



# **A National Jobs Strategy for Bangladesh**

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## **Preface**

During the past decade, the economy of Bangladesh has attained impressive growth rates on a sustained basis. But the performance with respect to employment has been less so. The employment challenge faced by the economy has been analyzed in recent years in a number of documents including those prepared by the International Labour Organization (ILO) and the Asian Development Bank (2016), the World Bank (2017), and the Planning Commission of the Government of Bangladesh. Such diagnostic exercises as well as other analytical studies in this field provide a good foundation for looking at ways and means of boosting the growth of productive employment in the economy.

It is against the above background that the Government of Bangladesh is formulating a National Jobs Strategy for the country. During the process of preparing this strategy, several rounds of consultations have been undertaken with the relevant stakeholders. This has included an Inter-ministerial Steering Committee and a Jobs Strategy ‘Reference Group’, which has included representatives from development partners, of employers’ and workers’ organizations, and of think-tanks. In addition to the consultations with stakeholders at the national level, consultations were also held at the divisional level, covering Chittagong, Dhaka, Khulna and Rajshahi divisions.

This report outlines a Jobs Strategy as well as a framework for a coordinated approach to its implementation. The report is divided into three parts. The first part – consisting of Chapters 2 and 3 - presents an overview of the existing employment and labour market situation and of policies and programmes for employment. This part of the report basically provides an update of the employment situation using the earlier diagnostic exercises and the more recent data that are available. In the second part, experiences of three countries (viz. China, Republic of Korea, and India) in the formulation and implementation of national employment policies are described briefly and lessons relevant for Bangladesh are brought out. The third part of the report looks at the future in terms of employment projections, strategies for job creation, and frameworks for implementation of the strategies outlined as well as for monitoring and evaluating the policies and programmes. Employment projections have been made for the periods of FY2021 to FY2025 (in line with the Eighth Five-Year Plan) and FY2026 to FY2030. Although the first two parts mentioned above provide the perspective against which the projections are made and strategies are outlined, readers who are interested only in the strategy and its implementation may skip those two parts and move straight to the third part which consists of Chapters 5 through 8.

Technical support for the preparation of the Jobs Strategy came from the ILO and the World Bank. We are grateful to Rizwanul Islam and Rushidan Islam Rahman, respectively, lead researcher and co-researcher, who drafted the present report.

# Executive Summary

## Introduction

The purpose of the present report is to present a National Jobs strategy<sup>1</sup> for Bangladesh that can be implemented over a medium-term period – 2021 to 2030. This period includes the 8<sup>th</sup> Plan period (2021-2025); and the present document sets out objectives and goals to be pursued with regard to employment, outlines important policies (including policy reforms) and programmes to deliver on these targets, identifies roles and responsibilities, and suggests alternative coordination mechanisms as well as a monitoring and evaluation (M&E) framework for assessing performance against the targets.

## An Overview of the Employment and Labour Market Situation

### Labour force

The overview of the employment and labour market situation shows a mix of good and bad news. The share of working age population in total population increased up to 2013 and declined after that (i.e., between 2013 and 2016-17). This is surprising because according to the projection of population made by the Bureau of Statistics, this proportion is expected to increase till 2041.

There was acceleration in the growth of labour force between 2000 and 2010, after which the rate of growth declined. Compared to an annual growth of 2.25 per cent during 2002-03 to 2005-06, the figure rose to 3.45 per cent during 2005-06 to 2010. But there was a sharp decline in labour force growth after 2010 - to 2.3 per cent per annum during the 2010-2013 period, and further down to 1.30 per cent during 2013 to 2016-17. While it is difficult to explain such a sharp decline, it also raises the issue of what figure should be used for purposes projecting future growth – an issue that is dealt with in Chapter 5. But it may be noted at this stage that over the period of 2002-03 to 2016-17, the country's labour force grew at an annual rate of 2.28 per cent.

The fall in labour force growth occurred despite a rise in female labour force participation rate. Up to 2010, there was a gradual increase in female labour force participation rate (from 23.9 per cent in 1999-2000 to 36 per cent in 2010). Although the trend was disrupted in 2013 (down to 33.5 per cent), data from the labour force surveys of 2015-16 and 2016-17 (36.3 per cent) show that it is rising again. If the overall trend continues, this can be a positive factor for future economic growth of the country.

Although projections of population show that the share of working age population is expected to increase till 2041, the observed decline in the share and deceleration in the growth of labour force raise the possibility that the advantage of demographic dividend may come to an end

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<sup>1</sup> In the present report, the terms “Jobs Strategy” and “employment strategy” are used interchangeably.

earlier than expected. Another unknown factor in this respect is what is going to happen to enrolment in education. Future research in this field needs to address these unresolved questions.

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

### Employment

The economy of Bangladesh has attained economic growth on a sustained basis for nearly two decades, and GDP growth exceeded 8 per cent in 2018-19. But the performance with respect to employment growth has not been so impressive. Annual employment growth declined from 3.32 per cent during 2005-06 to 2010 to 1.33 per cent during 2013 to 2016-17. An understanding of such sharp decline in employment growth during a period of accelerating GDP growth would be important from the point of view of formulating future employment policies.

Coming to employment in major sectors of the economy, the number employed in agriculture has started declining. However, this should not be taken to mean that the sector does not have any possibility of increasing productive employment in future. For example, production of vegetables can be labour-intensive and financially attractive. So, it may be useful to consider policies for structural change within the sector.

While the share of manufacturing in total employment has increased over time (from 11.03 per cent in 2005-06 to 14.42 per cent in 2016-17), there has been a decline in the growth of employment in the sector. From 6.34 per cent per annum during 2005-2010, it declined to 4.16 per cent during 2010 to 2016-17. And that has happened despite a rise in the growth of output in the sector. The sector was generating about 350,000 jobs per year during the former period; and the number has gone down to about 200,000 per year in recent years.

Employment growth declined during a period when there was an acceleration in output growth - both GDP and manufacturing output. That means employment growth per unit of output growth has declined. During 2005-06 to 2010, employment growth for one percentage point GDP growth was 0.5499, and that came down to 0.2755 during 2010 to 2016-17. For the period of 2013 to 2015-16, the figure was as low as 0.1765.

One might, of course, argue that this is natural in a developing economy and should be indicative of improvement in labour productivity. Indeed, growth of employment relative to output growth should leave room for improvement in labour productivity. However, one needs to worry when there is a trade-off between growth in productivity and employment<sup>2</sup>, and the latter

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<sup>2</sup> The countries of East and South East Asia, e.g., Republic of Korea, Malaysia and Taiwan-China, were able to avoid such a trade-off and to combine high rates of economic growth with growth of employment and improvement in labour productivity.

is insufficient to absorb surplus labour at a sufficiently fast pace. The sharp decline in overall employment elasticity and a decline in manufacturing employment observed after 2013 give rise to such worry. Moreover, since this has been happening at a time when output growth has been high, one wonders whether the country has been going through a period of jobless growth.

