various assumptions, recent studies show that we have only 15-17 years, which means that by 2035-2037, the window of the demographic dividend in Bangladesh will end.⁶

⁵World Values Survey (2020), World Values Survey Association, Institute for Comparative Survey Research, Vienna

⁶Bidisha, Sayema Haque, SM Abdullah and Mohammad Mainul Islam. Is there any Long-Run Relationship between Dependency Ratio and Economic Growth? Evidences from Bangladesh, Demography India, Volume 48, Issue 2, pp. 105-120, July-December 2019

Despite the potential importance of attaining demographic dividend in Bangladesh, empirical studies examining the long-run relationship between dependency ratio and economic show a negative and significant long-run impact on per capita growth⁷. The study also found that the long-run elasticity of per capita GDP concerning LGFCF (Gross Fixed Capital Formation), WAPG (Working Age Population), and TRADE (Trade) is positive and statistically significant⁸. Thus, preparing for the next cohort of working-age increase of working-age population, further reduction in the dependency ratio, acceleration of trade, etc., can be the priority of concern in policies and plans⁹. Public investment in human resources and skill development with emphasis on female labor force participation is crucial.

2.2 Review of Existing Policy Documents to Achieve Demographic Dividend

The economic gains from the demographic dividend are neither automatic nor guaranteed. It is achieved only if the appropriate policies and development strategies are pursued. In Bangladesh, the 'Demographic Dividend' issue first appeared in the 7th Five Year Plan (2016-2020) as a policy document under the Population Program (10.4.3), where the core labor force age group of 15-59 has been considered.¹⁰ The demographic dividend was expected to come into being over the next decade. This policy plan referred that a plentiful supply of young, healthy, and educated workers can stimulate the economy to a large extent, invest in human resources, and establish other conditions that will further stimulate the Bangladesh economy¹⁰. Later in the 8th Five Year Plan (2021-2025), the issues of demographic dividend have been addressed under 'Population and Development' (10.6) as 'Demographic Dividend and Ageing' (10.6.2) and 'Harnessing Demographic Dividend' (10.6.5).¹¹ However, here core labor force age group of 15-64 has been considered. The policy plan referred that it will start to shrink in 2035-2036, which is the end of the country's demographic window of opportunity. The Perspective Plan of Bangladesh (2021-2041) also argued human development through quality education and harnessing the demographic dividend addresses the issue of demographic dividend.¹² Experience shows that Bangladesh's economy has benefited from the ongoing window of the demographic dividend. Utilization of the full potentialities of the labor force is critical for economic development, as well as realizing the benefit of the demographic dividend can be done through the experiences of the East Asian countries who made the best use of the Demographic Dividend.¹³ by:

⁷Bidisha, Sayema Haque, SM Abdullah, Selina Siddiqua and Mohammad Mainul Islam. How does the Dependency Ratio affect Economic Growth in the long run? Evidence from Selected Asian Countries, *The Journal of Developing Areas (JDA)*, Vol. 54, No.2, PP. 47-60, Spring 2020

⁸Khondker, Bazlul Haque and Muhammad Moshir Rahman, 2016. *Some Estimates of First Demographic Dividend in Bangladesh: An Application of the Bangladesh National Transfer Account*, (Ch-7 in Raihan, S. (Ed). 2016. *Structural Change and Dynamics of Labor Markets in Bangladesh: Studies on Labor and Employment*. Dhaka, SANEM Publications

⁹Mohammad Mainul Islam, SM Abdullah and Mohammad Bellal Hossain (2021). *Age Structure Transition and Demographic Dividend in Bangladesh*, "International Conference on Celebrating the 100 Years of the University of Dhaka: Reflections from the Alumni - International and National", Webinar 5: Social Sciences for Life and Living, May 29-31, 2021, (Session 3, May 30, 2021), University of Dhaka, Bangladesh

¹⁰Government of Bangladesh (2016). *Seventh Five Plan: FY 2016-2020*, PP, 522, 572, 756, GED, Ministry of Planning, Dhaka

¹¹ Government of Bangladesh (2021). *Eighth Five Plan: FY 2021-2025*, PP.607, 613, GED, Ministry of Planning, Dhaka

¹²Government of Bangladesh (2020). *The Perspective Plan of Bangladesh (2021-2041)*, GED, Ministry of Planning, Dhaka

¹³Mason, Andrew.2003. *Population change and economic development: what have we learned from the East Asia experience? Applied Population and Policy*, 1(1): 3-14

- Quality human resource base
- High rates of savings and investment
- Successful employment growth rate
- Open economy and favorable investment
- Quality public institutions
- Increase in female participation in the labor force.

Role of the General Economic Division (GED) of the Planning Commission to Address Demographic Dividend: The GED of the Planning Commission of Bangladesh considered the issue of demographic division for the first time in 2016. Earlier, none of the policy documents like National Population Policy 2012, Education Policy 2010 and National Health Policy 2011, Women Development Policy 2010, Perspective Plan of Bangladesh (2010-2021), etc., did not address the issue of demographic dividend. However, incorporating the case of demographic dividend in the 7th (2016-2020) and 8th Five Year Plan (2021-2025), Perspective Plan of Bangladesh (2021-2041), the GED conducted a policy study for effective use of human resources for inclusive economic growth and income distribution based on an application of National Transfer Accounts.¹⁴ The GED also conducted a study (2019) on employment, productivity, and sectoral investment in Bangladesh, demonstrating increased gender differentials in labor force participation from 2010 to 2018.¹⁵ Therefore, the existing policy documents related to demographic dividend need to be updated along with SDGs focusing on short and long-term interventions to address gender differentials to gain the benefits.

Thus, for maximum benefits of demographic dividend, gender differentials issues in labor force participation should be more attention. Therefore, it is essentially required to explore the available and updated labor force participation data at national and local levels.

3. GENDER DIFFERENTIALS IN LABOR FORCE PARTICIPATION IN BANGLADESH

3.1 Labor Force Participation and Gender Differentials in Domestic Labor Market

According to the available latest Labor Force Survey, 2016-2017 of Bangladesh Bureau of Statistics, Labor force participation rate (LFPR) measures the proportion of a country's working-age population that engages actively in the labor market, either by working or by looking for work. It plays a central role in studying the factors that determine the size and composition of the future supply of labor. The Labor Force Surveys (LFS), conducted by the Bangladesh Bureau of Statistics (BBS), are the primary data source related to the country's labor market and employment. However, there are several challenges in using LFS data, as there are concerns concerning the comparability of data from different survey years, owing to changes in methodology. Keeping in mind these limitations, the figures on labor force participation and employment are presented below for the period between 1995/96 and 2016/17 (Table 1-3).

The gender gap persists in employment characteristics, status in employment, underutilization, with women generally worse than men. However, one of the most noticeable changes to the labor market of Bangladesh over the years has been a persistent rise in female labor market involvement.

According to the LFS of different years, from 5.4 million in 1995/96, the size of the female labor force increased to 20 million in 2016/17 (Table 1). In comparison, the increase in the male labor force has been less steep:

¹⁴Government of Bangladesh (2018). *GED Policy Study: Effective Use of Human Resource for Inclusive Economic Growth and Income Distribution-Application of National Transfer Accounts*, Planning Commission, Ministry of Planning, Dhaka

¹⁵Government of Bangladesh (2019). *A Study on Employment, Productivity and Sectoral Investment in Bangladesh*, General Economic Division, Planning Commission, Ministry of Planning, Dhaka

as Table 1 shows, the rate has declined from 87% in 1995/96 and hovered just above 80.5% in recent years (Table 5). On the other hand, the female labor force participation rate, from a modest 15.8% in 1995/96, had increased to 36.3% in 2016/17. Despite this, a closer look at the recent data shows that, from 2010, there has not been much change in the rate; in fact, a fall in the participation rate between 2010 and 2013 can be observed.

Table 1: Economically active population/Labor force (15 Years and Above Population in Million) in Bangladesh

	1995-96	1999-00	2002-03	2005-06	2010	2013	2015-16	2016-17
Bangladesh	36.1	40.7	46.3	49.5	56.7	60.7	62.1	63.5
Male	30.7	32.2	36	37.3	39.5	42.5	43.1	43.5
Female	5.4	8.5	10.3	12.1	17.2	18.2	19.1	20
Urban	8.3	9.2	11.3	11.7	13.3	17.1	17.1	17.9
Male	6.8	7.1	8.6	8.9	9.3	12	12	12.9
Female	1.6	2.1	2.7	2.8	4	5.1	5.1	5
Rural	27.7	31.5	35	37.8	43.4	43.5	43.5	45.7
Male	23.9	25.1	27.4	28.5	30.2	30.5	30.5	30.7
Female	3.8	6.4	7.6	9.3	13.2	13.1	13.1	15

The 2016-17 LFS shows that the total number of the labor force increased from 56.7 million in 2010 to 63.5 million in 2017—an increase of 6.8 million in seven years or nearly by one million each year. According to LFS, the number of employed persons rose by 6.7 million between 2010 and 2017 or by about 0.96 million on average every year).

In the LFS, employment comprises all persons older than 15 years who, during a specified period (7 days before the survey) was involved at least for 1 hour, in any form of work for wage or salary, profit or family gain and including the production of goods for own consumption. Following the LFS 2016-2017, an estimated 60.8 million of the population aged 15 or older was employed. By gender, male workers accounted for the largest share of the total employed population (Table 2).

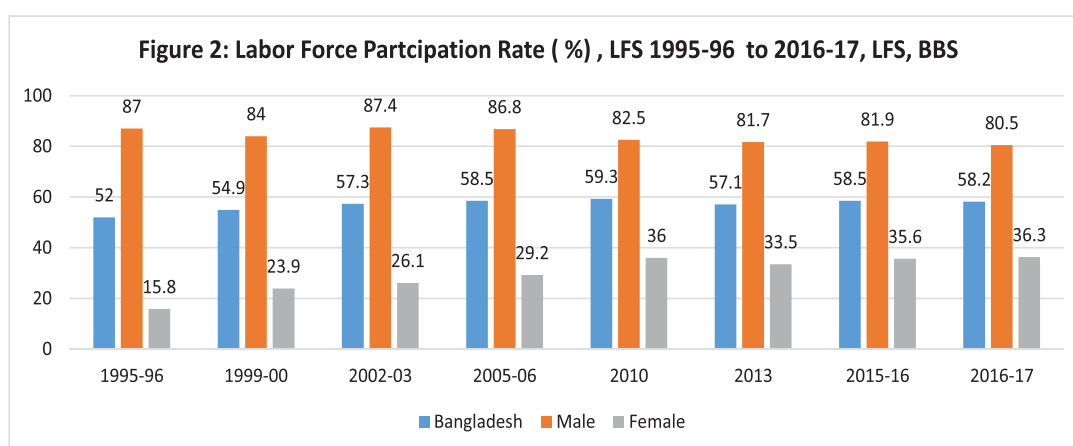
Table 2: Employed Population (15 Years and Above Population in Million) in Bangladesh, 1995-2017

	1995-96	1999-00	2002-03	2005-06	2010	2013	2015-16	2016-17
Bangladesh	34.8	39	44.3	47.4	54.1	58.1	59.5	60.8
Male	29.8	31.1	34.5	36.1	37.9	41.2	41.8	42.2
Female	5	7.9	9.8	11.3	16.2	16.8	17.8	18.6
Urban	7.9	8.7	10.7	11.3	12.4	16.2	16.5	16.9
Male	6.4	6.7	8.2	8.6	8.8	11.6	12.1	12.4
Female	1.5	2	2.5	2.7	3.6	4.5	4.4	4.6
Rural	26.9	30.3	33.6	36.1	41.7	41.9	43	43.9
Male	23.4	24.4	26.3	27.5	29.1	29.6	29.7	29.8
Female	3.5	5.8	7.3	8.6	12.6	12.3	12.7	14.1

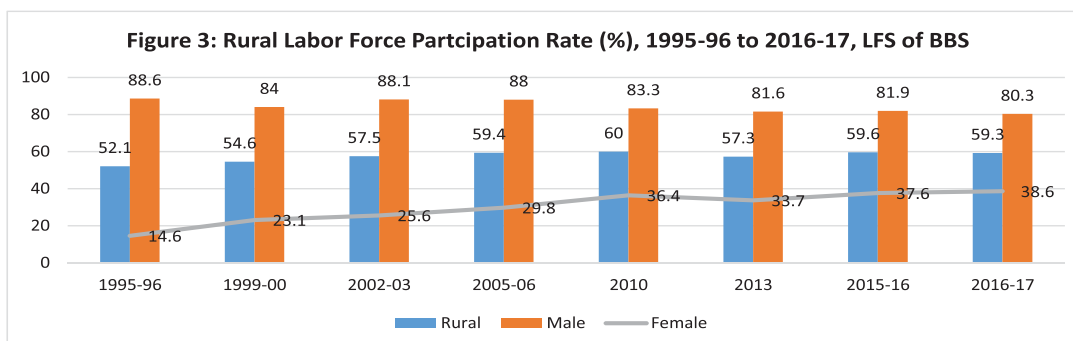
Based on this analysis of the trends and patterns, it can be inferred that, despite an increase in their participation rate in the 1990s, there has been little improvement in women's position in Bangladesh's labor market in recent years. Here the size of the labor force and the participation rate, and in terms of the quality of jobs, it appears women are stuck in an inferior position compared to their male counterparts. In general, descriptive statistics reflect a static situation of the labor market.

Table 3: Labor Force Participation Rate (15 Years Old and Above Aged Population in %)

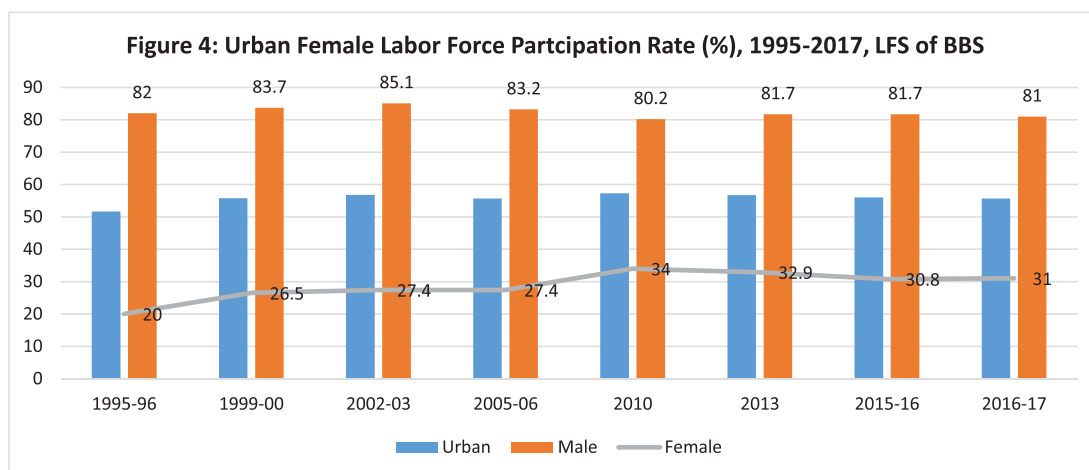
	1995-96	1999-00	2002-03	2005-06	2010	2013	2015-16	2016-17
Bangladesh	52	54.9	57.3	58.5	59.3	57.1	58.5	58.2
Male	87	84	87.4	86.8	82.5	81.7	81.9	80.5
Female	15.8	23.9	26.1	29.2	36	33.5	35.6	36.3
Urban	51.7	55.8	56.8	55.7	57.3	56.7	56	55.7
Male	82	83.7	85.1	83.2	80.2	81.7	81.7	81
Female	20	26.5	27.4	27.4	34	32.9	30.8	31
Rural	52.1	54.6	57.5	59.4	60	57.3	59.6	59.3
Male	88.6	84	88.1	88	83.3	81.6	81.9	80.3
Female	14.6	23.1	25.6	29.8	36.4	33.7	37.6	38.6



The survey (LFS 2016-2017) findings place the labor force participation rate of the population aged 15 or older at 58.2 percent, 80.5 percent male, and 36.3 percent for females (Figure 2). In Bangladesh, female labor force participation is significantly lower than their male counterparts and has stagnated at around 36 percent, considerably lower than the rate found in East Asian economies. The 8th Five Year Plan of the Government set a target to increase the female labor participation rate to 43 percent.



The participation rate of the population aged 15 or older by area was slightly higher in rural areas (59.3 percent) than in urban areas (55.7 percent), leaving 41.8 percent of the population aged 15 or older outside the labor force, as evidenced in the LFS 2016-2017 (Figure 3 and 4).