Much of the job growth in recent years has been in the informal segment of the economy, and the share of informal employment has remained over 85 per cent. The share of unpaid family work has declined in recent years; but instead of regular wage paid jobs, there has been a rise in the share of own-account work.

Productivity and incomes in informal employment vary considerably. While jobs in certain sectors offer decent wages/salaries, those in domestic service, transport, construction, etc. are associated with very low wages and salaries.

Apart from slow growth of employment, a particular cause of concern is high rate of unemployment among the youth which has increased from 8.1 per cent in 2013 to 10.6 per cent in 2016-17. Nearly 30 per cent of the youth are in the category of not in employment, education or training (NEET). While this represents a waste from the point of utilization of an important factor of production, it is also worrisome from a social point of view. What is also noteworthy is that education is not helping the youth in finding jobs – as is indicated by the direct relationship between education and unemployment. This is an area that requires particular attention.

A look at the gender dimension of employment brings out a number of points.

- Women's participation rate in the labour force appears to be stagnating.
- Agriculture not only accounts for the highest share of women's employment, but the proportion of women engaged in agriculture has increased between 2010 and 2016-17 while that of men has declined. Moreover, women in agriculture are mostly above 30 years of age. Younger women work more in sectors like manufacturing, education and health.

The unemployment rate among educated young women is substantially higher than for educated men (for those with Bachelor's degree and above, the rates were 40 per cent for young women compared to 30 per cent for young men in 2016-17). On the positive side, the share of women's employment in sectors like education, health, finance, accounting, and legal profession has increased over time. This shows the potential of women's employment in modern sectors.

- As for differences in wages and earnings, on an average, women's earnings are ten per cent lower than men's. But the gap varies considerably – the highest being in agriculture and other traditional occupations. The gap in wages is lowest for technical and professional jobs.

The spatial dimension of the labour market situation also needs to be noted in formulating a Jobs Strategy. The structural change that has taken place in the labour market has not benefited

all regions in the same way. Likewise, there are variations in the level of wages and salaries. In this regard, the following are notable.

- While open unemployment rates are higher in Rangpur, Rajshahi and Sylhet divisions, those regions are also more rural and more dependent on agriculture;
- Wage and salary income data show lower average incomes in the rural areas of Rajshahi, Rangpur and Khulna.

Another point of concern – especially from the point of view of the relationship between economic growth, employment and poverty and inequality - is the decline in real wages of workers in recent years. Real wages rose during 2008 to 2011-12, but declined after that. And it is interesting that the rise was more pronounced for the agriculture sector. The rise in real wages coupled with a rise in the growth of manufacturing employment during 2010-13 created an impression that surplus labour may have been exhausted. However, data from various sources including the labour surveys of 2015-16 and 2016-17, and data on wages and prices from the Bureau of Statistics (and Ministry of Finance) show that the good news on employment and real wages did not last long. Real wages have fallen after 2012. Policy makers need to worry about it, especially if real wages are looked at as a means of reducing poverty and improving income distribution.

On the external side, there was a substantial increase in the number of workers finding overseas employment in 2016; but the number declined in 2018. Although the external demand for workers is subject to fluctuations in changes in economic and other conditions in the destination markets, increase in overseas employment helps relieve the pressure on the domestic labour market (and also contributes to the foreign exchange earnings of the country). In addition to the rise in numbers, there was a gradual increase in the share of skilled workers in the total number of overseas jobs – thus indicating the possibility of a change in the skill composition of such jobs. However, Bangladesh is still looked at by the receiving countries primarily as a supplier of unskilled and low skilled workers. There are a number of challenges that policy makers still face in this field. They include (i) concentration of overseas jobs in a few countries, (ii) a high share of unskilled and semi-skilled workers in total overseas employment, (iii) high cost of migration (that includes costs incurred during the process of recruitment and travel to the destination country), and (iv) abuse of workers at both sending and receiving ends.

### **National policies and programmes for employment and labour force**

The government of Bangladesh pursues employment growth as one of the objectives of its development strategies outlined in its development plans. Economic policies, e.g., those relating to trade and exchange rate, monetary and fiscal policies, policies for industrialization may also have implications for employment growth. Although the successive five-year plans do include employment goals, targets and projections, they have not articulated a full-fledged strategy for pursuing those goals and targets. As for economic policies, the objective of promoting employment does not appear to feature in them.

In addition to the development strategy and economic policies mentioned above, there are programmes and policies covering both demand and supply sides of the labour market that are undertaken from time to time – by both the government and NGOs. In the absence of analytical



evaluation of such programmes (except the National Youth Service programme of the government), not much can be said about the performance and contribution of these programmes to job creation.

The government occasionally formulates policies for specific issues like labour, skills, women's empowerment, etc. Notable among them are (i) National Labour Policy 2012; (ii) National Youth Policy 2003 and 2017; (iii) National Skills Policy 2012; (iv) National Policy for the Advancement of Women 2011; and (v) National Overseas Employment Policy 2016. It would be useful to see how they are being implemented.

### **International experiences in employment policy**

A number of countries – both developed and developing – have adopted national employment policies in order to address the employment challenges faced by them. Considering the relevance of such experiences, the experiences of China and Republic of Korea have been looked at. In addition, the experience of a programme for creating wage employment in India – the National Rural Employment Guarantee Programme (NREGP) – has been summarized. Useful lessons can be drawn from these three examples.

#### *China*

China enacted an Employment Promotion Law in 2007 and started implementing it in 2008. Targets are set for (i) new jobs, (ii) registered urban unemployment rate, (iii) number of re-employed and laid-off workers, and (iv) the number of disadvantaged persons employed. The employment target is set for each year by the Ministry of Human Resources on the basis of an assessment of the overall economic situation, supply of labour, and employment growth in recent years.

Employment strategy in China includes promoting employment through economic growth, entrepreneurship development, and skill training. Policies range from macroeconomic and sectoral policies to labour market policies. Programmes are funded by the central and provincial governments through what is known as Special Employment Funds. The country has an elaborate mechanism for coordination of employment policy implementation and for performance evaluation.

#### *Republic of Korea*

In 2013, the government of the Republic of Korea launched a “roadmap” for attaining 70% employment rate. In pursuing that objective, government's policies were reviewed from a "jobs" perspective and appropriate adjustments were made. Employment policies adopted as part of the “roadmap” include macroeconomic policies (tax reforms), sectoral policies (labour intensive SME) and active labour market policies. More specifically,

- Tax reform to encourage private sector job creation including tax credit for SMEs,
- Reform of the welfare system to enhance incentives for low income earners to search for jobs,
- Programmes targeted at the youth and the elderly,
- Skill development, and
- Expansion and strengthening of Public Employment Service

Korea has adopted a two-tier system of coordinating the implementation of employment policy. The first is at the highest possible level with the President chairing the National Employment Strategy Meeting, the goal of which is to deploy a coherent government wide national employment strategy. Members of this coordinating meeting include each ministry, related government institutions like the central bank and the planning agency, political parties, etc. The second tier of coordination at the national level is provided by the Employment Policy Coordination Meeting which is presided over by the Ministry of Employment and Labour (MOEL). This mechanism has been set up to translate the broad strategies adopted at the National Employment Strategy Meeting into policies in relevant areas of various ministries and agencies and coordinate their implementation.