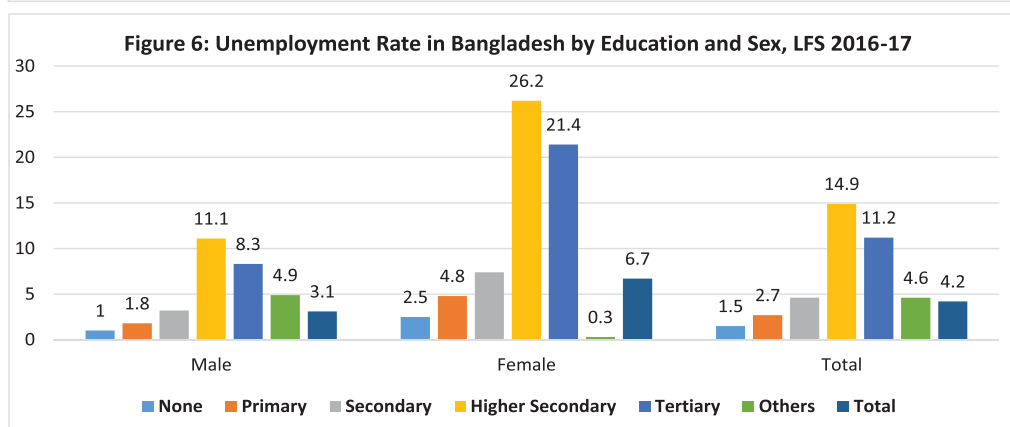
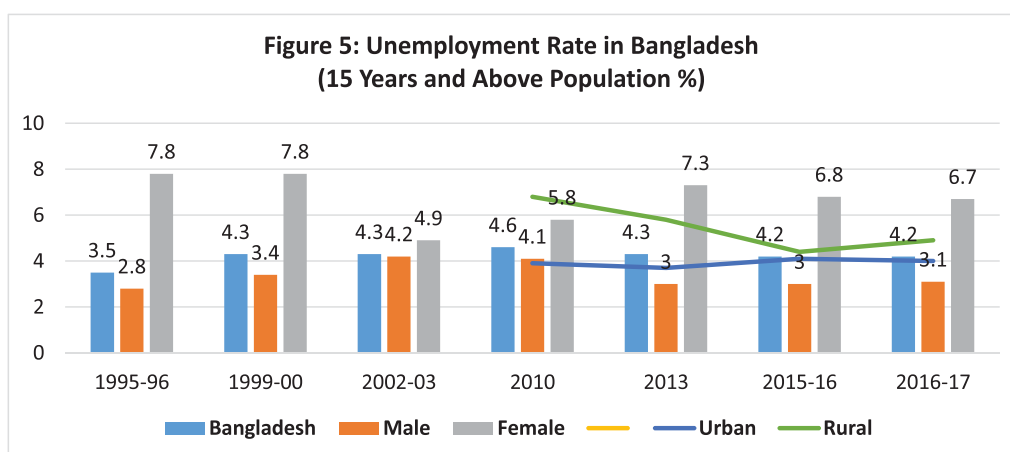


The unemployment rate (UR) tells us the proportion of the labor force that does not have a job, is available to work, and is actively looking for work. The UR signals to some extent, the underutilization of the labor supply. 2016-2017 LFS found an estimated 2.7 million persons aged 15 or older who were unemployed. By Sex, the number of unemployed males was 1.4 million, compared with 1.3 million unemployed females. A total of 0.9 million persons in urban areas and 1.8 million persons in rural areas were unemployed (Table 6). The survey (LFS 2016-2017) findings place the unemployment rate at 4.2 percent, 3.1 for males and 6.7 for females. The Study on Employment, Productivity, and Sectoral Investment in Bangladesh by GED also

Table 4: Unemployed population in Bangladesh (15 Years and Above Population in Million)

	1995-96	1999-00	2002-03	2010	2013	2015-16	2016-17
Bangladesh	1.3	1.8	2	2.6	2.6	2.6	2.7
Male	0.9	1.1	1.5	1.6	1.3	1.3	1.4
Female	0.4	1.7	0.5	1	1.3	1.3	1.3
Urban	0.4	0.6	0.6	0.9	1	0.8	0.9
Male	0.3	0.4	0.4	0.5	0.4	0.4	0.4
Female	0.1	0.2	0.2	0.4	0.6	0.4	0.5
Rural	0.9	1.2	1.4	1.7	1.6	1.8	1.8
Male	0.6	0.7	1.1	1.1	0.8	0.9	0.9
Female	0.3	0.5	0.3	0.6	0.8	0.9	0.9

Showed that female unemployment rate was 6.9 % in 2018. By area, more urban-based persons were unemployed, at 4.9 per cent, than rural-based persons, at 4.0 per cent (Table 4).

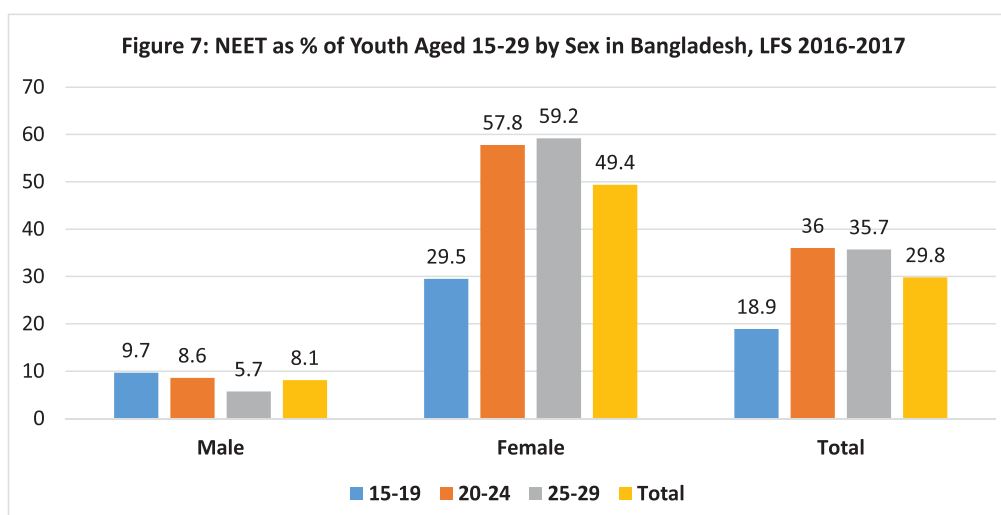


LFS 2016-2017 reports that overall, 29.8 percent of the working-age population aged 15-29 were not in education, employment, or training (NEET). Among the NEET youths, 13.0 percent were male, and the rest 87.0 percent were female (Figure 7). A high NEET proportion for young women suggests their engagement in household chores and/or the presence of institutional barriers limiting female participation in labor markets.

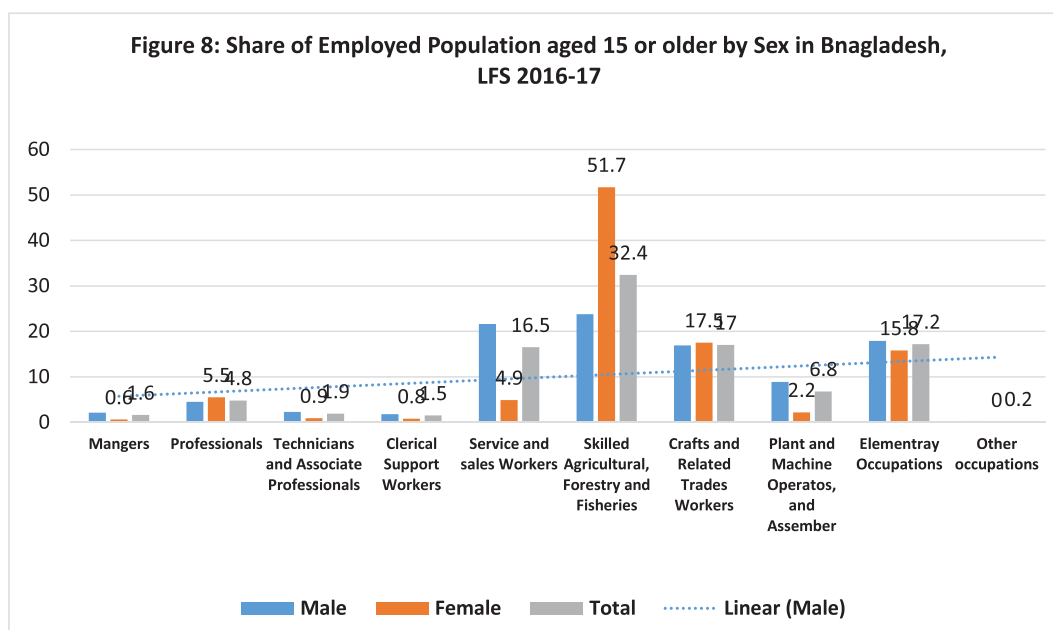
Table 5 shows Bangladesh's labor force participation rate (the proportion of the population aged 15 or older) in 2016-17 was estimated at 58.2 percent. By Sex, the labor force participation rate was 80.5 percent for males and 36.3 percent for females. The rate was slightly higher for the rural areas (59.3 percent) than urban (55.7 percent). The highest labor force participation rates by broad age groups were among workers aged 30-64 (68.4 percent), followed by 15-29 (48.7 percent) and lowest in the 65+ age group (31.0 percent).

Table 5: Labor Force Aged 15 or Older, by Age Group, Sex, and Area, FLS 2016-2017

Age Group	Rural			Urban			Bangladesh		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
15-29	66.4	32.3	48.9	67.5	32.3	48.2	66.7	32.3	48.7
30-64	94.9	46.3	70.2	94.2	32.0	64.0	94.7	42.3	68.4
65+	48.8	9.3	32.1	41.2	6.7	26.9	47.1	8.7	31.0
Total	80.3	38.6	59.3	81.0	31.0	55.7	80.5	36.3	58.2



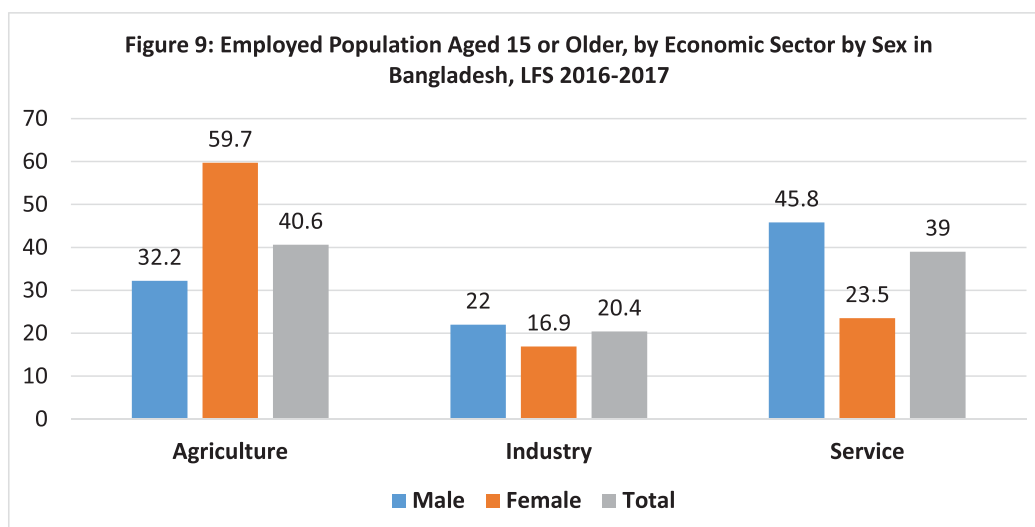
This is a critical concern about near-term trends is the demographic dividend. While the annual addition to the workforce is around 2 to 2.3 million, employment creation—both domestic and external—currently can accommodate only half of this number.¹⁶ The alarming statistic is that 29.8% of 15–29-year-olds are neither in education, employment, or training (NEET). These ground realities cast a long shadow on the goal of realizing the demographic dividend and pose troubling questions about the quality and relevance of the prevailing state of education.



¹⁶Rahman, Hossain Zillur (2020). *ICPD Commitments of 3 Zeroes: Actions and Strategies for Bangladesh, Background paper for the 8th Five Year Plan*, General Economic Division, Planning Commission, Government of Bangladesh.

In Bangladesh, despite increased participation in the labor market in recent decades, women are still lagging behind men by a significant margin, with the formers being concentrated primarily on low-paid agriculture and lower stages of the occupational ladder.

Regarding the distribution of the employed population by the broad economic sector, the most significant proportion was in agriculture, at 40.6 percent, followed by 39.0 percent in services and 20.4 percent in the industry sector (Figure 10). In rural areas, the most significant proportion was in agriculture, at 51.7 percent, followed by 31.3 percent in services and 17.0 percent in the industry sector (LFS 2016-2017). More than half (58.8 percent) employed persons worked in the service sector in urban areas, while agriculture is more prominent in rural areas (51.7 percent).



The 2016-2017 LFS survey found about 85.1 percent of the total employed persons aged 15 or older in informal employment, while only 14.9 percent were in formal employment (Figure 11);

In rural areas, 88.0 percent of the employed are in informal sector employment whereas 77.3 percent in urban areas. In addition, 93.3 percent of the females are in informal sector employment in rural areas whereas 87.4 percent in urban areas. At the national level, only 8.2 percent of females engaged in formal work, 17.9 percent for the male counterparts (Figure 11). LFS 2016-2017 reports, informal employment incidence was highest in the Agriculture sector (95.4 percent of the total employment in that sector), the Industry sector (89.9 percent of total employment in that sector), and the service sector (71.8 percent of total employment in that sector).

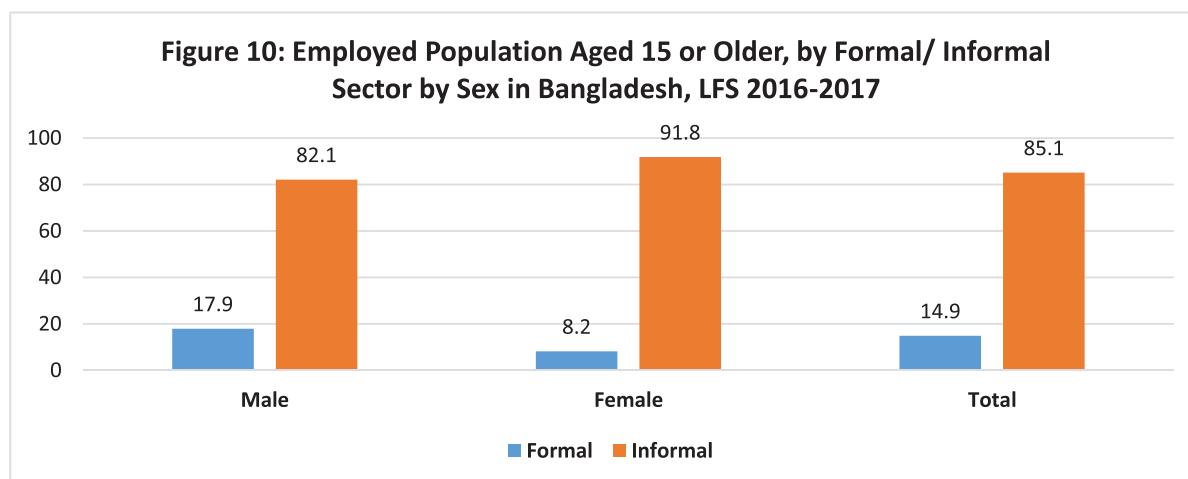


Table 6 shows that a significant proportion of employed women are working as unpaid family workers. Although this proportion has reduced, the latest 2016/17 shows that as high as 29% of employed women in the labor market are unpaid family workers. Although included in the employed labor force, these women do not get any remuneration for their work. Therefore, such unpaid family workers in the labor force (mainly women) cannot be considered part of mainstream remunerative economic activities. According to the latest LFS data of 2016/17, these unpaid family workers are engaged primarily in agricultural activities, where the household head, in most cases, is found to be self-employed.

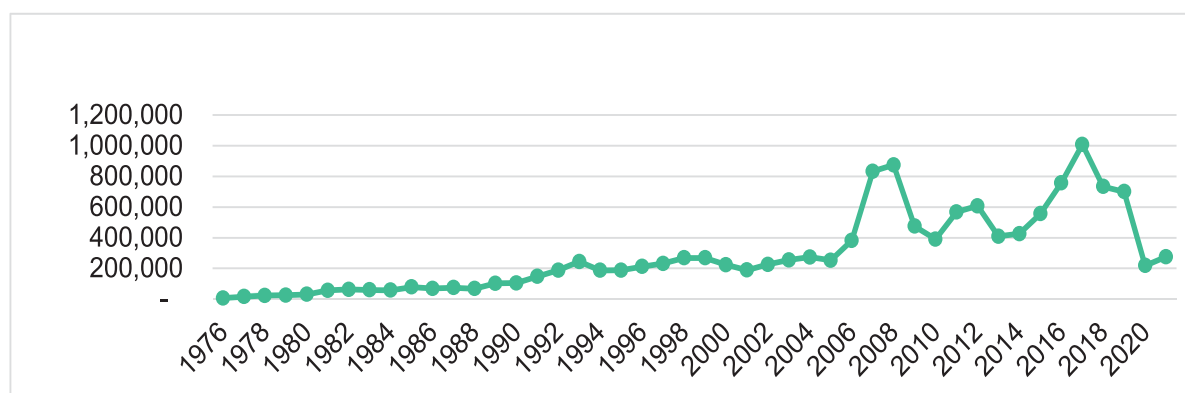
Table 6: Types of Employment (% distribution of employment categories of the labor force) in Bangladesh, LFS, 2005-2017

Types	2005-2006		2010		2016-2017	
	Male	Female	Male	Female	Male	Female
Wage employment	40.0	23.9	46.1	18.5	42.6	31.2
Self-employment	50.4	16.0	47.7	25.3	52.5	39.2
Unpaid family worker	9.7	60.1	7.1	56.3	4.2	29.1

3.2 Labor Force Participation and Gender Differentials in International Labor Market

Due to its size, complexity, scale, and impact, international migration is an important social phenomenon in Bangladesh. From 1976 to November 2021, an estimated 13.5 million Bangladesh citizens have migrated overseas for employment.¹⁷ Most migrant workers are low-skilled (46.56 percent) or semi-skilled (15.54 percent)¹⁷.