### *India*

In September 2005, the Indian Parliament passed the National Rural Employment Guarantee Act (NREGA) which represents a bold step in the realm of public policy for employment and social protection. The Act guarantees at least 100 days of wage employment per household in infrastructure construction schemes. Although the remuneration is linked to the amount of work performed, the mechanism for calculating the wage ensures that the daily wage will not be less than the prevailing minimum wage in agriculture. Moreover, the Act provides for an unemployment allowance if work cannot be provided within 15 days of application. There are a number of other aspects of the Act that are worth noting which include

- Allocation of at least one-third of the jobs to women,
- Providing work within five kms of one's place of residence, and a payment of transport allowance in case the job is located farther than that,
- Allowing local bodies (*viz.*, the village *panchayets*) to execute at least half of the work, and
- Introduction of job cards, written application, direct payment of wages to bank accounts, etc. as measures to ensure transparency in the execution of the programme.

Since the programme has its foundation in an Act of the Parliament, it represents a rights-based approach to employment. It is funded entirely by the government and covers all the districts of the country. While its implementation is not free from criticisms, it has succeeded in attaining a number of goals, e.g., at least one-third of the jobs to be given to women (in reality more than half), and minimizing labour market risks faced by the poor.

There are elements in all the three cases mentioned above from which the Jobs Strategy in Bangladesh can draw lessons.

### **Employment Projection and Prospects**

Projections of employment have been made for 2021-2025 and 2026 to 2030. It may be recalled that 2030 represents the terminal year for attaining the SDGs of which full and productive employment is one. The present study postulates that attaining this target for the economy of Bangladesh would imply that surplus labour available in the economy would be exhausted by then. Growth of employment that would be required to attain that turning point has been

projected by using alternative assumptions about GDP growth and the relationship between output and employment growth.

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

- Assuming that (i) labour force will grow at a rate of 2.28 per cent per annum (which is the long-term average growth observed during 2002-03 to 2016-17), (ii) some half a million workers will find jobs overseas annually, and (iii) full absorption of surplus labour<sup>3</sup> by 2030 will entail the creation of jobs in excess of that required to absorb the new additions to the labour force, it is estimated that the economy will need to create 1.84 million jobs annually during the period of 2020-21 to 2029-30.
- Projections of employment have been made by assuming GDP growth of 8.5% per annum during 2020-21 to 2024-25 (as projected by the Planning Commission's Perspective Plan macroeconomic analysis for 2025) and three alternative estimates of employment elasticity, viz. 0.1765, 0.27 and 0.30. The first of these figures represent the period of jobless growth while the second is the average for the period 2010 to 2016-17. The third figure is based on the assumption that the labour absorptive capacity of the economy could be boosted a bit through appropriate policies and strategies.
- If the pattern of jobless growth continues (as indicated by the low employment elasticity of 0.1765), even a high GDP growth of 8.5 per cent per annum will not be adequate to absorb the new addition to the labour force, not to speak of absorbing surplus labour.
- If elasticity of employment remains at the level observed between 2010 and 2016-17 (i.e., at 0.2755), additional employment will not be adequate to absorb surplus labour at the rate that is desirable, although it will be in excess of what is needed to absorb the new addition to the labour force.
- With GDP growth at 8.5 per cent per annum, if the labour absorptive capacity of the economy can be raised a bit to have employment elasticity of 0.3, it will be possible to absorb half the estimated surplus labour by 2024-25.
- Projection of employment for the period 2025-26 to 2029-30 uses GDP growth rate of 9% and two alternative assumptions for employment elasticity. The first assumption is that it will remain at the same level as observed for the period 2010 to 2016-17. The second is an alternative assumption based on the argument that employment elasticity is likely to decline because of the adoption of more labour-saving technology and improvement in productivity. Based on this argument, a

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<sup>3</sup> See Chapter 5 for explanation of how this is estimated.

lower figure of 0.25 (compared to the observed figure of 0.2755) has been used for the alternative projection<sup>4</sup>.

- If the employment elasticity observed during 2010-2016 can be maintained, and GDP growth can be raised to 9 per cent per annum, the additional employment that will be generated will exceed what is required to absorb the new addition to the labour force and the surplus labour that will still remain in the economy. But if labour-saving technological change continues to make inroads – as is likely in agriculture and manufacturing – the employment-output relationship is likely to change, and the elasticity of employment is likely to be lower. However, if it can be kept at 0.25, the amount of additional employment generated will be close to what is required, and the economy will be able to absorb its surplus labour by about 2030.
- In sum, in order to absorb the new additions to the labour force and also to exhaust the surplus labour that is still available in the economy by around 2030, it would be important to attain an annual GDP growth of 9 per cent and maintain the employment elasticity that has been observed during the period 2010 to 2017. The recent pattern of economic growth with low employment growth will have to be changed.

## **A strategic approach to employment**

### *The development perspectives and the framework adopted*

The strategic approach to productive employment<sup>5</sup> suggested in this exercise is based on the following development perspectives:

- Good jobs (which could be conceptualized as “decent work” or the opposite of “vulnerable employment”) would need to grow at a faster rate through the normal process of economic growth.
- In order to boost the growth of good jobs, the economy will need to accelerate the process of structural transformation – from agriculture to non-agriculture as well as within agriculture (towards non-grain crops like vegetables and fruits, that are profitable and more labour-intensive).
- Apart from the infrastructure sector and a handful of industries that are still being run as public sector enterprises, jobs are basically created in the private sector. Hence, incentives and policies for boosting investment in the private sector has to be a critical component of the Jobs Strategy.

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<sup>4</sup> As it is difficult to predict the degree of change that will take place in employment elasticity, this figure has been selected rather arbitrarily.

<sup>5</sup> In this report, the terms “employment creation” and “job creation” are used interchangeably. And the same for the terms “employment strategy” and “Jobs Strategy”.

- As outlined in Chapter 6, a good deal can be done in terms of policies to bring about changes in the sector composition of the economy and boost the growth of sectors that would help raise the growth employment.
- But as there is a huge backlog of underemployed and unemployed people, and the growth of jobs through growth of output alone is likely to fall short of requirements, additional interventions would be needed, e.g., through entrepreneurship development, special programmes for wage employment (including for the educated youth), and programmes for women’s employment and for specific groups like the disabled.
- Given the regional variation with respect to overall development and employment situation, policies and programmes would be needed to address the issue.
- Special attention will need to be given to issues of informality, technological improvement, environmental sustainability, and the constraints faced by the disabled.

### *Three pillars of the Jobs Strategy*

The proposed Jobs Strategy is based on two broad pillars for domestic employment and one for overseas employment. The pillars for domestic jobs include policies (at the macroeconomic and sector levels) for accelerating economic growth and boosting the growth of jobs that result from output growth, and active labour market policies (ALMPs). While the former is expected to address the demand side of the equation by working on job creation through output growth, the latter will consist of a mix of measures working on both demand and supply sides.

#### Pillar 1 (domestic): Boosting jobs that result from output growth (or, making growth jobs-rich)

This pillar includes policies ranging from macroeconomic to trade, investment and industrial policy, other regulatory policies, sectoral policies, policies regarding technology, environmental impact, etc.

The basic idea here is to encourage formulation and reform of policies in a wide range of areas that would aim at

- Diversification within the manufacturing sector so that the structure of export can also be diversified and productive employment can be created through the growth of a broad range of export-oriented labour-intensive industries,
- Diversification in agriculture to boost the growth of profitable labour-intensive crops,
- Creation of fiscal space needed for supporting programmes for boosting jobs,
- Encouraging a spatial dispersion of investment,
- Providing incentives for investment in “green jobs”, and
- Rational adoption of new technology.

#### Pillar 2 (domestic): Active labour market policies for boosting job growth

Interventions under this pillar would consist of active labour market policies aimed at boosting the growth of jobs and facilitating the functioning of the labour market. Following are broad areas of such programmes:

- Entrepreneurship development and self-employment;
- Wage employment programmes;
- Training and retraining – with attention to market demand, changes in economic structure; and
- Matching of workers with jobs

Several cross-cutting issues will be incorporated in such programmes. They include:

- Gender: programmes with focus on women
- Age: Programmes with focus on the youth
- Environment: Programmes taking into account the impact on environment – using the concept of green jobs
- Disability: People with disability will receive special consideration in various programmes as appropriate

#### An entrepreneurship development programme for supporting self-employment

Be your employer (BYE) programme combining credit for micro and small enterprises with training in entrepreneurship, market exploration and accounting, ICT-based services, etc.

#### A programme for creating wage-employment for the unskilled

A national employment guarantee programme using labour-based approaches in infrastructure construction.

#### A national youth employment programme

This programme will have several components: (i) for young people with low and medium levels of education and skills (in infrastructure maintenance, care work, etc.), and (ii) for the youth in NEET category.

#### A women's employment programme

This programme will include:

- (i) policy interventions, e.g., revisiting the quota in government service and considering a possible increase, advocacy for attitudinal changes, better implementation of provisions for maternity leave, and making work places more women-friendly; and
- (ii) programmes for institutionalizing expansion of stipend programmes, child care, safe public transport, targeted skill development programmes, etc.

#### Programme to support career guidance, job search and job matching

This programme will include:

- Public employment service through the establishment of “job centres” to facilitate information flow and matching of jobs with job-seekers;
- A programme for career guidance and counselling (involving educational institutions and employers' organizations); and

- Policy for internship and apprenticeship (including fiscal incentives)

### Pillar 3 (overseas): Strategies for safe migration at low cost and for reintegrating returning workers

This pillar will focus on smoother and safer migration and for reintegrating returning workers into the domestic labour market. It will develop a strategy to raise the levels of education and skills of potential migrants and to lower the cost of migration. The following programmes will be included under this pillar:

- Developing an official data base for returning workers, and
- Extending assistance to them in getting reintegrated into the domestic labour market

### **Implementation arrangement for the Jobs Strategy**

#### *Making the strategy operational*

The plan for operationalizing the employment strategy will include (i) defining goals and setting targets, (ii) identifying responsibility, (iii) making financial allocation, (iv) preparation of plan for implementation, (v) preparation of a framework for monitoring and evaluation, (vi) collection of data and information for monitoring progress, and (vii) making necessary adjustments in policies and programmes.

#### *Support system needed*

For effective implementation of the Jobs Strategy, it would be important to mainstream employment into the government's development planning and policy making process. Some specific elements that would be important are mentioned below:

- Technical and financial capacity for policy analysis in different government agencies
- Employment planning and policy cells in different government agencies
- Public employment service to facilitate matching of jobs with job-seekers
- Labour market information system

#### *Coordination mechanism*

The implementation of the Jobs Strategy will involve multiple actors within and outside the government; and a strong coordination mechanism would be a pre-requisite for its successful implementation. Given the mandate of the Ministry of Labour and Employment (MOLE), it could be considered for the role of coordination. However, given the complexity and enormity of the task, technical capacity would be an important consideration in selecting the coordinating agency. Whichever agency is assigned with this role, a considerable amount of investment would be needed to strengthen its capacity.

Based on the experience of other countries (mentioned in Chapter 4), especially of China and Republic of Korea, it may be advisable to consider alternative mechanisms for coordination of the implementation of the Jobs Strategy.

## **Monitoring and evaluation system for job creation policies and programmes**

The cycle of monitoring and evaluation of job creation policies and programmes should include - but not limited to - the following:

- Key indicators of employment performance;
- Annual work plans;
- Financing of programmes and policy action;
- Supervision, inspection and evaluation;
- Labour market information collection and reporting; and
- Adjustment and improvement.

For identifying key indicators of employment performance, one possibility is to adhere to the framework provided by the SDGs. However, considering the situation of developing countries and challenges faced by them, an expanded framework is suggested in this report. In addition to general indicators of the labour market and performance in job creation, it would be necessary to examine the effectiveness and performance of specific programmes that have been suggested in this report.

In order to undertake monitoring and evaluation of employment performance of the kind suggested here, a considerable amount of data will be required. While Bangladesh Bureau of Statistics already collects some data on employment and labour market, much more will need to be done – in terms of both quantity and quality. The relevant line ministries will also need to be involved as appropriate.

The Implementation Monitoring and Evaluation Division (IMED) of the government has the basic responsibility of monitoring and evaluation of project implementation. But the job of monitoring the implementation of the Jobs Strategy would go beyond programmes and projects and involve evaluating policy reforms. Whether the broader task could also be assigned to IMED is a question that needs further thought and discussion. An alternative could be to set up a separate employment planning and policy cell and assign the task of monitoring and evaluation to that cell. Such a cell should be located in the ministry that will have the task of coordinating the Jobs Strategy.

An important consideration in developing an evaluation system is its independence. Whether the evaluation of the effectiveness of the Jobs Strategy is done by IMED or any other structure, the importance of maintaining independence of the process and ensuring objectivity should be kept in view. Even if the task of evaluation is handled by IMED or another government agency, the actual work may be outsourced to independent institutions<sup>6</sup>.

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<sup>6</sup> The example of the Republic of Korea (described briefly in Chapter 4) may be relevant in this context.



# Chapter 1: Introduction

## 1.1. Background and Rationale

Over the last two decades or so, the economy of Bangladesh has attained an acceleration in the rate of economic growth (measured by annual GDP growth). The performance of the country in social development, i.e., in the areas of poverty reduction, education and health, has also been quite impressive. But one area of concern is how the fruits of economic growth are being distributed among the people. And in that regard, the outcome of growth in terms of employment is important. Although economic growth has been impressive, performance in the area of employment has been less so – even taking into account the substantial number of jobs generated in the export-oriented ready-made garment industry.