Figure 11: Overseas Employment Trends from Bangladesh, 1976-2021, BMET

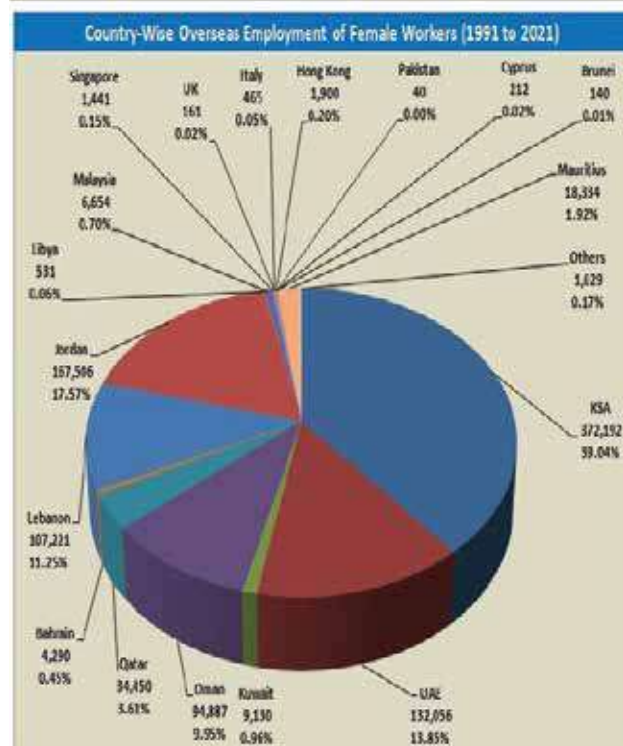


Most of the Bangladeshi overseas workers are male. However, an increasing number of Bangladeshi women are going abroad to find employment as domestic helpers despite a growing number of reports of adverse working conditions and abuse overseas. From 1991 to May 2021, Bangladeshi female overseas migrant workers are 0.95 million (Figure 13). KSA, UAE, Jordan, and Lebanon are where they work primarily. The increasing demand for female housekeepers has led to the rise of overseas female migration in the countries in the Middle East.

¹⁷Bureau of Manpower, Employment and Training (BMET), 2021

Figure 12: Trends of Female Workers in International Labor Market,17

Overseas Employment of Female Workers (1991 to 2021)																				
Year	Name of the Country																			Total
	KSA	UAE	Kuwait	Oman	Qatar	Bahrain	Lebanon	Jordan	Libya	Malaysia	Singapore	UK	Italy	Hong Kong	Pakistan	Cyprus	Brunei	Mauritius	Others	
1991	29	417	416	37	-	143	25	-	-	926	1	2	-	-	3	-	8	178	4	2,180
1992	21	435	311	25	-	132	22	-	-	841	1	3	2	-	1	-	7	102	4	1,907
1993	39	462	307	22	-	103	10	-	-	753	-	1	1	1	-	-	12	78	4	1,793
1994	47	298	408	21	-	99	9	-	-	1,032	-	2	3	-	2	1	9	62	1	1,995
1995	89	109	547	17	-	126	6	-	-	584	1	3	-	-	-	1	7	42	-	1,612
1996	112	177	757	21	-	148	11	-	-	753	-	1	-	-	-	-	2	12	-	1,994
1997	132	463	942	4	5	159	17	-	-	-	4	-	6	4	1	-	5	19	1	1,762
1998	143	410	257	3	-	98	7	-	-	-	2	-	-	-	-	-	1	17	1	939
1999	-	351	-	14	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	366
2000	-	381	4	-	-	22	-	-	-	-	-	-	-	-	-	-	-	47	-	454
2001	395	162	15	27	-	22	-	95	-	1	2	-	-	-	-	-	-	-	-	659
2002	827	217	18	14	-	30	-	114	-	2	1	-	-	-	1	-	1	-	-	1,216
2003	808	108	333	-	-	37	1	1,053	-	-	2	1	-	-	1	4	2	2	-	1,343
2004	3,133	3,241	1,773	60	-	1,058	-	1,893	-	-	6	10	32	-	-	-	3	25	36	11,259
2005	6,319	3,786	930	132	6	553	12	1,745	-	-	7	14	12	-	-	-	3	25	26	13,570
2006	7,368	7,361	588	829	3	232	743	518	-	1	6	22	20	3	-	5	2	458	91	18,045
2007	7,341	5,191	49	1,380	4	244	3,498	12	250	354	8	20	105	2	4	-	4	510	28	19,894
2008	4,144	5,902	-	276	3	173	7,948	201	25	1,091	34	26	67	9	9	4	4	801	125	20,842
2009	386	6,096	-	11	4	29	13,062	439	7	87	89	18	47	17	8	4	3	1,826	93	22,224
2010	44	7,111	1	98	3	57	16,116	2,136	185	16	156	5	45	9	1	9	1	2,695	98	27,706
2011	166	7,394	-	1,061	4	17	15,610	4,338	1	23	241	4	39	14	1	19	2	1,609	36	30,579
2012	484	6,212	-	4,102	6	38	12,496	11,582	63	19	75	10	49	9	4	21	2	1,979	153	37,384
2013	167	13,716	-	6,068	2,130	141	10,750	21,243	-	23	133	2	28	323	-	12	3	1,557	140	56,480
2014	13	23,214	1	11,584	6,452	121	11,990	20,134	-	15	128	3	7	443	2	11	3	1,814	72	76,007
2015	20,952	24,307	6	16,980	8,642	483	6,782	21,776	-	12	114	2	1	300	-	17	4	1,339	81	103,718
2016	58,206	5,151	128	12,897	5,391	79	2,450	22,699	-	29	104	1	-	171	-	14	3	641	64	118,088
2017	83,354	3,272	393	9,199	3,209	21	1,642	19,872	-	28	102	1	-	172	-	18	14	552	76	121,925
2018	73,713	2,427	115	11,034	3,196	5	1,207	9,100	-	31	87	1	-	147	-	22	11	451	148	101,695
2019	62,578	2,483	758	12,226	3,741	-	1,611	19,706	-	22	106	1	-	184	-	27	22	1,106	215	104,786
2020	12,735	664	70	3,358	899	-	191	3,661	-	9	21	7	-	66	-	10	2	280	51	21,934
2021 (Up to May)	18,437	481	1	3,687	882	-	5	5,219	-	2	9	1	1	24	-	14	-	-	81	18,824
Total	372,192	132,056	9,130	94,887	14,450	4,290	107,221	167,506	531	6,654	1,441	161	465	1,900	40	211	140	18,334	1,629	953,239
%	39.04	13.85	0.96	9.95	1.51	0.45	11.25	17.57	0.06	0.70	0.15	0.02	0.05	0.20	0.00	0.02	0.01	1.92	0.17	



3.3 What factors affect gender differential labor force participation in Bangladesh?

ICPD PoA in 1994 emphasizes gender equality, equity, and empowerment of women through focusing on empowerment and status of women, the girl child, and male responsibilities and participation. In contrast, the SDG-8 aims to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. But- "There still exists huge gender gap in the labor force participation. Several barriers such as inequality of opportunities at the household level (e.g., lack of nutrition, education, health care) as well as in the community level, absence of childcare facilities at the workplace, lack of women-friendly transportation facilities, violence against women both in the workplace and outside, social stigma, etc. still prevents many women from participating in the labor market."¹⁸ Studies from quantitative and qualitative findings^{19,20,21} showed that several factors contributing as determinants for differential labor force participation:

- Individual Factors: Demographics (age-sex), education level, and marital status
- Household Factors: Household's socioeconomic structure- net family income (net income of the household and amount of land owned by the household. Head of the household's occupation- self-employed or not and is employed in agriculture
- Gender Norm Variables: Total number of children in the household to understand the effect of both gender norms and financial requirements on the household; whether there are any young (below five years) children in the household as an additional variable reflecting women's reproductive and care burden.
- Geographical Factors: Regional factors, administrative divisions

Another study²² also refers to seven significant constraints to employing women as mentioned by firm owners and experts:

- Lack of required skill and education
- Social and workplace safety
- Social norms
- Lack of women-friendly machines
- Long working hours/overtime
- Lack of transport facilities and
- The care burdens

¹⁸Government of Bangladesh (2021). *Bangladesh Moving Ahead with the Sustainable Development Goals, Key challenges for achieving SDG8*, GED, Ministry of Planning

¹⁹Raihan, Selim and Sayema Haque Bidisha (2018). *Female Employment Stagnation in Bangladesh: A research paper on Economic Dialogue on Inclusive Growth in Bangladesh*. This research paper is an output of the DFID-funded project on Economic Dialogue on Inclusive Growth in Bangladesh.

²⁰Mahmud, S. and Bidisha, S. (2018) 'Female labor market participation in Bangladesh: structural changes and determinants of labor supply, in S. Raihan (ed.) *Structural change and dynamics of labor markets in Bangladesh*. Amsterdam: Springer

²¹Raihan, S. and Jahan, I. (2018) 'How does social protection affect labor force participation in Bangladesh?' In S. Raihan (ed.) *Structural change and dynamics of labor markets in Bangladesh*. Amsterdam: Springer

²²Raihan, Selim and Sayema Haque Bidisha (2018). *Female Employment Stagnation in Bangladesh: A research paper on Economic Dialogue on Inclusive Growth in Bangladesh*. This research paper is an output of the DFID-funded project on Economic Dialogue on Inclusive Growth in Bangladesh.

Though lack of skills is a common constraint to employment generation for both men and women, lack of skill of female workers to be one of the primary reasons for the concentration of women in certain sectors; in addition, social norms like family responsibilities and physical constraints discouraged women from working in high-skill jobs.²³ The low level of technical knowledge of female workers and the limited participation of women in vocational training are also identified as reasons. Several reasons for the low level of skills of female workers highlighted the mismatch of skills and academic attainment, further aggravated by lack of relevant training, as the primary reason for the inferior position of women on the occupational ladder. Though the mismatch of skills exists for both men and women workers, the low participation of women in the relevant technical and vocational education and training (TVET) means the problem is more acute for them than for their male counterparts. In addition, several other factors, including the conservative social structure -purdah culture, early marriage, teenage pregnancy, or adolescent motherhood²⁴ and more institutional issues such as weak monitoring and implementation of national policies on child marriage, etc.^{25,26}

4. RECOMMENDATIONS TO ADDRESS GENDER DIFFERENTIALS TO REAP THE DEMOGRAPHIC DIVIDEND IN BANGLADESH

Bangladesh has made progress in terms of the labor market participation of women, but still, there is a wide gap between male and females. The Government of Bangladesh may consider strategies to address the demographic change that should be kept being a top priority on the political agenda considering the time frame to achieve the first demographic dividend and changes in the Age and sex structure of the population, including gender dividend. The existence of low female labor force participation rate, low education attainment of the labor force, high youth unemployment rate, a large youth population that is not in employment, education, or training (NEET), and substantial under-employment restrict the country to realize the full potentiality of demographic dividend. Addressing gender differentials in labor force participation to reap the demographic dividend in Bangladesh is crucial now. To capitalize on the opportunity of first demographic dividend, both short-term and long-term policy actions can be taken considering the time frame left- about 16-17 years. A critical question is 'how to engage the female working-age population in the labor market?'. Few recommendations are provided below at the policy and functional or operational levels.

4.1 Recommendations at the Policy Level

To ensure the availability of updated data on female labor force participation at the regular interval: Updated data on labor force participation are needed to examine the extent and level of the gender differentials, especially due to the impact of COVID-19 on the labor market. Existing facts depict that women are in a critically vulnerable position in the labor market, which needs in-depth analysis from both the supply and the demand perspectives. Review of policy documents and interventions should be done based on updated data and its availability to the relevant stakeholders, including policymakers and researchers.

²³Raihan, Selim and Sayema Haque Bidisha (2018). *Female Employment Stagnation in Bangladesh: A research paper on Economic Dialogue on Inclusive Growth in Bangladesh*. This research paper is an output of the DFID-funded project on Economic Dialogue on Inclusive Growth in Bangladesh.

²⁴Islam MM, Islam MK, Hasan MS, Hossain MB (2017). *Adolescent motherhood in Bangladesh: Trends and determinants*. PLoS ONE 12(11): e0188294. November 2017

²⁵Mohammad M. Islam and Anita J. Gagnon (2014). *Child marriage-related policies and reproductive health in Bangladesh: a cross-sectional analysis*, *The Lancet* -19 October 2014 (Vol. 384, Page S8) DOI: 10.1016/S0140-6736 (14)61871-7

²⁶Mohammad Mainul Islam, Md. Kamrul Islam, Mohammad Sazzad Hasan and Md. Aminul Haque (2016). *Marriage Before 16 or 18 years: The Effect of Marital Age on Women's Educational Attainment in Bangladesh*, *The Journal of Population and Social Studies (JPSS)*, Volume 24, No.2, 2016.

To create enabling environment for females, ensuring fair opportunity for all in the job market, and ensuring women-friendly services: Entrepreneurships and creation of employment opportunity at local/ community/rural level- with emphasis on technical education, trade courses, etc., are needed.

- To facilitate self-employment through entrepreneurship (adequate capital and policy support) is required from the Government level.
- Developing skills through technical and vocational training is needed. Enhancing access to information and availability of technology to youth female at national, divisional, and local levels.
- Three critical issues for ensuring gender parity in the labor force, i.e., role of women's household, their working efficiency, and workplace environment. The support from other members of the family was vital for the career development of women.
- To take necessary policy measures to raise awareness on women empowerment and gender parity and ensure wage equality, and promote flexible working hours for the women labor force.

To formulate gender norm-centric policies: Traditional gender norms and patriarchal values often restrict women's mobility and constrain their activities in the labor market.

- Given the importance of the gender norm-centric domestic/care responsibilities of women. Critical policy intervention is the establishment of daycare facilities.
- Strategies like those of extending the provision of maternity and post-maternity leave and introducing flexible and part-time working hours and distance working schemes can be useful. In the case of maternity leave, enforcing leave in the private sector should be a key focus area for the Government.
- Higher secondary education for girls must be made compulsory to prevent girls' discontinuation from education and ensure formal labor market participation.

Institutional coordination/reforms and updating the national policy documents: In order to stimulate female labor market participation, a number of institutional coordination and reforms are needed.

- Effective coordination across the relevant ministries (Education, Primary and Mass Education, Youth and Sports, Women and Children Affairs, Expatriates' Welfare and Overseas Employment, Finance) is critical for the timely and efficient implementation of support programs to the private sector related to various interventions (daycare centers, low-cost accommodation, transport facilities, etc.).
- Considering the effective utilization of the opportunity to achieve demographic dividend and to achieve the SDGs, relevant national policies like Women Development Policy 2010, Population Policy 2011, etc., need to be updated with a strong emphasis on women's education and employment.

Policies and social protection to stimulate the participation of women in the labor market: Policies to stimulate women's participation greater emphasis should be given.

- Examples of such policies are providing daycare facilities, extending the provision of maternity and post-maternity leave, and introducing flexible and part-time working hours.²⁷ By providing incentives to the private sector in the form of tax rebates or subsidies, these gender policies can be extended to the private sector. Ensuring fathers can take paternity leave as well is important in building strong families.

²⁷Department of Population Sciences, University of Dhaka and UNFPA Bangladesh (2019). *Population Situation Analysis: Bangladesh, Dhaka*

- Social protection can help promote female labor force participation.²⁸ Providing social protection directly to women but also supporting other members of the household can help them participate in the labor force.

Strategies to adapt to technological change and automation: To spread the benefits of technological change and automation more equitably, in the short run, different tax incentives and social protection can be useful. In the long term, there is a need to address the weakness in the investment environment so as to remove barriers to the creation of new and higher-productivity jobs with correspondingly higher wages in the sectors that can generate large-scale employment for women.

Strategies to address the impact of COVID-19 and climate change on vulnerable girls: Returning to schools for the dropout girls, married adolescents, and unemployed women, social security supports should be ensured.