The development context of the country is characterized by the following:

- A dual economy in which the modern/formal segment – though growing – remains small, the traditional segment is large, and informal employment predominates;
- The traditional segment continues to remain the source of surplus labour; and
- The major challenge is not just to create more jobs but to create productive and remunerative jobs where workers from the traditional segment can move and which can be taken up by new members of the labour force.

The employment challenge faced by the country has been analysed in recent years in a number of studies that include the ILO-ADB Employment Diagnostic Study (2016), the World Bank's Jobs Diagnostic (Farole and Cho, 2017), and the Planning Commission's study on employment and labour market challenges in a maturing economy (Islam, 2017 a)<sup>7</sup>. A more recent study on Employment and Gender Inequality (CDER-FES study of 2018 – Rahman and Islam, 2019, forthcoming) examines male-female differences in employment, labour force participation, education and earnings. These studies show that the pace of structural transformation of the economy has been slower than required for generating productive employment that could absorb the country's surplus labour. Moreover, growth of employment for women appears to have slowed down in recent years.

Projections for the country's Seventh Five-Year Plan (FY2016 – FY 2020) point to an employment growth ranging from 3.45 per cent in FY 2016 to 3.88 per cent in FY2020. The latter implies annual additions of 2.3 million to 3 million jobs per year. But the results of the Labour Force Surveys of 2015-16 and 2016-17 indicate that the actual numbers are much lower.

Since productive employment plays an important role in transmitting the benefits of economic growth into incomes of the poor (and thus, in reducing poverty and improving the distribution

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<sup>7</sup> A couple of other World Bank studies (Rahman, et al., 2019; Ahmed and Chowdhury, 2019) that deal with issues relating to employment are at various stages of completion.

of income), it is important to chart out strategies and policies for addressing the challenge. While the studies mentioned above provide detailed analysis of issues relating to the employment and labour market situation of the country and the challenges that lie ahead, a full-fledged strategy for addressing the challenge has not yet been formulated. On the other hand, given the complex nature of the challenge, it is important to put it in a broader perspective with all relevant economic and labour market aspects taken into account. This becomes particularly significant in the context of the Eight Plan (2021-2025) and the new Perspective Plan (2020 to 2040).

Efforts at developing and implementing a national Jobs Strategy may also be looked at in an international context. In that regard, mention may be made of (i) the Philadelphia Declaration and the Employment Policy Convention (C. 122) of the ILO, and (ii) the government's commitments towards attaining the SDG 8 of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

It is against the above background that work on formulating a national Jobs Strategy<sup>8</sup> has been initiated with technical support from the ILO and the World Bank.

## **1.2. Objectives**

The objectives of the exercise on National Jobs Strategy are to:

- (i) Set out clearly the targets for: (a) job creation; (b) job quality (wages and working conditions); and (c) access to jobs for all Bangladeshis (including women and youth);
- (ii) Set out the required policies and actions to achieve these aims, with indications of roles and responsibilities of stakeholders (Ministries, agencies, employers – especially the private sector, workers, development partners, etc.);
- (iii) Identify the challenges emerging from new technologies – especially in manufacturing;
- (iv) Suggest mechanisms for coordination among the different activities that influence labour market outcomes, and ensure that the agencies working on them are working effectively together to deliver on the targets.

## **1.3. The Present Report**

The purpose of the present report is to present a National Jobs strategy for Bangladesh that can be implemented over a medium-term period – FY 2021 to FY 2030. This period includes the 8<sup>th</sup> Plan period (2021-2025); and the present document sets out objectives and goals to be pursued with regard to employment, outlines critical policies (including policy reforms) and

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<sup>8</sup> A word about terminology used may be in order at this stage. The terms “jobs” and “employment” may be interpreted in different ways – jobs referring to salary or wage-based work, while employment referring to work of all types including self-employment. When one talks about a strategy for creating productive employment, it would obviously be necessary to include all types of work referred to above. So, it would perhaps be more appropriate to use the term employment strategy. But in the present report, the terms “employment strategy” and “Jobs Strategy” are used interchangeably.

programmes to deliver on these targets, identifies roles and responsibilities, and suggests a monitoring and evaluation (M&E) framework for assessing performance against the targets.

The framework of the NJS presented in this document has been formulated on the basis of consultations with relevant stakeholders including the government, the employers, workers, the civil society (including think-tanks), and development partners. Several rounds of consultations have already been undertaken, and more will follow.

The present report is divided into three parts. Part I (consisting of chapters 2 and 3) provides an overview of the situation with respect to employment and labour force as well as existing policies and programmes.

In the second part (Chapter 4), brief overviews of employment policy in selected countries are presented. Possible lessons from the international experience are also indicated.

Part III of the report (consisting of chapters 5 through 8) looks at the future. The starting point there (Chapter 5) is an analysis of the medium-term employment challenge - quantitative and qualitative (with reference to the 8th Plan – FY 2021-FY 2025). The quantitative part presents projections of employment for the 8<sup>th</sup> Plan period as well as the subsequent five years, i.e., for 2021-2025 and 2026-2030. Analysis of the qualitative aspects include issues like informality, productivity, real wages, and environmental sustainability. Chapter 6 develops a strategic approach to employment and outlines the Jobs Strategy with emphasis on jobs for women and the youth. Chapter 7 suggests possible arrangements for implementing the Jobs Strategy - indicating roles and responsibilities of government agencies as well as NGOs. Chapter 8 provides an outline of a monitoring and evaluation system for job creation policies and programmes.

**PART 1: AN OVERVIEW OF THE  
EMPLOYMENT SITUATION, POLICIES, AND  
PROGRAMMES**

## Chapter 2: Overview of the Employment and Labour Market Situation<sup>9</sup>

### 2.1 The Supply Side: Demographic and Labour Force Situation

#### Demographic characteristics

During the first one-and-a-half decade of the millennium of 2000, population growth in Bangladesh has been around 1.5 per cent per annum. This is confirmed by the growth of population recorded by the labour force surveys of 1999-2000 and 2016-17 (see the last row of Table 2.1). What is surprising is the big difference in the growth of male and female population shown by the successive surveys which is difficult to explain. The second notable demographic feature is the high rate of growth of urban population which shows the process of urbanization that has been taking place in the country.

The third notable demographic feature is the increase in the share of working age population that has taken place over time, especially up to 2013 (Table 2.2). And that increase applies to both males and females as well as for rural and urban areas. This implies the oft mentioned possibility of reaping the so-called “demographic dividend” – if of course the people of working age could be converted to human capital and utilized in an effective manner for productive purposes. It is also important to note that there has been a decline in the share of working age population between 2013 and 2016-17. Future surveys will tell us whether this marks beginning of the end of the possibility of demographic dividend or whether it is a temporary blip. From the point of view of formulating long-term strategies with respect to employment and labour market, this would need to be taken into account.

**Table 2.1: Growth of Population (Numbers are in million), 2000 to 2016-17**

<b>Year</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Urban</b>	<b>Rural</b>
<b>2000</b>	<b>127.5</b>	<b>66.6</b>	<b>60.9</b>	<b>27.3</b>	<b>100.2</b>
<b>2006</b>	<b>137.3</b>	<b>70.0</b>	<b>67.3</b>	<b>32.3</b>	<b>105.0</b>
<b>Annual growth (%) 2000 to 2006</b>	<b>1.24</b>	<b>0.83</b>	<b>1.68</b>	<b>2.84</b>	<b>0.78</b>
<b>2010</b>	<b>148.7</b>	<b>74.2</b>	<b>73.6</b>	<b>34.0</b>	<b>114.7</b>

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<sup>9</sup> This Chapter draws on ADB-ILO (2016) and Islam (2017). But the data have been updated by using recent data, including from the labour force surveys of 2015-16 and 2016-17, and other relevant sources. Major new material that has been incorporated include employment in agriculture and manufacturing, informality, gender, youth, working poor, and regional dimensions.

<b>Annual growth (%) : 2006 to 2010</b>	<b>2.01</b>	<b>1.47</b>	<b>2.26</b>	<b>1.29</b>	<b>2.23</b>
<b>2013</b>	<b>154.2</b>	<b>76.6</b>	<b>77.5</b>	<b>43.2</b>	<b>110.9</b>
<b>Annual growth (%) : 2010 to 2013</b>	<b>1.22</b>	<b>1.07</b>	<b>1.74</b>	<b>8.31</b>	<b>-1.12</b>
<b>2015-16</b>	<b>158.5</b>	<b>79.6</b>	<b>78.9</b>	<b>44.6</b>	<b>114.0</b>
<b>2016-17</b>	<b>161.3</b>	<b>81.0</b>	<b>80.3</b>	<b>45.8</b>	<b>115.5</b>
<b>Annual growth: 2013 to 2016-17</b>	<b>1.29</b>	<b>1.61</b>	<b>1.02</b>	<b>1.68</b>	<b>1.17</b>
<b>Annual growth between 2005-06 to 2016-17</b>	<b>1.48</b>	<b>1.34</b>	<b>1.62</b>	<b>3.23</b>	<b>0.87</b>

Source: Calculated from Labour Force Survey (LFS) data.

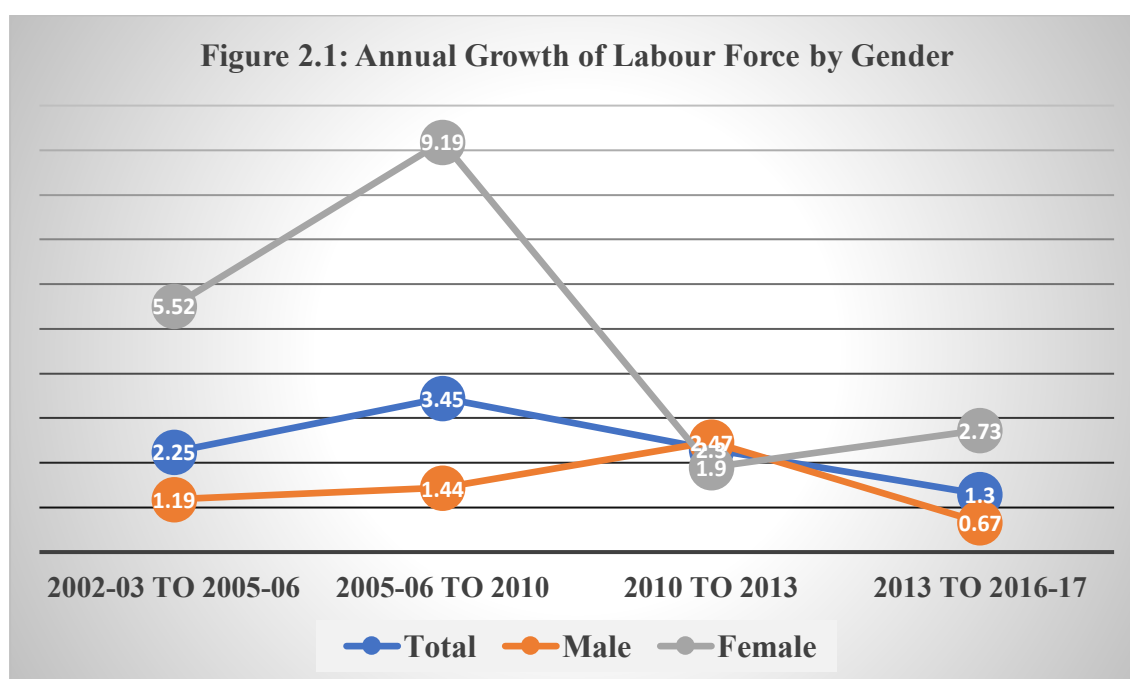
**Table 2.2: Working Age Population, 2000 to 2016-17**

	<b>2000</b>	<b>2005-2006</b>	<b>2010</b>	<b>2013</b>	<b>2015-16</b>	<b>2016-17</b>
Total population (million)	127.5	137.3	148.7	154.2	158.5	161.3
Working age population (million)	74.2	84.6	95.6	106.3	106.1	109.1
Working age population as % of total	<b>2000</b>	<b>2005-2006</b>	<b>2010</b>	<b>2013</b>	<b>2015-16</b>	<b>2016-17</b>
Total	58.2	61.6	64.3	68.9	66.9	67.6
Male	57.5	61.4	64.5	68.0	66.1	66.8
Female	58.9	61.8	64.8	69.9	67.9	68.5
Urban	60.8	65.3	68.2	70.1	69.5	69.8
Rural	57.6	60.5	63.1	68.5	66.0	66.7

Source: LFS, various years.