Seeking skilled employment opportunities abroad and to protect the human rights of the migrant workers:

- To provide practical life-skill training including moral values; matching skills demand in major destination countries, sustainability as employment source of workers, safe guarding the workers' rights, strengthening the governance of migration.
- To increase the skill level of potential migrants-especially females, Bangladesh should enhance skill development training programs to ensure a smoother integration of workers into the overseas labor markets. Programs should be implemented to facilitate productive investments of remittances in the national economy.
- Various incidents show that Bangladeshi migrants are experiencing coercion, discrimination, and exploitation in the receiving countries, especially with female migrants. Agreements with receiving countries should be signed to protect Bangladeshi migrant workers, and missions should be established in receiving countries to protect the human rights of the migrant workers and protect their interests.
- New labor markets offering decent work for Bangladeshi migrant workers should be explored.

4.2 Recommendations at the Functional/ Operational Level

Implementation of 'Child Marriage Restraint Act 2017', avoiding early pregnancies and continuing education and integration in income-generating activities: As child marriage and teenage pregnancies are critical constraints to female labor market participation, stricter and careful implementation of anti-child marriage laws is vital at the functional level. The Government has a direct role here, but non-governmental organizations can also contribute significantly through multi-faced actions, including a campaign to change mindsets. Those who got child marriages advocacy for not to have early pregnancy/teenage/adolescent motherhood. Continued education should be ensured even after child marriages if any. The 8FYP (p. 613) appropriately referred to 'Prevention of child marriage and delay of first birth to get the best demographic dividend. However, child marriage remained a critical issue even Bangladesh achieved significant success in the reduction of child marriage as many girl students got married during the pandemic period due to economic constraints. So, initiatives should be taken to integrate them into income-generating activities to improve their socio-economic

²⁸Raihan, S. and Jahan, I. (2018) 'How does social protection affect labor force participation in Bangladesh?' In S. Raihan (ed.) *Structural change and dynamics of labor markets in Bangladesh*. Amsterdam: Springer

livelihoods. There is no denying that early marriage and early pregnancy act as critical constraints for female labor market participation. In addition to the direct role of the Government in terms of the strict implementation of anti-child marriage laws, NGOs and other organizations can contribute significantly through their campaigns, programs, advocacy, and research.

Skill development at the local level: There is evidence that skill development of women at early Age had several positive impacts, including engagement in income-generating activities even after getting married.

- With a view to providing women with the necessary skills, support at the initial stage of skills development (e.g., information centers and support desk at Upazila level), and further assistance at the stage of marketing of the products of self-employed women can be of significant importance. Initiatives from both the private and the public sectors and partnerships can be instrumental here.
- Strengthening collaboration between vocational training institutes and industry, involving industry representatives in designing the curriculum, and linking secondary education to TVET programs to existing demand can be helpful.
- There is a need to strengthen the linkage between education and labor market participation for women, especially by encouraging women to participate in more relevant and technical education. There is also a need for coordination between primary and secondary and technical education providers.

Encouraging TVET and Adopting example from Successful Foreign Countries:

- There is evidence that is providing scholarships, quotas in enrollment of female students resulted in an increased rate of enrollment under the Department of Technical Education (DTE). DTE was established in the 8th Polytechnic Institute in 8 divisions which have taken the project to establish one school for technical education in every Upazilla where girl's hostel in every training institute under National Technical Vocational Framework (NTVF) will be built. Such initiatives should be strengthened. There is a necessity for a proper policy framework to establish the linkage between industries and training institutions for effective human resource development.
- The examples of Korea and Japan for initiating vocational training at the early age of the students and establishing linkage from big industries to small industries and small industries to small households to make the technical training can be more effective in this regard.

Strengthen ongoing activities by the Department of Women Affairs (DWA): Department of Women Affairs provided training to create women entrepreneurs through implementing various projects. The activities of Joyeeta Foundation to promote women entrepreneurs are becoming popular day by day, and there was a plan to expand its activities in 64 districts of Bangladesh. Ensuring a gender-friendly environment and paying proper wages in the workplace should be addressed in the policies. There is also the necessity of outsourcing manpower to fill up vacant positions during pregnancy.

Outsourcing market opportunities in the developed countries: This can be a good option for women's employment, and to realize that opportunity, steps should be taken to increase access to internet facilities and enhance English language proficiency.

To Revisit of tertiary education curriculum for demand-driven skilled human resource development: To revisit of tertiary education curriculum for demand-driven skilled human resource development.

Create more economic zones and employment opportunities: The economic zones that are being

developed may bring substantial employment opportunities for the young population to reap out the demographic dividend. Specialized training for skill development should be enhanced at the local level to make the best utilization of the labor force.

Ensure a gender-friendly environment in education/training institutes: (e.g., a separate bus service, toilet facilities, etc.) can be instrumental to the greater involvement of girls and young women in secondary and tertiary education. There is also a need to ensure women can articulate their obstacles and challenges regarding work, harassment, and public insecurity.

Women's inclusion in the formal sector: Lack of positive perception within the family, fewer training institutions at the rural level, missing linkage with the industries, lack of participation of women in formal sectors except for the RMG sector. The access to proper sanitation, promotion of ILO decent work practice in the workplaces, and access to the digital world for both marginalized women were vital for expediting the gender parity within the labor force. There are a number of women freelancers who became entrepreneurs without having any institutional training—mainstreaming them into the formal sector that should be taken into consideration.

To address the gender gap in wage differentials and unpaid family work: Achieving the targets of SDGs and Vision 2041 to reap out the current and future demographic dividend prevailing of gender wage differential issues in various job areas, which are very unethical and need to be addressed. To figure out ways to mitigate gender disparity in the labor force to achieve the highest demographic dividend. Given the dominance of unpaid family work among women, it is important to develop strategies to bring women into mainstream labor market activities. In addition, the government and development agencies should develop strategies that can provide loans at low credit for women to start their own small businesses.

It is time to deliver actions that will play influential roles to accelerate female labor force participation to reap the demographic dividend and improve the quality of life of the population in Bangladesh, which will promote prosperity and foster inclusiveness. A 3E policy framework to reap the demographic dividend: Empower, Educate, Employ²⁹. If the right public policies ensure empowerment, education, and employment—economic returns can be high. One of the goals of Bangladesh's development policies is to create an environment for rapid economic growth. A comprehensive way of addressing gender differentials can make economic growth a reality. A gender-equitable climate is critical to achieving a demographic transition. In such a setting, women can access and use family planning without many barriers they currently face here. Such an environment also enables women and couples to choose the number, timing, and spacing of children. It allows women to participate in the labor force and contribute more to the family's economic well-being¹. As an essential step toward gender equity and fostering economic growth, Bangladesh needs to develop and enforce policies that enable girls must go to higher secondary school to combat child marriage and equip them with skills to compete for higher-paying jobs. Women in poor condition may have lower access than men to mass media and technology, leaving them less informed and less empowered. Thus, women need improved access to various types of information that will help them shape and improve their own lives and their children. Also critical for gender equality are equitable land rights and access to credit for women. When women access to credit and generate profits, they are more likely than men to use their income to improve the well-being of their families. Thus, improving women's access to these assets brings Bangladesh closer to reaping the first demographic dividend.

²⁹World Economic Forum (2015). *A 3E Policy Framework to Reap the Demographic Dividend: Empower, Educate, Employ, A Report by the Global Agenda Council on the Demographic Dividend*

¹Gribble, James, and Jason Bremner, 2013, *Achieving Demographic Dividend*, *Population Bulletin*, vol. 67, no.2, PRB

References

- Bangladesh Bureau of Statistics (2018). Labor Force Survey 2016-2017, Dhaka: Ministry of Planning, Government of Bangladesh
- Bureau of Manpower, Employment and Training (BMET), 2021 <http://www.bmet.gov.bd/>
- Bazlul Haque Khondker and Muhammad Moshir Rahman, 2016. Some Estimates of First Demographic Dividend in Bangladesh: An Application of the Bangladesh National Transfer Account, (Ch-7 in Raihan, S. (Ed). 2016. *Structural Change and Dynamics of Labor Markets in Bangladesh: Studies on Labor and Employment*. Dhaka, SANEM Publications
- Bidisha, Sayema Haque, SM Abdullah and Mohammad Mainul Islam. Is there any Long-Run Relationship between Dependency Ratio and Economic Growth? Evidence from Bangladesh, *Demography India*, Volume 48, Issue 2, pp. 105-120, July-December 2019
- Bidisha, Sayema Haque, SM Abdullah, Selina Siddiqua and Mohammad Mainul Islam. How does the Dependency Ratio affect Economic Growth in the long run? Evidence from Selected Asian Countries, *The Journal of Developing Areas (JDA)*, Vol. 54, No.2, PP. 47-60, Spring 2020
- Department of Population Sciences, University of Dhaka and UNFPA Bangladesh (2019). *Population Situation Analysis: Bangladesh, Dhaka*
- Gribble, James, and Jason Bremner, 2013, Achieving Demographic Dividend, Population Bulletin, vol. 67, no.2, PRB
- Gribble, Jay (2018). Through a Gender Lens: Clarifying the Demographic Dividend, Health Policy Plus, November 12, 2018
- Government of Bangladesh (2016). Seventh Five Plan: FY 2016-2020, PP, 522, 572, 756, GED, Ministry of Planning, Dhaka
- Government of Bangladesh (2018). GED Policy Study: Effective Use of Human Resource for Inclusive Economic Growth and Income Distribution-Application of National Transfer Accounts, Planning Commission, Ministry of Planning, Dhaka
- Government of Bangladesh (2019). A Study on Employment, Productivity and Sectoral Investment in Bangladesh, General Economic Division, Planning Commission, Ministry of Planning, Dhaka
- Government of Bangladesh (2021). Eighth Five Plan: FY 2021-2025, PP.607, 613, GED, Ministry of Planning, Dhaka
- Government of Bangladesh (2020). The Perspective Plan of Bangladesh (2021-2041), GED, Ministry of Planning, Dhaka
- Government of Bangladesh (2021). Bangladesh Moving Ahead with the Sustainable Development Goals, Key challenges for achieving SDG8), GED, Ministry of Planning.
- Islam MM, Islam MK, Hasan MS, Hossain MB (2017). Adolescent motherhood in Bangladesh: Trends and determinants. *PLoS ONE* 12(11): e0188294. November 2017
- Mahmud, S. and Bidisha, S. (2018) 'Female labor market participation in Bangladesh: structural changes and determinants of labor supply, in S. Raihan (ed.) *Structural change and dynamics of labor markets in Bangladesh*. Amsterdam: Springer

Mason, Andrew.2003. Population change and economic development: what have we learned from the East Asia experience? *Applied Population and Policy*, 1(1): 3-14

Mohammad M. Islam and Anita J. Gagnon (2014). Child marriage-related policies and reproductive health in Bangladesh: a cross-sectional analysis, *The Lancet* -19 October 2014 (Vol. 384, Page S8) DOI: 10.1016/S0140-6736 (14)61871-7

Mohammad Mainul Islam, Md. Kamrul Islam, Mohammad Sazzad Hasan and Md. Aminul Haque (2016). Marriage Before 16 or 18 years: The Effect of Marital Age on Women's Educational Attainment in Bangladesh, *The Journal of Population and Social Studies (JPSS)*, Volume 24, No.2, 2016.

Mohammad Mainul Islam, SM Abdullah and Mohammad Bellal Hossain (2021). Age Structure Transition and Demographic Dividend in Bangladesh, "International Conference on Celebrating the 100 Years of the University of Dhaka: Reflections from the Alumni - International and National", Webinar 5: Social Sciences for Life and Living, May 29-31, 2021, (Session 3, May 30, 2021), University of Dhaka, Bangladesh

Raihan, S. and Jahan, I. (2018) 'How does social protection affect labor force participation in Bangladesh?' In S. Raihan (ed.) *Structural change and dynamics of labor markets in Bangladesh*. Amsterdam: Springer

Raihan, Selim and Sayema Haque Bidisha (2018). Female Employment Stagnation in Bangladesh: A research paper on Economic Dialogue on Inclusive Growth in Bangladesh. This research paper is an output of the DFID-funded project on Economic Dialogue on Inclusive Growth in Bangladesh.

Rahman, Rushid an Islam (2016). Growth, Employment and Social Change in Bangladesh, Dhaka: UPL

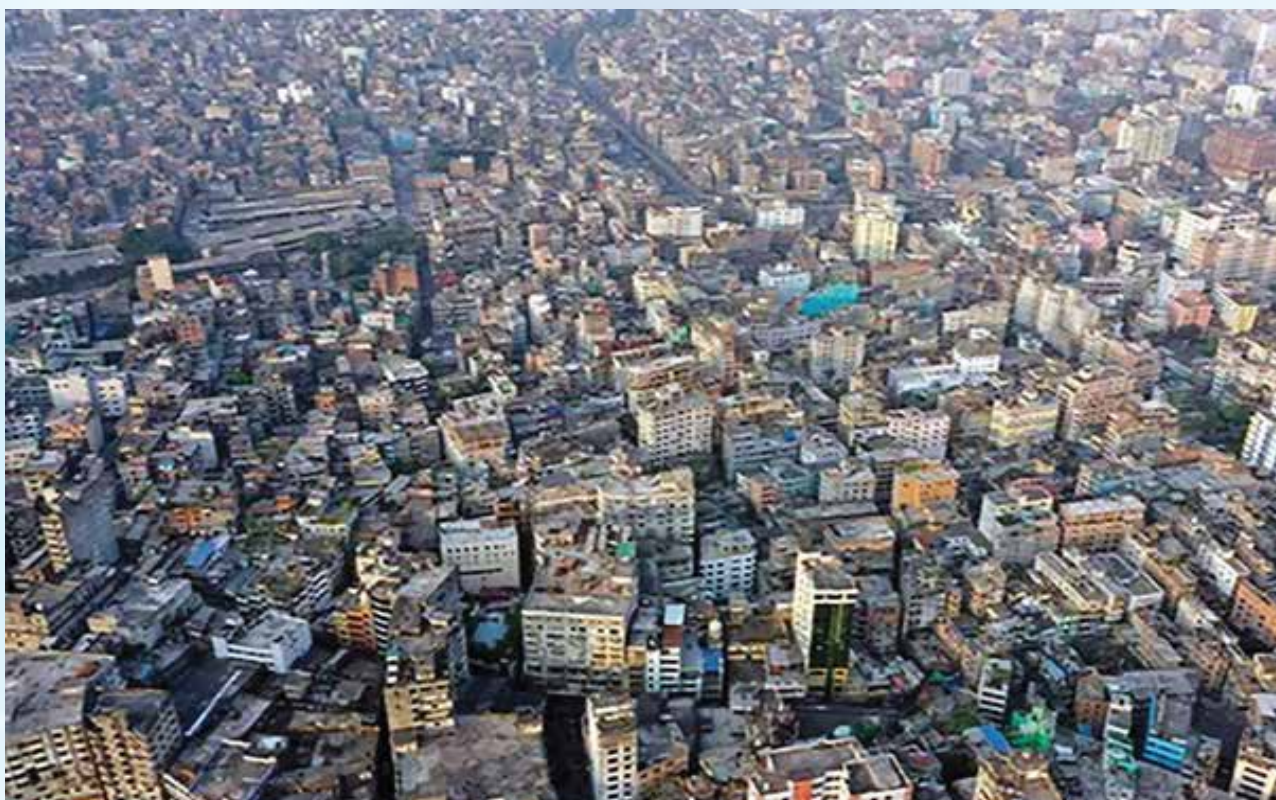
Rahman, Hossain Zillur (2020). *ICPD Commitments of 3 Zeroes: Actions and Strategies for Bangladesh*, Background paper for the 8th Five Year Plan, General Economic Division, Planning Commission, Government of Bangladesh.