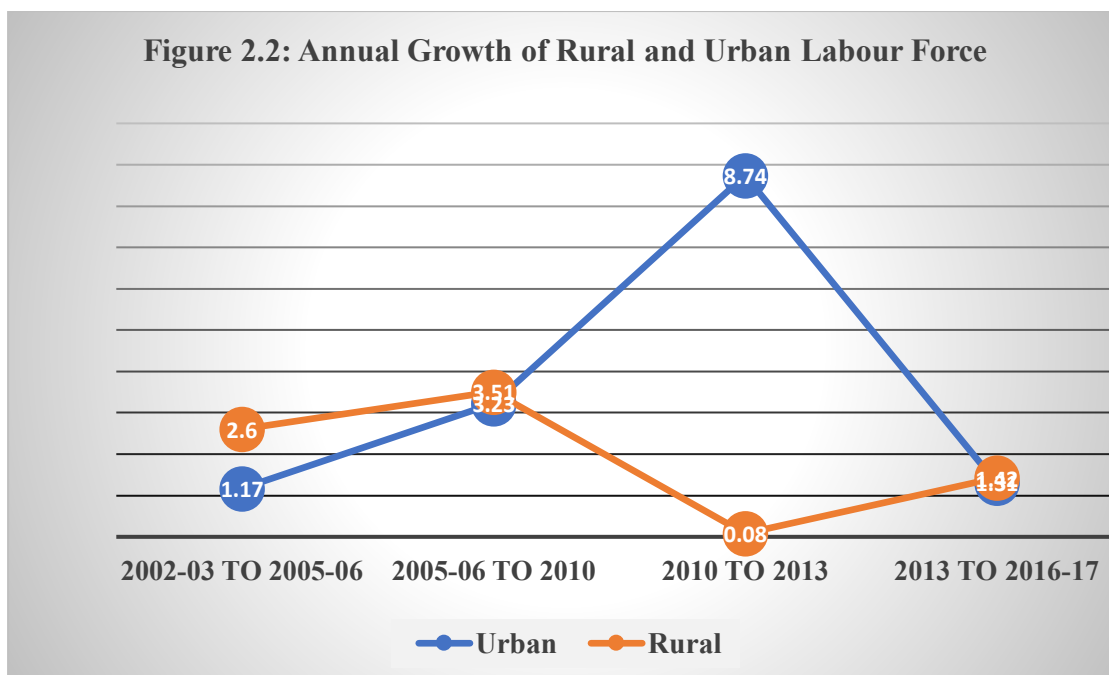
## Labour force<sup>10</sup>

Data on labour force growth during the period of 2002-03 to 2016-17 are presented in Figures 2.1 and 2.2. From this data, a few observations may be made on the growth of labour force and variation in growth during the inter-survey periods. First, labour force growth registered a sharp increase during the period between 2005-06 and 2010 compared to the earlier inter-survey period of 2002-03 to 2005-06. From 2.25 per cent per annum, it increased to 3.45 per cent. Second, growth of labour force slowed down quite sharply after 2010 - to 2.3 per cent per annum during the 2010-2013 period, and further down to 1.30 per cent during 2013 to 2016-17. Third, after a sharp rise in the growth of female labour force during 2005-2010, there was a reversal during 2010-2013. However, that decline has been reversed after 2013. Fourth, acceleration in the growth of urban labour force continued during 2010-2013, but growth of rural labour force declined very sharply. Of course, the decline was reversed during 2013 to 2016-17. It is difficult to explain such sharp fluctuations in the growth of labour force in rural and urban areas.



Source: Constructed by using data from LFS

<sup>10</sup> Some of the key definitions and methods used in the labour force surveys of Bangladesh are described in ADB-ILO (2016), Annex 1.



Source: Constructed by using data from LFS.

It is not easy to explain the various patterns in the growth of labour force mentioned above. For example, increase in the growth of labour force during 2005-2010 is not surprising, and could be explained by several factors. First, those who entered the labour force during the 2005-10 period were already born in the early 1990s. Given the continued high growth of population at that time, high growth of labour force is not surprising. However, what is surprising is the increase in the *rate* of growth, because the factor of population growth was present in the earlier inter-survey period. What may have caused the difference during the 2006-2010 period is a more flexible interpretation of the term economic activity that resulted in a larger proportion of population being included in the labour force by the survey of 2010 compared to the earlier one. This brings one to the second possible factor in explaining the rise in labour force growth, viz., very high growth of female labour force which was already much higher than the growth of male labour force in the earlier inter-survey period. During the 2005-2010 period, female labour force grew at an annual rate of 9.2 per cent compared to 5.5 per cent during 2002-05<sup>11</sup>. The above two factors possibly could not counteract a negative factor on labour force growth, viz., growth in enrolment in education.

If the factors mentioned above were active during the 2005-2010 period, one would have to argue that they reversed direction during the subsequent period (i.e., 2010-2013). Indeed, female participation rate declined during the latter period (although it remains to be examined

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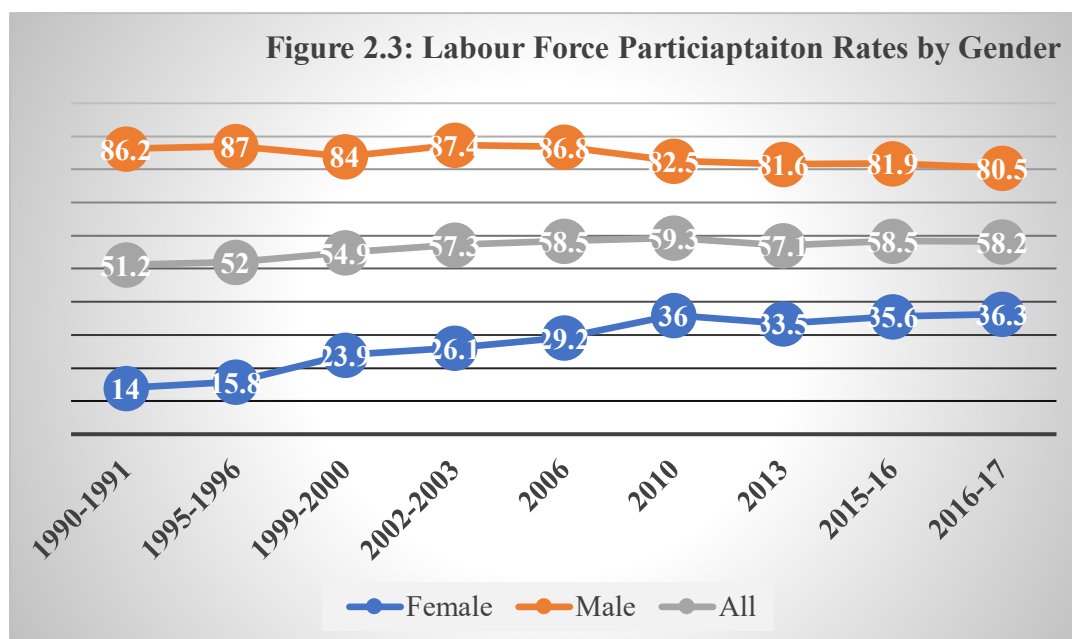
<sup>11</sup> See Rahman and Islam (2013) for a detailed analysis of changes in female labour force participation in Bangladesh up to 2010. The factors that have contributed to the rapid growth of female labour force have been analyzed in that study.



and explained what may have caused this reversal). Whether this single factor outweighed the demographic factor of population growth is another question.

Looking at the difference between locations, one can note the much higher growth of urban labour force which continued. This is not surprising as rural-urban migration in a country like Bangladesh is a continuing phenomenon. However, the sharp decline in the growth of rural labour force is surprising. The sharp decline in urban labour force growth during 2013 to 2016-17 is also worth noting. One would wonder whether rural-urban migration has really declined so sharply after 2013, and if so why.