World Bank (2018). Women, Business and The Law, World Bank Group, Washington, DC

World Economic Forum (2015). *A 3E Policy Framework to Reap the Demographic Dividend: Empower, Educate, Employ*, A Report by the Global Agenda Council on the Demographic Dividend

<https://esaro.unfpa.org/en/publications/3e-policy-framework-reap-demographic-dividend-empower-educate-employ>

World Values Survey (2020), World Values Survey Association, Institute for Comparative Survey Research, Vienna



POLICY PAPER: 3

Urban Sustainability Through Good Population Density Approach

Prepared by

Dr. Hossain Zillur Rahman*

Dr. Adnan Morshed**

December 2021

**Executive Director, Power and Participation Research Centre (PPRC), Dhaka*

***Executive Director, Centre for Inclusive Architecture and Urbanism (Ci+AU), BRAC University
Professor, Catholic University of America, Washington, DC.*

Preface

Sustainable urbanization is a key policy goal of the 8th Five Year Plan. It is also a SDG priority. While density has generally been equated with congestion and seen as a problem, experiences around the world show that a ‘good density’ approach may signal an important shift in perspective in addressing the challenge of sustainable urbanization. This policy paper was triggered by a conversation between Dr. Shamsul Alam, now the State Minister for Planning, and Dr. Hossain Zillur Rahman during a meeting of the Population Expert Group meeting convened by the General Economics Division of the Planning Commission. GED commissioned the policy paper as a follow-up to this conversation. Subsequently, Dr. Hossain Zillur Rahman and Dr. Adnan Morshed collaborated to produce this policy paper with support from the Power and Participation Research Centre (PPRC) and the Centre for Inclusive Architecture and Urbanism (Ci+AU), BRAC University. Very useful comments were received on a draft presentation from Dr. Shamsul Alam, State Minister for Planning, Dr. Md. Kawser Ahmed, Member (Secretary), GED, Dr. Eiko Narita, Representative a.i., UNFPA, Mr. Md. Mafidul Islam, Chief (Additional Secretary), GED, Prof Dr. A.Q.M. Mahbub, Vice-Chancellor, Bangabandhu Sheikh Mujibur Rahman Science and Technology University, Gopalganj, Dr. Akter Mahmud, President, Bangladesh Institute of Planners (BIP), Mr. Ashekur Rahman, Assistant Resident Representative, UNDP and a number of participants from a cross-section of government and non-government institutions. Ms. Munira Begum, Joint Chief and Project Director of the Strengthening Capacity of the General Economics Division (GED) to Integrate Population and Development Issues into Plans and Policies Project was a valuable liaison with the Planning Commission and provided all necessary administrative support. The policy paper is meant to trigger a wider debate within the policy community on the theme of sustainable urbanization. Dr. Adnan Morshed has been an invaluable collaborator in the preparation of the paper and deserves special appreciation. Both he and I do hope the paper will be found useful by the government and all relevant stakeholders.

1. Understanding Good Density

In keeping with global trends, Bangladesh's future is urban. The urban population of Bangladesh has grown by nearly ten times after independence. Urbanization in the country began to accelerate rapidly from the early 1980s. According to the United Nations Population Division's World Urbanization Prospects, since the 1990s, the annual urban population growth rate in Bangladesh has been consistently over 3.5%. Urbanization, along with urban population boom, industrialization, and the development of a robust service sector, has been powering the engine of growth and development in Bangladesh in the past three decades. An important indicator of this growth is demonstrated by the urban share of Bangladesh's national GDP: 65%. (Fig1.1, Fig 1.2)

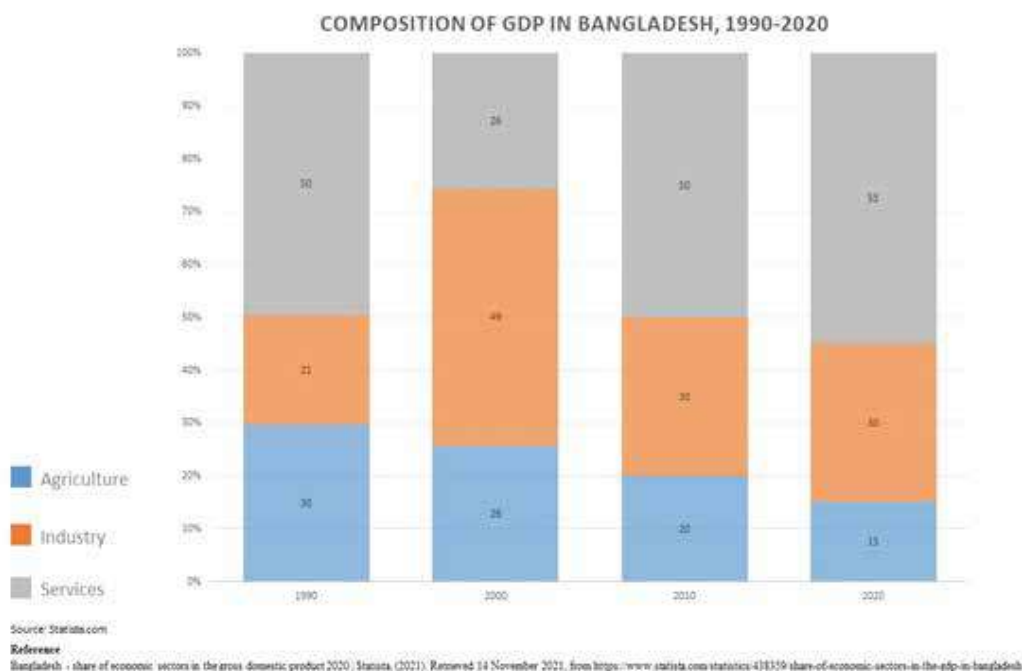


Figure: 1.1 GDP Composition of Bangladesh 1990-2020.

Source: www.statista.com

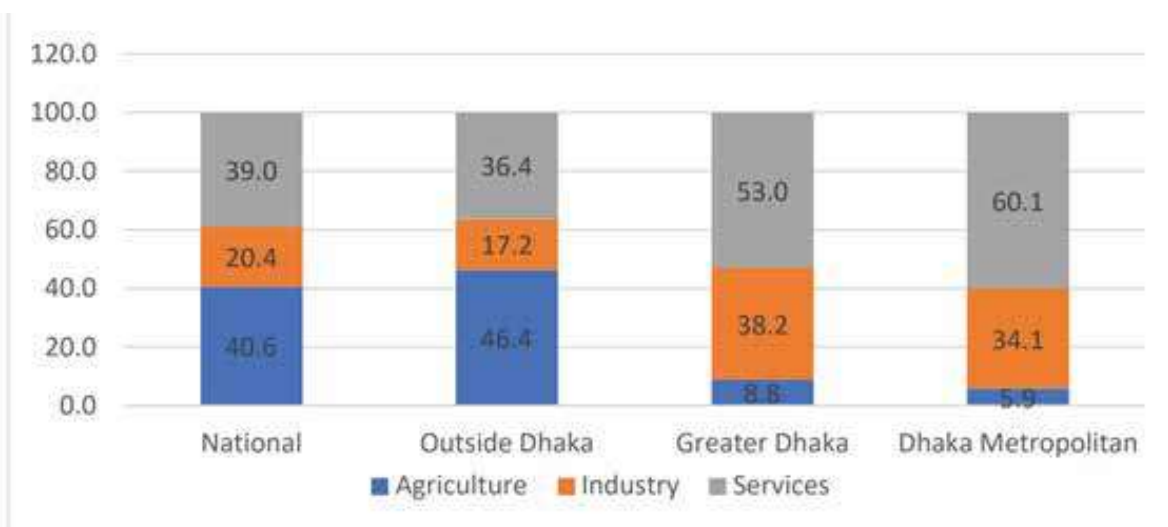


Figure: 1.2 Share of Employment

Source: Labour Force Survey, 2017.

A third of country's total urban population growth has taken place in Dhaka, a primate city whose population size grew at an annual rate of 5.4 percent between 1974 and 2017. Most recently, a World Bank-led study has estimated Dhaka's share of national GDP to be 20 percent (Bird et al. 2018), which appears to be a very conservative estimate given that 15 percent of all workers and almost 30 percent of the industrial workers work in greater Dhaka. However, there have been more liberal estimates placing Dhaka's share of GDP to be around

35 percent of national GDP (e.g. Economist magazine, September 12, 2019). (Fig 2.1).

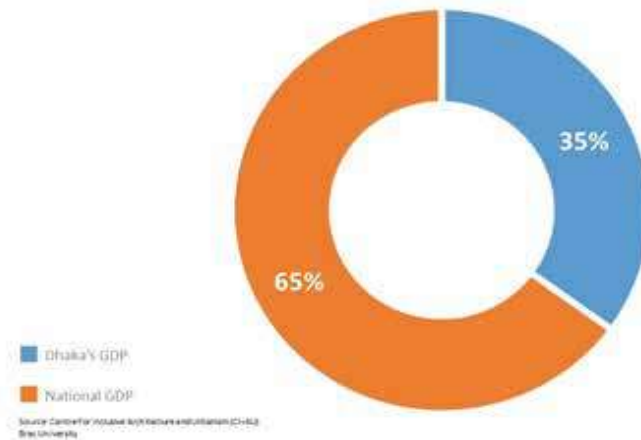


Figure: 2.1 Dhaka's contribution to National GDP

Source: Centre for Inclusive Architecture and Urbanism (Ci+AU), BRAC University.

Research reveals that the rise in the urban share of national population accounted for economic growth. One percentage point increase in the share of urban population is associated with about 2.5% increase in per capita incomes. Thus, if Bangladesh were to raise its urban population share from 36% to 42%, its per capita income would show a rise by 15%.

However, the economic benefits of urban population growth must be assessed against the quality of urban life. Bangladesh's urban land area is less than 10% of the country's total land area. (Fig 2.2.) This means that urban areas are highly concentrated, presenting challenges across three dimensions of urban density: people, buildings, and economic geography.

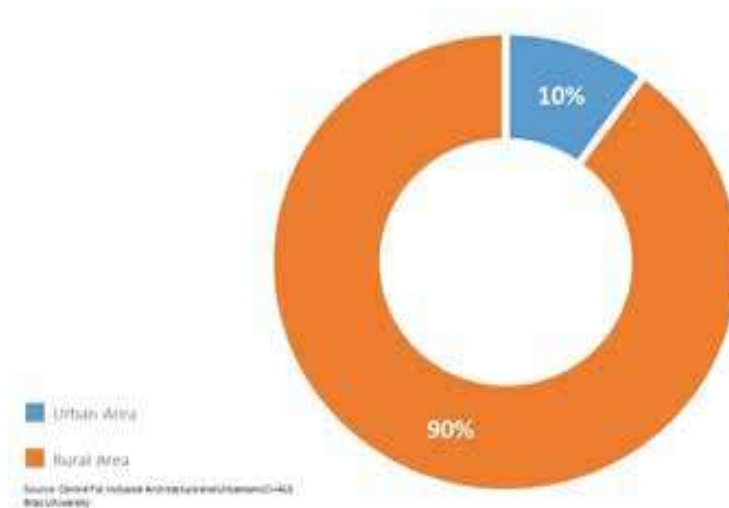


Figure: 2.2 Division of Bangladesh Land Area

Source: Centre for Inclusive Architecture and Urbanism (Ci+AU), BRAC University.

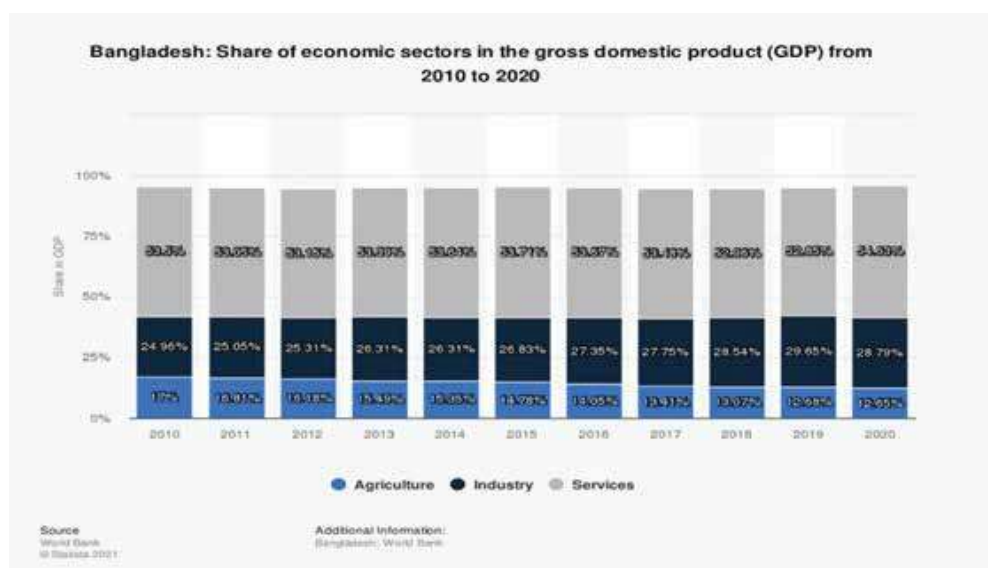


Figure: 2.3 Share of economic sectors in the domestic product (GDP) from 2010 to 2020

Source: World Bank Report 2020.



Figure: 2.4 Dhaka's population density is 114000 people per sq. mi.

Source: Collected

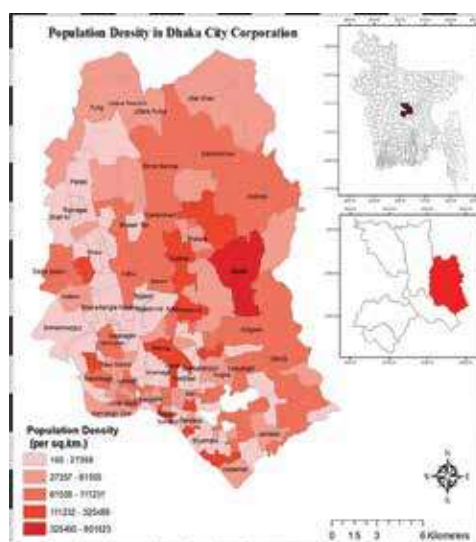


Figure: 3.1 Population Density in Dhaka City Corporation.

Source: Based on the data from Bangladesh Bureau of Statistics

Dhaka's density mosaic is highly differential. Some of the peripheral areas, where there are many informal settlements, are highly dense. (Fig 3.1) Areas like Badda on the outskirts and Paltan in the inner city have population densities between over 150000 people per sq. km. These highly dense areas yield robust economic output, despite a pervasive sense of overcrowding.

Empirical research reveals that Dhaka's high density of people and the built environment leads to a vibrant and highly mobile economic base across formal and informal sectors. (Fig 4.1)

While the “density dividend” may yield high economic output, the quality of urban life may be of a very poor quality in terms of connectivity, accessibility, movement, affordable housing, quality of the environment, air quality, access to public health infrastructure, etc. The prime example of this is paradox is Dhaka. Addressing these challenges with innovative thinking, an ethos of equity, technological adaptiveness, and good governance, the density problem in Bangladeshi metropolises like Dhaka and Chattogram could be transformed into a “good density” advantage.

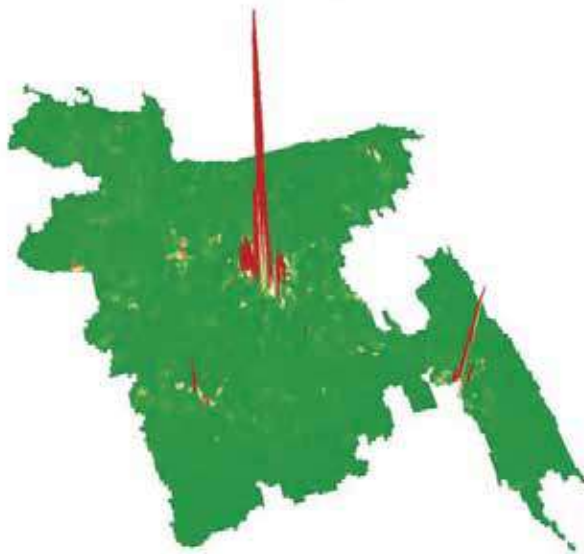


Figure: 4.1 Economic Geography of Bangladesh 2009

Source: Based on the data from Bangladesh Bureau of Statistics 2009

We define “good density” as a tactical approach to urban livability by using “density” as an environment-friendly urban-development concept that drives a sustainable and equitable economic base, community-oriented and low-carbon lifestyle, and public-transit favorability. Density ensures low building footprints and, hence, a less burden on the environment, offering a range of effective tools for climate-change adaptability. (Fig 5.1, Fig 5.2)



Figure: 5.1 Urban Land Institute's good and bad density framework

Source: G. Clark and E. Moir, Density: Drivers, dividends and debates (London: Urban Land Institute, 2015).

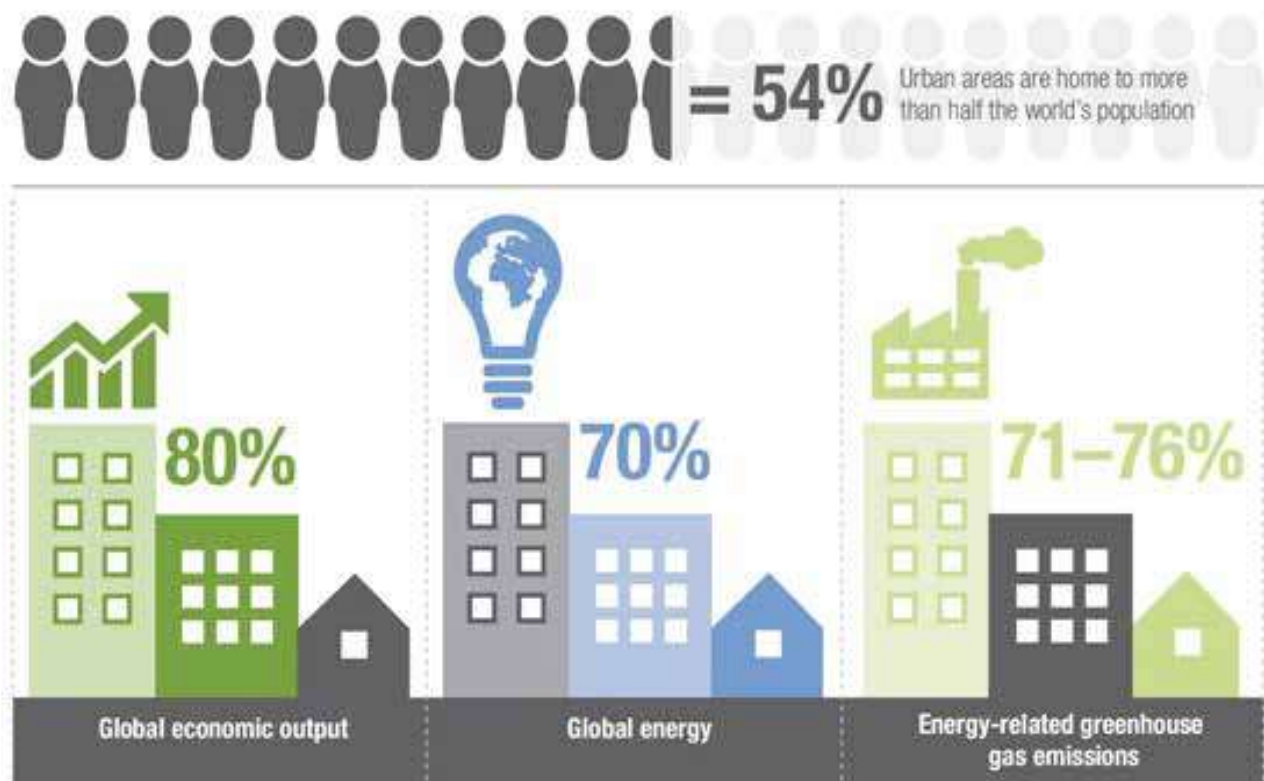


Figure: 5.2 The Economic and Environmental Impact of Cities

Source: G. Clark and E. Moir, *Density: Drivers, dividends and debates* (London: Urban Land Institute, 2015).

When efficiently planned, instituted, and governed, a good density approach promotes compact community-driven urbanity, makes public transit cost effective, promotes walkability and other zero-carbon-emission urban mobility, and reduces environmental costs. It is important to make the distinction between good density and overcrowding. Overcrowding and over-population are undesirable as they pose major public health challenges. Good density is the tactical approach to enable a high-density community to live in a planned physical environment with easy access to urban amenities, pursue their economic activities without having to travel unnecessarily across the city, reduce their carbon footprints as they carry on their daily activities.

Empirical research reveals that dense cities lead to high-level of economic productivities. Yet, there is an entrenched fear of urban density because high density is seen as the root cause of disease, stress, disorder, chaos, criminality, and lack of public health. Traditional urban planning efforts focus disproportionately on controlling density than seeking to turn it into an advantage.



Figure: 6.1 The vibrant economic growth of Dhaka yet dysfunctional as a city.

Source: Photograph by Adnan Morshed

The key policy question remains as to whether urban density has been harnessed and optimized in Bangladesh to increase urban sustainability based on livability, economic vibrancy, equity, and environmental resiliency. Global trends in sustainable urbanism today consider urban density an advantage. (Fig 6.1) Is Bangladesh paying attention?

2. A Brief History of Anti-Density Bias

Bias against urban density has a long history. Fear of and antipathy toward urban density has been a quintessential modern experience that originated in the 19th century. In the wake of the Industrial Revolution, large western metropolises like London and New York became overcrowded with factory workers, immigrants, and the urban poor. (Fig 7.1)



Figure: 7.1 In 19th-century imagination of the western industrial city, population density was seen as synonymous with disease, chaos, lack of health and civility, and moral decline.

Source: Collected

By the end of the 19th century, 40 percent of Britain's population lived in cities, compared with a mere 4 percent in Russia and 7 percent in China. America's urban population jumped from 7 percent in 1820 to 50 percent a hundred years later. Congested and disease-ridden slums, frequent cholera epidemics, abject poverty, and crimes in Victorian London led many to believe that the capital of the British Empire had become unlivable. (Fig 7.2)



Figure: 7.2 The Stygian slum of industrial London is shown in Gustave Dore's engraving.

Source: <https://victorianweb.org/history/venkateswaran.html>

Offering an exposé of filthy living conditions in South London in 1883 with a shocking pamphlet titled *The Bitter Cry of Outcast London*, a clergyman named Andrew Mearns demanded housing reform in the industrial city. Conditions in New York was the same. Jacob Riis, a Danish immigrant who became a police reporter in New York, shook the conscience of New Yorkers with his book *How the Other Half Lives* (1890) that portrayed the unconscionable conditions in the city's tenements. (Fig 7.3)

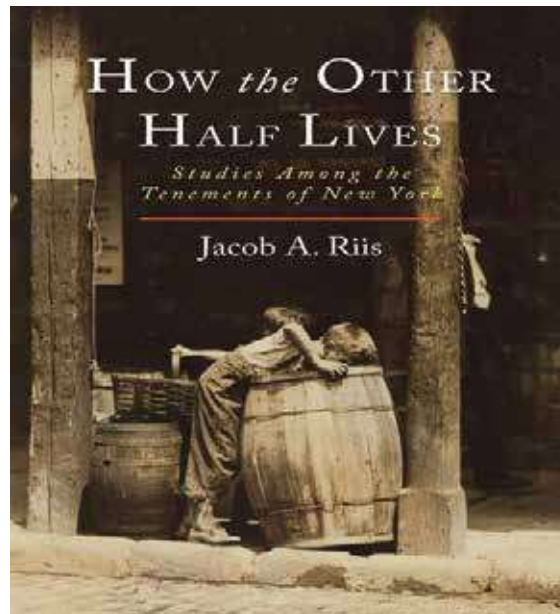


Figure: 7.3 Much acclaimed book by Jacob A. Riis

Source: Collected

At the center of these horrified reactions was, justifiably, an anti-urban fear of overcrowding in the metropolis. As public health workers, social reformers, and design professionals sought answers to the pathologies of 19th-century industrial cities, the antipathy toward congestion and overpopulation became codified as a broader anti-density approach within emerging urban planning theories.

Overcrowding became synonymous with population density, poverty, disease, and depletion of resources. High density was typically seen as a threat to public health, the planet, and, in general, humanity. The anxiety over “population” (pollution resulting from population density) continued to influence planning philosophies throughout the 20th century. Earlier, in the late 18th century, Thomas Malthus, an English priest and economist, had already offered a theoretical framing for the anti-density approach by claiming that human population grows at a rate much faster than that of human food supply until catastrophes reduce the population size.

The dread of population density and the menace of epidemics led to the creation of modern sewage systems, public parks, and housing reforms in 19th-century western metropolises. (Fig 7.4)



Figure: 7.4 Much dreaded street congestion in 19th century New York City.

Source: <https://placemanagementandbranding.wordpress.com/2014/09/04/review-of-triumph-of-the-city-part-ii-right-messages/>

Planning professionals developed many density-control tools: for example, setback rules to allow light and air in between buildings and floor area ratio to control the size of a building's volume on a plot and thereby the total number of people on it. British social reformer Ebenezer Howard's Garden City proposed to solve the problems of urban congestion by dispersing people across satellite towns connected with each other and the mother city by public train. (Fig 7.5)

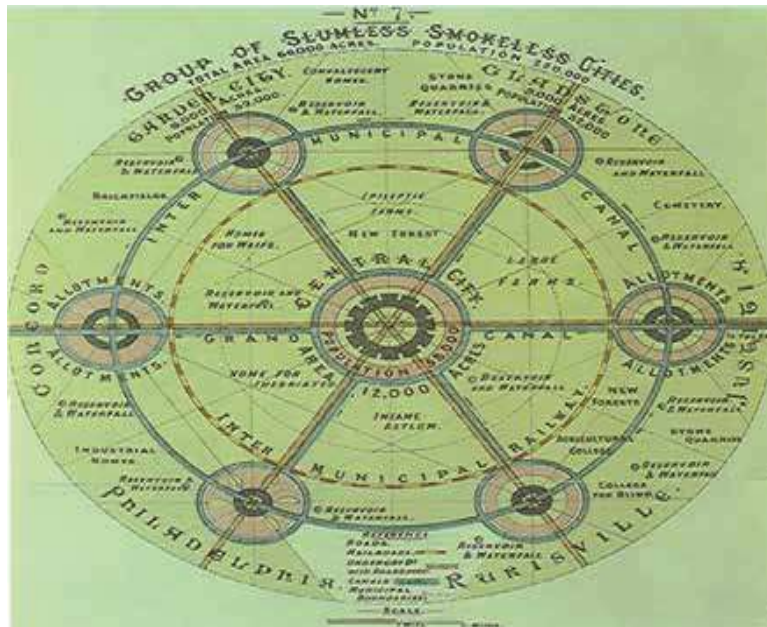


Figure: 7.5 Ebenezer Howard's Garden City sought to combine urban density with rural environment

Source: https://www.researchgate.net/figure/Plan-of-the-garden-city-by-E-Howard_fig2_285414240

In postcolonial India, Prime Minister Nehru stated: "Population control will not solve all of our problems, but it is certain that none can be solved without it."

As urbanization accelerated in Bangladesh during the 1980s, we inherited an entrenched anti-density bias from Western planning models. In uncritically accepting a Western fear of density while not taking into consideration the urban realities of South Asia, we failed at two levels. First, we ignored to make a critical distinction between overcrowding and density. Overcrowding is a public-health problem, but density is an opportunity to build a community-oriented lifestyle, create a vibrant economic base, and develop strategic adaptation to climate change vulnerabilities. Second, the appreciation of density as a pillar of sustainable living is yet to enter mainstream city planning policies in Bangladesh.

3. Changing Urban Realities of Bangladesh and Key Challenges

Bangladesh experienced accelerated urbanization since the early 1980s due to industrialization, liberal economic policies, the emergence of a robust service sector, rural-to-urban migration, and the development of road infrastructure, among other factors. People from rural and impoverished areas flocked to cities in search of jobs and better lives due to a range of push (river erosion, loss of agricultural jobs, etc.) and pull factors (wage-based jobs, burgeoning urban economies, better life, education, etc.). According to the Bangladesh Bureau of Statistics, more than 600,000 people arrived in Dhaka every year for over a decade. The city's annual population growth rate has been consistently over 3.5%. A primate city, Dhaka's population density is one of the highest in the world at 114,000 people per sq. mi or 44,000 per sq. km. (Fig 8.1)



Figure: 8.1 Expansion of Dhaka Metropolitan

Source: Centre for Inclusive Architecture and Urbanism (Ci+AU), BRAC University

A World Bank-led study has recently estimated Dhaka's share of national GDP to be 20 percent (Bird et al. 2018), which seems to be a conservative estimate given that 15 percent of all workers and almost 30 percent of the industrial workers work in greater Dhaka. On the other side, there are more casual estimates placing Dhaka's share of GDP to be around 35 percent of national GDP (e.g. Economist magazine, September 12, 2019).

Despite robust economic growth catalyzed by urbanization, Bangladesh's urban reality is characterized by overcrowding, traffic congestion, uncoordinated urban governance, and lack of planned land use, among other urban pathologies. (Fig 8.2, Fig 8.3)



Figure: 8.2 The streets of Dhaka are economically vibrant yet dysfunctional as vehicular artery

Source: Photograph by Adnan Morshed

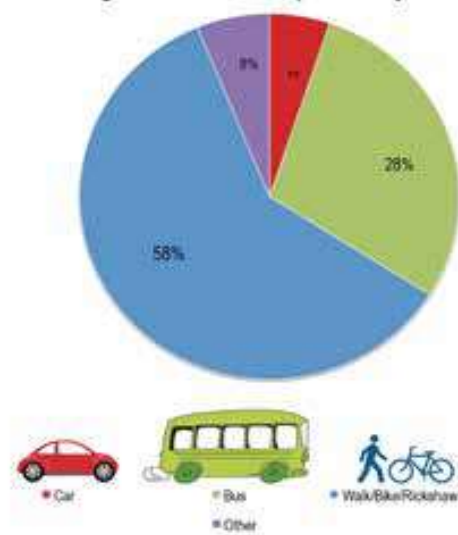


Figure: 8.3 The fear of urban density

Source: Collected

Traffic congestion in Dhaka has decreased the average traffic speed in Dhaka from 21 km/hour to less than 6.4 km/hour (World Bank, 2017). Dhaka's notorious traffic congestion eats up 3.2 million working hours per day and costs an estimated 2.5 percent of GDP per annum.

Percentage of Commuter Trips Per Day in Dhaka



Percentage of Road Share in Dhaka

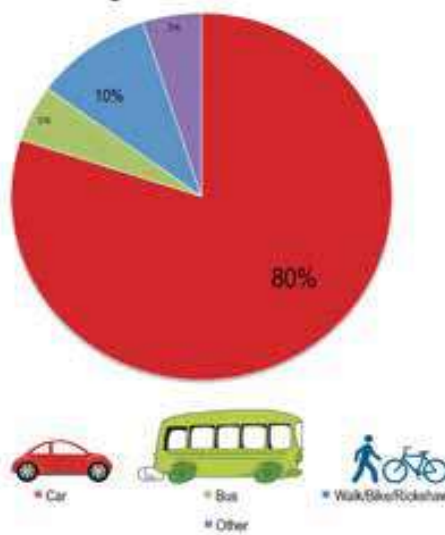


Figure: 8.4 Mass Transit as Shared Community Space

Source: Centre for Inclusive Architecture and Urbanism (Ci+AU), BRAC University.

But it is important to note that traffic congestion does not necessarily result from population density but rather from uncoordinated traffic management, over reliance of personal automobiles due to the lack of public transit, and inefficient land use. (Fig 8.4)

Research reveals that road congestions occur when neighborhoods are not planned as self-sufficient communities requiring people to make unnecessary trips all around the city, personal automobiles became an alternative to public transportation, misuse of road space for commercial activities, and an inefficient mix of motorized and non-motorized vehicles, among other factors. All of these are direct and indirect results of the failure to manage urban density.



Figure: 8.5 A dystopic horizontal expansion of East Dhaka

Source: Photograph by Adnan Morshed

As urbanization accelerated in Bangladesh during the 1980s, we inherited an entrenched anti-density bias from Western planning models. In uncritically accepting a Western fear of density while not taking into consideration the urban realities of South Asia, we failed at two levels. First, we ignored to make a critical distinction between overcrowding and density. (Fig 8.5) Overcrowding is a public-health problem, but density is an opportunity to build a community-oriented lifestyle. Second, the appreciation of density as a pillar of sustainable living is yet to enter mainstream city planning policies in Bangladesh.

4. Good Density Practice: Global Case Studies

Cities generate over 80% of global economic activity. (Fig 9.1, Fig 9.12) Empowering hundreds of millions of people to transcend extreme poverty. Ready or not, cities across the world must find ways to handle population influx as rural-to-urban migration is the reality of the 21st century. People from rural areas will continue to flock to cities in search of economic opportunities and better lives.

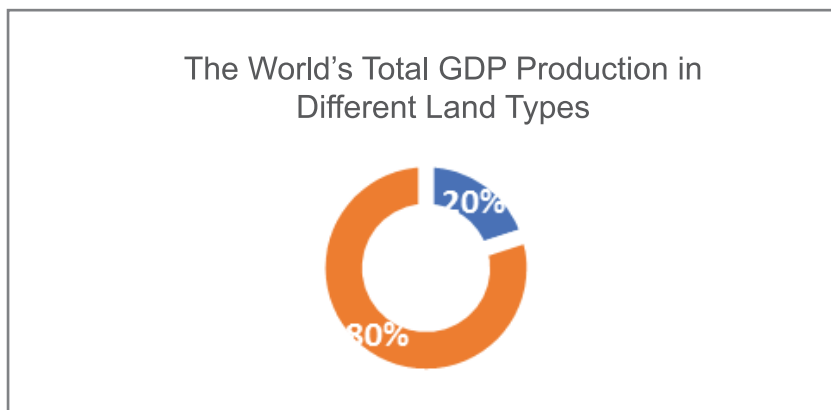


Figure: 9.1 The world's 80 % GDP production occurs in urban areas

Source: Based on the data from Bangladesh Bureau of

The World's Different Land Areas

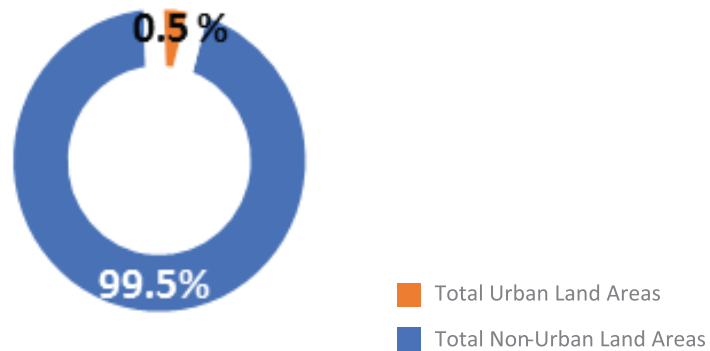


Figure: 9.2 The world's urban land area is only 0.5 %

Source: Schneider, A., Friedl, M.A. and Potere, D. (2009). A new map of global urban extent from MODIS satellite data. Environmental

However, the population boom is only one dimension of how cities grow, change, and offer challenges. The new informational, transactional, and operational technologies are transforming the urban life of all economic and social classes. Connectivity, proximity, and interaction in cities are recalibrated to fit the shifting demands of urban life. Formal and informal economies intertwine in ways that the meaning of these economic “categories” offer inadequate coverage of the complex nature of transactions in cities.

What emerges in these new urban complexities is that cities have become the drivers of economy, innovation, and creative adaptation. It is in this context, livable cities around the world are reevaluating the significance of urban density as a key catalyst of sustainable urbanism. Physical density reduces infrastructure costs per consumer. A larger number of users can share the costs of infrastructure, urban amenities, and services. Compact living is more energy efficient and less a burden on the environment. Structures that present relatively low surface to volume ratio are seen as ecology friendly. The traditional fear of urban density is being reevaluated and reimagined as an advantage, if managed sustainably and innovatively. The new reality is: Urban livability is density managed well.

The Covid-19 pandemic has revealed the falsity of the fear of urban density as a “super spreader.” At the onset of the pandemic, many pundits argued that New York City's high population density—27,000 people per sq. mi., which is the highest in the USA—is the root cause of the city's extremely high COVID-19-related deaths. The contention is that density breeds disease and enables easy human-to-human pathogen transmission.

But, as research revealed, urban population density as the cause of high death rate in New York City or other dense metropolises around the world was both premature and misleading. Hong Kong's population density is 18,492 per sq. mi., even though some pockets there, such as the Mong Kok district, have some of the most densely populated places on Earth with an average of 130,000 people crammed inside each square kilometer. Yet, Hong Kong has recorded very few deaths due to Covid-19 infection. So was the case in some of the world's densest cities like Seoul (45,000 people per sq. mi) or Tokyo (12,296 people per sq. mi.).

The population density in the Manhattan borough of New York City is 70,000 people per sq. mi., highest in America. Density is Manhattan's strength. It is one of the most livable places in the world (like other places it also has its share of social equity issues), thriving on a robust economic geography, an

entrepreneurial culture, an efficient bus- and subway-based public transit, ethnic diversity, and check-and-balance urban governance. Manhattan is most walkable. Owning a car there is almost a nuisance. Tokyo, Singapore, Hong Kong, and London are the same.

To blame population density for New York City’s coronavirus “apocalypse” without understanding what goes on in the city’s impoverished neighborhoods—such as The Bronx, New York City’s poorest borough where residents have perished at a rate double that of the city—is to overlook how urban poverty, alienation, and lack of access to quality healthcare make disenfranchised communities more vulnerable to pandemics.

It was easy to blame the Bronx and its dense living quarters for COVID-19 to have a field day to kill people, as long as one wasn’t considering its higher poverty rate (28.4) than the other four boroughs (average 18.4) of New York City. Immigrants make up 37 percent of the total population of the Bronx, where median household income was a paltry \$38,000 in 2018, much lower than any other boroughs of the city. Racial and ethnic disparities in healthcare in the Bronx are well documented.

Poverty-stricken neighborhoods, physically demanding menial jobs that often don’t permit social distancing, and preexisting public-health dysfunctionalities led to a high COVID-related death rate in the Bronx. Urban density is not the problem, a failure to understand the beneficial coexistence of density, public health, and social justice is.

It is important to understand the tangible and intangible benefits of “good density” practice.

Atlanta vs Barcelona:

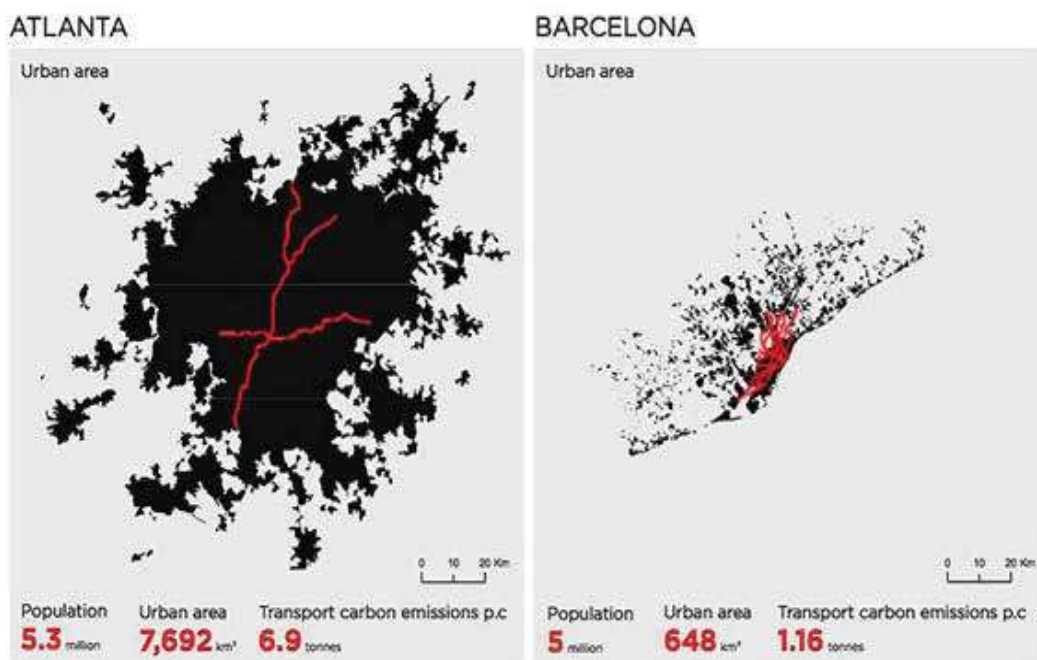


Figure: 9.3 More compact development can reduce transport emissions by an order of magnitude

Source: LSE Cities 2014

Alain Bertaud, former principal urban planner for the World Bank and a senior researcher at New York University’s Stern Urbanization Project, has studied different effects of urban density on metro Atlanta and Barcelona, two cities with almost the same population (5 million), but occupying vastly asymmetrical area sizes: Atlanta is 7,692 sq. km while Barcelona is 648 sq. km. (FIG 9.3) They have a roughly similar total length of rail transit: Barcelona has 99 miles of rail tracts to Atlanta’s 74, serving their very different land sizes. Thus, the living patterns couldn’t be more different in Atlanta and

Barcelona. Atlantans are more spread out in low density neighborhoods and sprawling suburbs in concentric zones. The urbanized area of Atlanta is 26.5 times that of Barcelona.

This massive difference in density has an enormous impact on the usefulness of the transit systems. Bertaud explains: “Urban densities are not trivial; they severely limit the transport mode choice and change only very slowly. Because of the large differences in densities between Atlanta and Barcelona about the same length of metro line is accessible to 60% of the population in Barcelona but only 4% in Atlanta. The low density of Atlanta renders this city improper for rail transit.” Although Bertaud’s comparison focuses mainly on how low-density development vastly reduces the efficiency of public transit, it is also a demonstration of wastefulness: how sprawl requires more roads, utilities, public infrastructures, and services that cover 26.5 times as great an area as Barcelona’s public infrastructure and services do. Low-density sprawl produces waste, environmental degradation, high living cost, and excessive daily commuting times. On the other hand, high-density, compact living enables Barcelona to create a cost-effective public transit, urban services, and infrastructures of walkability.

What can Bangladesh cities learn from the comparison of Atlanta and Barcelona? Given Bangladesh’s landmass to population ratio, how prudent would it be not to use density as an enormous advantage?

5. A Tactical Path to Good Density in the Urban Growth of Bangladesh

That urban density could be an asset is indeed counterintuitive. Today, density is no longer the old demon it used to be. In the era of climate change, UN Sustainable Development Goals, and the moral quandary over abusing Mother Nature, western nations are reassessing density as a core requirement for a sustainable lifestyle based on mixed-use neighbourhoods and reduced carbon emission, energy consumption, environmental waste, and horizontal expansion. (Fig 10.1)

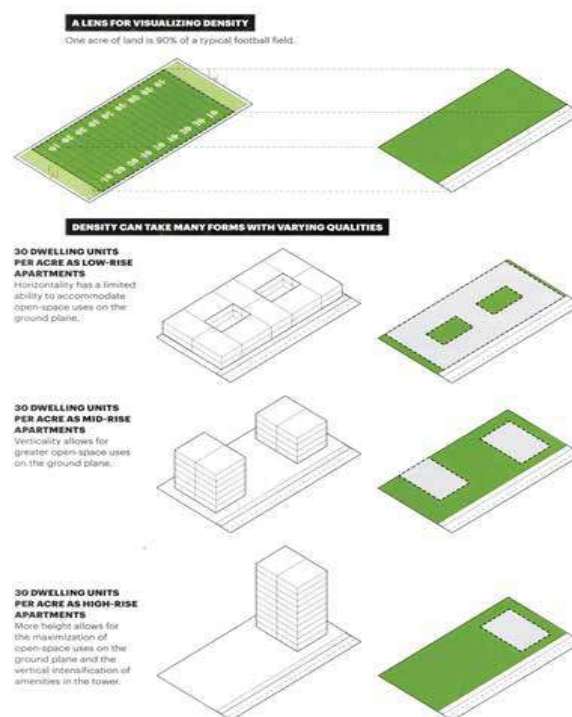


Figure: 10.1 Different methods of managing density on an urban plot;

Source: Vishaan Chakrabarti, *A Country of Cities: A Manifesto for an Urban America* (2013)



Figure: 10.2 The eight data sets used to represent the six density characteristics

Source: Attached with every diagram

Research demonstrates that well-planned concentration of people and buildings foster social equity and inclusiveness, promote creative and non-conventional solutions, create a vibrant economic base, and make public transportation, walkability, and biking not only efficient, but also economical and environment friendly. Using public transportation means less reliance on environment-polluting, gas-guzzling personal



Figure: 10.3 Barcelona's urban form is an excellent example of good density

Source: Collected

automobiles. It is a win-win-win situation, for the people, for the environment, and for the economy. (Fig 10.2)

At the heart of this urban strategy is Good Density, a type of development model that allows an urban dweller to live close to work, children's school, healthcare centre and market, and parks, so that one doesn't have to rely exclusively on cars for mobility. Good density is indeed smart density. In a smart-density situation, you can perform your daily activities by walking or taking the public bus or metro. This way not only do you save money, but you also live a healthier and economically dynamic life. The saved commute time could be utilized more productively.

Developing a good-density way of life would require overcoming many mental and cultural barriers, and a new generation of bold urban policy initiatives. The ownership of personal automobiles needs to be de-glamorized. The right density, achieved with low ground coverage by buildings and enhanced green, can engender urban sustainability.

How do we incentivize the public to embrace a good-density lifestyle? Walking every day to work or other destinations reduces health challenges. To encourage people to walk, cities must build safe, comfortable, and attractive footpaths. Because people in compact areas are more likely to use public transportation, there will be much less use of private cars and therefore less consumption of fossil fuel and reduced monthly household expenses. With sensible planning, dense settlements can ensure higher economic productivity, create a vibrant labour market, foster community building, and develop

high-quality human capital because, as research shows, proximity fuels competitive entrepreneurship and idea cross-pollination. (Fig 10.3)

Dhaka and other cities in Bangladesh have density. But it remains a “raw material” that needs to be processed for great societal, environmental, and economic benefits. Instead of seeing it as a misery and burden, policymakers, urban administrators, and planning communities could form strategic partnership to transform Dhaka’s hyper-density (1,14,000 people per sq. mi.) into a robust environmental, economic, and social advantage. Jan Eliasson, former UN Deputy Secretary-General, once stated: “The battle for sustainable development will be won or lost in cities.” Winning would depend on how cities deal with their densities. (Fig 10.4)

Urban population density, fused with social justice, a robust culture of hygiene, pandemic preparedness, and dynamic economic geography, should be foundation of sustainable cities in Bangladesh.

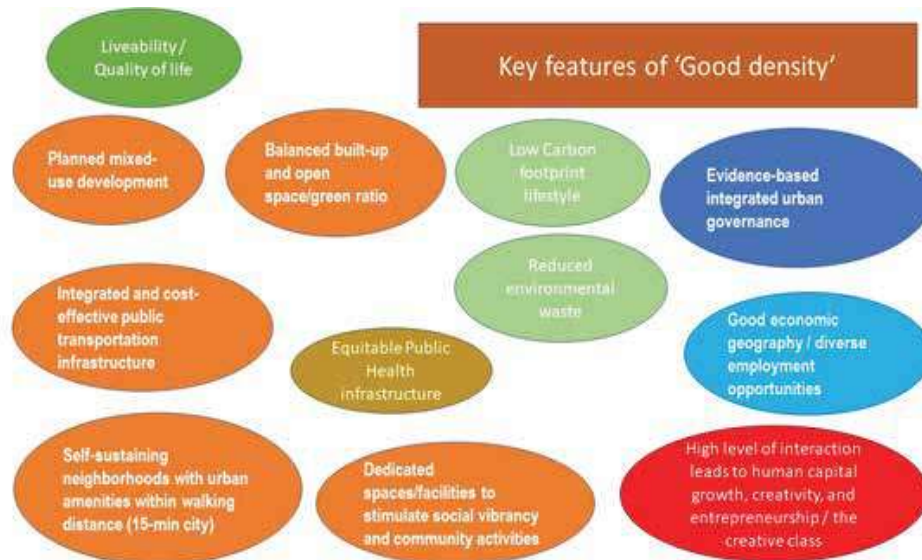
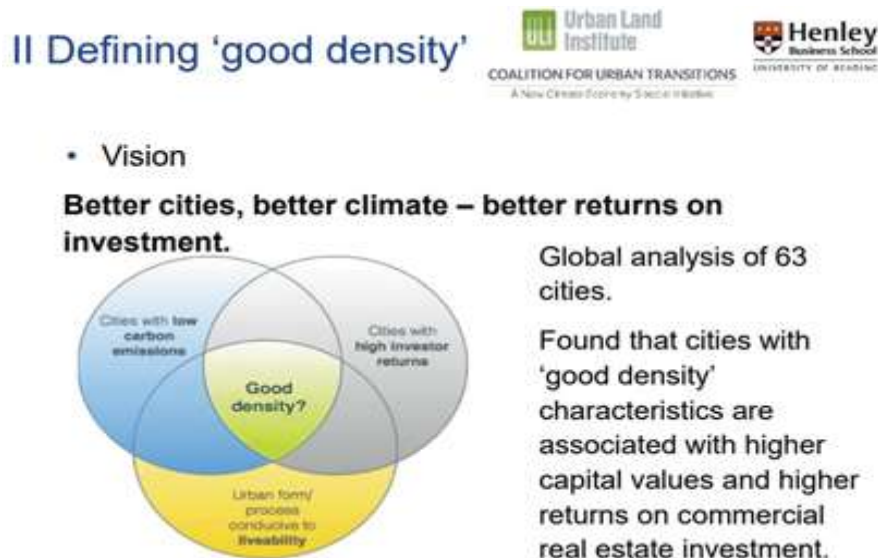


Figure: 10.4 Key features of ‘ Good density’

Source: Centre for Inclusive Architecture and Urbanism (Ci+AU), Brac University.



Source: Collected

Recommendations

- Density must be distinguished from congestion and crowding.
- Quality of life and liveability should be prioritized over one-dimension economic life of the city.
- Compact, mixed-use development with reduced ground coverage by buildings should be the basis of a low-carbon urbanism.
- Policy position that density reduces environmental waste should be instituted.
- Cost-effective and sustainable public transportation should be the basis of good-density urbanization.
- Self-sustaining neighbourhoods with all urban amenities within walking distance (15-min city) should be the guiding principle of good-density strategies.
- Good density with accessible green and open spaces is superior to urban sprawl.
- Walkable and biteable urban development are the physical manifestation of good density.
- Good density ensures improved environmental quality.
- The mutual relationship between economic productivity and good density should be prioritized.
- Good density reduced household expenditure as commuting expenses are reduced.
- Evidence-based, policy-driven, and integrated urban governance should be the bedrock of good-density urbanization.
- A good-density approach is based on community building as opposed to individualism.
- A good-density approach warrants robust investment in public health infrastructures.
- Cities developed with a good density approach allows high level of interaction leading to human capital growth, creativity, and entrepreneurship.

Conclusion

Good density is a mindset as much as it is an urban strategy. The fear of urban density, with its roots in 19th century industrial city in the wake of the Industrial Revolution, must be dispelled to develop sustainable, livable cities in Bangladesh. Bangladesh's future is urban. Density is the quintessential urban reality. The country's urban development policies must transform density from a problem to an advantage.

Bibliography

- Calhoun, John B. "Population Density and Social Pathology," *Scientific American* (Feb. 1962). Le Corbusier, *The City of To-morrow and Its Planning*, trans. Frederick Etchells (New York, 1929).
- Ehrlich, Paul R. *The Population Bomb*. New York: Rivercity Press, 1968.
- Gehl, Jan. *Cities for People* (Washington, DC, 2010).
- Glaeser, Ed. "The Benefits of Density," *Urban Age*, London School of Economics Cities (Dec. 2012)
- Ebenezer Howard, *Garden Cities of To-Morrow*, ed. F.J. Osborn (Cambridge, MA, 1965).
- Jane Jacobs, *The Death and Life of Great American Cities* (1961; New York, 1992).
- Kenrick, Douglas T. "Why Are Crowded City Dwellers Living the Slow Life? The Psychology of Density isn't What Most of US Think." *Psychology Today* (June 23, 2017).
- Morshed, Adnan. "Is Smart Density the Way Forward for Bangladesh," *The Daily Star*, Nov. 30, 2021.
- Morshed, Adnan. "How can Dhaka Become more Resilient to Future Pandemics," *The Daily Star*, June 16, 2020.
- Morshed, Adnan. "Why Not a National Footpath Policy?" *The Daily Star*, September 30, 2019
- Morshed, Adnan. "Debunking the Smart-City Myth," *The Daily Star*, May 28, 2019
- Muzzini, Elisa and Gabriela Aparicio, *Bangladesh: The Path to Middle-Income Status from an Urban Perspective*. The World Bank, Washington, DC, 2013
- Rahman, Hossain Zillur (ed.), *Urban Bangladesh: Challenges of Transition*. PPRC, 2011.
- Rahman, Hossain Zillur (ed.), *Bangladesh Urban Dynamics*. PPRC, 2012.
- Rahman, Hossain Zillur (edited), *The Urban Spectrum: Metropolitan to Mofussil*. PPRC, 2016.
- Rahman, Hossain Zillur. *Urban Poverty: Towards a Holistic National Strategy*, PPRC, 2016.
- Rahman, Hossain Zillur. *Transforming Dhaka East: A Political Economy Perspective on Opportunities and Challenges in Towards Great Dhaka: A New Urban Development Paradigm*. The World Bank, 2018.

List of Notable Publications by General Economics Division (GED)

Bangladesh Planning Commission since 2009

- 1 Policy Study on Financing Growth and Poverty Reduction: Policy Challenges and Options in Bangladesh (May 2009)
- 2 Policy Study on Responding to the Millennium Development Challenge Through Private Sectors Involvement in Bangladesh (May 2009)
- 3 Policy Study on The Probable Impacts of Climate Change on Poverty and Economic Growth and the Options of Coping with Adverse Effect of Climate Change in Bangladesh (May 2009)
- 4 Steps Towards Change: National Strategy for Accelerated Poverty Reduction II (Revised) FY 2009-11 (December 2009)
- 5 Millennium Development Goals: Bangladesh Progress Report-2009 (2009)
- 6 Millennium Development Goals: Needs Assessment and Costing 2009-2015 Bangladesh (July 2009)
- 7 এমডিজি কর্ম-পরিকল্পনা (৫১টি উপজেলা) (জানুয়ারি-জুন ২০১০)
- 8 MDG Action Plan (51 Upazillas) (January 2011)
- 9 MDG Financing Strategy for Bangladesh (April 2011)
- 10 SAARC Development Goals: Bangladesh Progress Report-2011 (August 2011)
- 11 Background Papers of the Sixth Five Year Plan (Volume 1-4) (September 2011)
- 12 6th Five Year Plan (FY 2011-FY 2015) (December 2011)
- 13 Millennium Development Goals: Bangladesh Progress Report-2011 (February 2012)
- 14 Perspective Plan of Bangladesh 2010-2021: Making Vision 2021 a Reality (April 2012)
- 15 Public Expenditure for Climate Change: Bangladesh Climate Public Expenditure and Institutional Review (October 2012)
- 16 Development of Results Framework for Private Sectors Development in Bangladesh (2012)
- 17 ষষ্ঠপঞ্চ বার্ষিক পরিকল্পনা (২০১১-১৫) বাংলা অনুবাদ (অক্টোবর ২০১২)
- 18 Climate Fiscal Framework (October 2012)
- 19 Public Expenditure for Climate Change: Bangladesh CPEIR 2012
- 20 First Implementation Review of the Sixth Five year Plan -2012 (January 2013)
- 21 বাংলাদেশের প্রথম প্রেক্ষিত পরিকল্পনা ২০১০-২০২১ রূপকল্প ২০২১ বাস্তবে রূপায়ণ (ফেব্রুয়ারি ২০১৩)
- 22 National Sustainable Development Strategy (2010-2021) (May 2013)
- 23 জাতীয় টেকসইউন্নয়ন কৌশলপত্র (২০১০-২০২১) [মূল ইংরেজি থেকে বাংলায় অনূদিত] (মে ২০১৩)
- 24 Millennium Development Goals: Bangladesh Progress Report-2012 (June 2013)
- 25 Post 2015 Development Agenda: Bangladesh Proposal to UN (June 2013)
- 26 National Policy Dialogue on Population Dynamics, Demographic Dividend, Ageing Population & Capacity Building of GED [UNFPA Supported GED Project Output1] (December 2013)
- 27 Capacity Building Strategy for Climate Mainstreaming: A Strategy for Public Sector Planning Professionals (2013)
- 28 Revealing Changes: An Impact Assessment of Training on Poverty-Environment Climate-Disaster Nexus (January 2014)
- 29 Towards Resilient Development: Scope for Mainstreaming Poverty, Environment, Climate Change and Disaster in Development Projects (January 2014)
- 30 An Indicator Framework for Inclusive and Resilient Development (January 2014)
- 31 Capacity Building Strategy for Climate Mainstreaming: A Strategy for Public Sector Planning Professionals (2013)
- 32 Revealing Changes: An Impact Assessment of Training on Poverty-Environment Climate-Disaster Nexus (January 2014)

- 33 Towards Resilient Development: Scope for Mainstreaming Poverty, Environment, Climate Change and Disaster in Development Projects (January 2014)
- 34 An Indicator Framework for Inclusive and Resilient Development (January 2014)
- 35 Manual of Instructions for Preparation of Development Project Proposal/Performa Part-1 & Part 2 (March 2014)
- 36 SAARC Development Goals: Bangladesh Progress Report-2013 (June 2014)
- 37 The Mid Term-Implementation Review of the Sixth Five Year Plan 2014 (July 2014)
- 38 Millennium Development Goals: Bangladesh Progress Report 2013 (August 2014).
- 39 Population Management Issues: Monograph-2 (March 2015)
- 40 GED Policy Papers and Manuals (Volume 1-4) (June 2015)
- 41 National Social Security Strategy (NSSS) of Bangladesh (July 2015)
- 42 MDGs to Sustainable Development Transforming our World: SDG Agenda for Global Action (2015-2030)- A Brief for Bangladesh Delegation UNGA 70th Session, 2015 (September 2015)
- 43 7th Five Year Plan (2015/16-2019/20) (December 2015)
- 44 সপ্তমপঞ্চ বার্ষিক পরিকল্পনা ২০১৫/১৬-২০১৯/২০ (ইংরেজি থেকে বাংলা অনুদিত) (অক্টোবর ২০১৬)
- 45 জাতীয় সামাজিক নিরাপত্তা কৌশল পত্র (অক্টোবর ২০১৬)
- 46 Population Management Issues: Monograph-3 (March 2016)
- 47 Bangladesh ICPD 1994-2014 Country Report (March 2016)
- 48 Policy Coherence: Mainstreaming SDGs into National Plan and Implementation (Prepared for Bangladesh Delegation to 71st UNGA session, 2016) (September 2016)
- 49 Millennium Development Goals: End- period Stocktaking and Final Evaluation Report (2000-2015) (September 2016)
- 50 A Handbook on Mapping of Ministries by Targets in the implementation of SDGs aligning with 7th Five Year Plan (2016-20) (September 2016)
- 51 Data Gap Analysis for Sustainable Development Goals (SDGs): Bangladesh Perspective (January 2017)
- 52 Environment and Climate Change Policy Gap Analysis in Haor Areas (February 2017)
- 53 Integration of Sustainable Development Goals into the 7th Five Year Plan (February 2017)
- 54 Banking ATLAS (February 2017)
- 55 টেকসই উন্নয়ন অভীষ্ট, লক্ষ্যমাত্রাও সূচক সমূহ (মূল ইংরেজি থেকে বাংলায় অনুদিত) (এপ্রিল ২০১৭)
- 56 EXPLORING THE EVIDENCE : Background Research Papers for Preparing the National Social Security Strategy of Bangladesh (June 2017)
- 57 Bangladesh Voluntary National Review (VNR) 2017 : Eradicating poverty and promoting prosperity in a changing world, (June 2017)
- 58 SDGs Financing Strategy: Bangladesh Perspective (June 2017)
- 59 A Training Handbook on Implementation of the 7th Five Year Plan (June 2017)
- 60 7th Five Year Plan (FY 2015/16-FY 2019/20): Background Papers Volume 01: Macro Economic Management & Poverty Issues (June 2017)
- 61 7th Five Year Plan (FY 2015/16-FY 2019/20): Background Papers Volume 02: Socio-Economic Issues (June 2017)
- 62 7th Five Year Plan (FY 2015/16-FY 2019/20): Background Papers Volume 03: Infrastructure, Manufacturing & Service Sector (June 2017)
- 63 7th Five Year Plan (FY 2015/16-FY 2019/20): Background Papers Volume 04: Agriculture, Water & Climate Change (June 2017)
- 64 7th Five Year Plan (FY 2015/16-FY 2019/20): Background Papers Volume 05: Governance, Gender & Urban Development (June 2017)

- 65 Education Sector Strategy and Actions for Implementation of the 7th Five Year Plan (FY2016-20)
- 66 GED Policy Study: Effective Use of Human Resources for Inclusive Economic Growth and Income Distribution-An Application of National Transfer Accounts (February 2018)
- 67 Monitoring and Evaluation Framework of Sustainable Development Goals (SDGs): Bangladesh Perspective (March 2018)
- 68 National Action Plan of Ministries/Divisions by Targets for the implementation of Sustainable Development Goals (June 2018)
- 69 Bangladesh Delta Plan 2100: Baseline Studies: Volume 1: Water Resources Management (June 2018)
- 70 Bangladesh Delta Plan 2100: Baseline Studies: Volume 2: Disaster and Environmental Management (June 2018)
- 71 Bangladesh Delta Plan 2100: Baseline Studies: Volume 3: Land use and Infrastructure Development (June 2018)
- 72 Bangladesh Delta Plan 2100: Baseline Studies: Volume 4: Agriculture, Food Security and Nutrition (June 2018)
- 73 Bangladesh Delta Plan 2100: Baseline Studies: Volume 5: Socio-economic Aspects of the Bangladesh (June 2018)
- 74 Bangladesh Delta Plan 2100: Baseline Studies: Volume 6: Governance and Institutional Development(June 2018)
- 75 Journey with SDGs, Bangladesh is Marching Forward (Prepared for 73rd UNGA Session 2018) (September 2018)
- 76 এসডিজি অভিযাত্রা: এগিয়ে যাচ্ছে বাংলাদেশ (জাতিসংঘ সাধারণ পরিষদের ৭৩তম অধিবেশনের জন্য প্রণীত) (সেপ্টেম্বর ২০১৮)
- 77 Bangladesh Delta Plan 2100 (Bangladesh in the 21st Century) Volume 1: Strategy (October 2018)
- 78 Bangladesh Delta Plan 2100 (Bangladesh in the 21st Century) Volume 2: Investment Plan (October 2018)
- 79 বাংলাদেশ ব-দ্বীপ পরিকল্পনা ২১০০: একুশ শতকের বাংলাদেশ (সংক্ষিপ্ত বাংলা সংস্করণ) (অক্টোবর ২০১৮)।
- 80 Bangladesh Delta Plan 2100: Bangladesh in the 21st Century (Abridged Version) (October 2018)
- 81 Synthesis Report on First National Conference on SDGs Implementation (November 2018)
- 82 Sustainable Development Goals: Bangladesh First Progress Report 2018 (December 2018)
- 83 টেকসই উন্নয়ন অভিষ্টঃ বাংলাদেশ অগ্রগতি প্রতিবেদন ২০১৮ (ইংরেজি থেকে অনূদিত) (এপ্রিল ২০১৯)
- 84 Study on Employment, Productivity and Sectoral Investment in Bangladesh (May 2019)
- 85 Implementation Review of the Sixth Five Year Plan (FY 2011-FY 2015) and its Attainments (May 2019)
- 86 Mid-term Implementation Review of the Seventh Five Year Plan (FY 2016-FY 2020) May 2019
- 87 Background Studies for the Second Perspective Plan of Bangladesh (2021-2041) Volume-1 June 2019
- 88 Background Studies for the Second Perspective Plan of Bangladesh (2021-2041) Volume-2 June 2019
- 89 Empowering people: ensuring inclusiveness and equality For Bangladesh Delegation to HIGH-LEVEL POLITICAL FORUM 2019 (July, 2019)
- 90 Implementation Review of the perspective plan 2010-2021 (September 2019).
- 91 Bangladesh Moving Ahead with SDGs (Prepared for Bangladesh Delegation to 74th UNGA session 2019) (September 2019)
- 92 টেকসই উন্নয়ন অভিষ্ট অর্জনে এগিয়ে যাচ্ছে বাংলাদেশ (জাতিসংঘ সাধারণ পরিষদের ৭৪তম অধিবেশনে বাংলাদেশ প্রতিনিধিগণের জন্য প্রণীত) (সেপ্টেম্বর ২০১৯)
- 93 Prospects and Opportunities of International Cooperation in Attaining SDG Targets in Bangladesh (Global Partnership in Attainment of the SDGs) (September 2019)

- 94 Background Studies for the Second Perspective Plan of Bangladesh (2021-2041) Volume-3 October 2019
- 95 Background Studies for the Second Perspective Plan of Bangladesh (2021-2041) Volume-4 October 2019
- 96 Background Studies for the Second Perspective Plan of Bangladesh (2021-2041) Volume-5 October 2019
- 97 Background Studies for the Second Perspective Plan of Bangladesh (2021-2041) Volume-6 October 2019
- 98 Monograph 4: Population Management Issues (December 2019)
- 99 Monograph 5: Population Management Issues (December 2019)
- 100 Consultation on Private Sector Engagement (PSE) in attaining Sustainable Development Goals (SDGs) in Bangladesh: Bonding & Beyond. Proceedings (January 2020)
- 101 Impact Assessment and Coping up Strategies of Graduation from LDC Status for Bangladesh (March 2020)
- 102 Perspective Plan of Bangladesh 2021-2041 (March 2020)
- 103 বাংলাদেশের প্রেক্ষিত পরিকল্পনা ২০২১-২০৪১ (মার্চ ২০২০)
- 104 Revised Monitoring and Evaluation Framework of the Sustainable Development Goals (SDGs): Bangladesh Perspective (April 2020)
- 105 Sustainable Development Goals: Bangladesh Progress Report 2020 (April 2020).
- 106 টেকসই উন্নয়ন অভীষ্ট : বাংলাদেশ অগ্রগতি প্রতিবেদন ২০২০ (ইংরেজি থেকে বাংলায় অনুদিত) (এপ্রিল ২০২০)
- 107 Bangladesh Voluntary National Review 2020 (June 2020).
- 108 বাংলাদেশ ব-দ্বীপ পরিকল্পনা ২১০০: একুশ শতকের বাংলাদেশ (সংক্ষিপ্ত বাংলা ২য় সংস্করণ) (আগস্ট ২০২০)
- 109 Leaving No One Behind (LNOB) in Bangladesh; Recommendations for the 8th Five Year Plan for implementing Sustainable Development Goals (SDGs) (September 2020)
- 110 A Compendium of Social Protection Researches, July 2020
- 111 Midterm Implementation Review of the National Social Security Strategy, July 2020
- 112 Scope of Gender-responsive Adaptive Social Protection in Bangladesh, July 2020
- 113 Sector Strategy on Economic Governance in the Financial Sector in Bangladesh, December 2020
- 114 8th Five Year Plan (July 2020-June 2025), December 2020
- 115 অষ্টমপঞ্চ বার্ষিক পরিকল্পনা (জুলাই ২০২০-জুন ২০২৫) বাংলা সংস্করণ জুন-২০২১
- 116 রূপকল্প ২০৪১ বাস্তবে রূপায়ণ: বাংলাদেশের প্রেক্ষিত পরিকল্পনা ২০২১-২০৪১ (সংক্ষিপ্ত সংস্করণ)



**Strengthening Capacity of the General Economics
Division (GED) to Integrate Population and
Development Issues into Plans and Policies Project**