An important aspect of the labor force of the country is the difference in the participation rates between men and women. One notable and positive development in this regard is the substantial rise in female labour force participation rate (FLFPR) over time, although the level still remains substantially below those attained in a number of East and South East Asian countries. Figure 2.3 presents relevant data. It needs to be noted, however, that after continuous increase in FLFPR for two decades, there was a decline during 2010-2013. Although that decline was reversed during 2013-2016-17, it would be important to monitor the trend in women’s labour force participation rates and analyze factors influencing this. Women’s participation in the labour force participation is important from the point of view of economic growth as well as household income.



Source: Constructed by using data from LFS.

Data on age-specific participation rates are available for different age-groups for different surveys. Up to 2010, data are presented by more groups than for 2013 and 2015-16 and 2016-17. Data for the latter three years are presented in Table 2.3. These data show a decline in the labour force participation rate for the 15-29 age-group. This may be due to greater numbers from among those in the lower age cohorts getting into education. One positive development is the increase in female participation in the age-group 30-64.

**Table 2.3: Age-specific Labour Force Participation Rate by Gender, 2013, 2015-16, and 2016-17**

Age group	2013			2015-16			2016-17		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>15-29</b>	53.8	67.1	41.4	49.9	69.6	32.3	48.7	66.7	32.3
<b>30-64</b>	63.3	97.2	30.2	68.0	94.6	41.0	68.4	94.7	42.3
<b>65 +</b>	33.6	54.6	12.5	34.2	52.3	11.1	31.0	47.1	8.7
<b>Total</b>	57.1	81.7	33.5	58.5	81.9	35.6	58.2	80.5	36.3

Source: LFS.

The level of education of the labour force is important from the point of view of the contribution it can make to economic growth of the country. In that respect, notable progress has been made by the country, in that the share of labour force with no education and those with only primary education has declined over time. Another piece of good news is the narrowing of the gender difference in this respect. While in 2000, a much higher proportion of the female labour force had either no education or only primary level education, the male-female difference in that regard was all but wiped out by 2010 (Table 2.4). The good news, however, ends there.

**Table 2.4: Labour Force by Level of Education**

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

<b>Technical/Vocational</b>				<b>0.1</b>	<b>0.2</b>	<b>0.1</b>
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Source: LFS.

Data in Table 2.5 shows trends (after 2013) that are difficult to explain. The proportion of those with no education has increased and those with higher secondary and tertiary education declined. These trends are noticeable for men as well as women.

**Table 2.5: Employed Population Aged 15 and Over by Levels of Education (%), 2013, 2015-16, and 2016-17**

Level of education	Total			Male			Female		
	2013	2015-16	2016-17	2013	2015-16	2016-17	2013	2015-16	2016-17
No education	21.3	32.5	31.9	21.3	30.5	29.8	21.4	37.1	36.4
Primary	28.7	25.9	25.8	26.3	26.2	26.5	34.7	25.2	24.2
Secondary	30.6	30.1	30.8	31.1	30.2	30.4	29.3	30	31.7
Higher secondary	12.8	6	6.0	13.8	6.8	6.7	10.4	4.2	4.3
Tertiary	6.1	5.3	5.3	7	6.1	6.1	3.9	3.5	3.4
Others	0.4	0.2	0.3	0.5	0.2	0.4	0.4	0	0.1

Source: LFS.

Several weaknesses of the education level of the labour force are notable. First, the share with tertiary education is still rather low and has declined in recent years<sup>12</sup>. Likewise, a very small proportion of the labour force (only one in a thousand) had technical or vocational qualification. This is not surprising given the low rate of enrolment in technical and vocational education as percentage of secondary enrolment – only 2.43 per cent compared with, for example, 6.31 per cent and 18.41 per cent in Malaysia and China respectively. Furthermore, the gender differential in labour force with tertiary education remains high (despite some narrowing).

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<sup>12</sup> This is surprising because with acceleration in economic growth and a rise in the average income in the country, one would expect a rise in the share of labour force with tertiary education. So, one has to wait for future labour force surveys to see if this is just a statistical blip.

## **2.2. The Employment Situation: An Overview**

### Employment structure and growth

In a discussion on employment in a developing economy like that of Bangladesh, it is usual to start by looking at the composition of employment by sector of the economy. One expects a decline in the proportion of employment in agriculture and an increase in the shares of industry and services. The relevant data for Bangladesh are presented in Table 2.6. Several interesting features of the sector composition of employment emerge from this table. First, the share of agriculture has declined during 1999-2000 to 2016-17, but the magnitude of this decline is rather small. This is despite a substantial decline in the share of the sector's output in total GDP. As for the proportion engaged in manufacturing, the increase was small up to 2010, but quite sharp during 2010-2013. After 2013, there has been a reversal of the trend. The share of construction increased noticeably during 1999-2000 to 2010 – from less than 3 per cent to nearly 5 per cent. But after 2010, this share fluctuated – first declined to less than 4 per cent in 2013 and then rose to 5.6 per cent in 2016-17.

The gender difference in the sector composition of employment and the change therein is quite noticeable. On the one hand, the share of women in agriculture has been substantially higher than that of men and remains so. But the change that is noticeable is that during 2010-2013 the share of women in manufacturing doubled and became much higher than that of men. However, that gain did not last; by 2016-17, the gap became much narrower. One surprising element in the gender difference in sector composition is the much lower share of services for women. This is mainly due to the low rate of women's participation in sub-sectors like transport and wholesale and retail trade.

A look at the growth rate of employment (Table 2.7 and Figure 2.4) brings out the following points. The good news up to 2013 was the gradual increase in the rate of growth of employment in manufacturing. While the rate of growth between 2005-06 and 2010 exceeded 6 per cent, the rate almost doubled during the subsequent period (2010-2013). This had raised the hope that labour-intensive industrialization in Bangladesh would be a major driver of growth and labour absorption in the same way as happened in several countries of East and South East Asia. Indeed, if growth of that order could be maintained for another decade or so, the economy of Bangladesh could go a long way towards absorbing its surplus labour. However, there seems to have been a reversal of that trend during 2013 and 2016-17 when there was an absolute decline in employment in the sector.

**Table 2.6: Sector Composition of Employment (% of total) by Gender, 1999-2000, 2005-06, 2010, 2013, 2016-17**

Sector	1999-2000			2005-06			2010			2013			2016-17		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>Agriculture</b>	50.76	51.91	46.24	45.76	39.27	66.54	47.57	40.18	64.84	45.10	41.41	53.64	40.59	32.16	59.68
<b>Manufac-turing</b>	9.55	7.50	17.63	11.03	10.88	11.51	12.45	12.73	11.77	16.36	13.78	22.52	14.42	13.99	15.40
<b>Construction</b>	2.81	3.21	1.22	3.22	3.94	0.92	4.84	6.31	1.40	3.69	4.76	1.00	5.64	7.53	1.32
<b>Services</b>	36.10	36.71	33.71	37.41	43.05	19.36	35.36	41.13	21.87	34.11	40.05	22.85	38.98	45.84	23.45

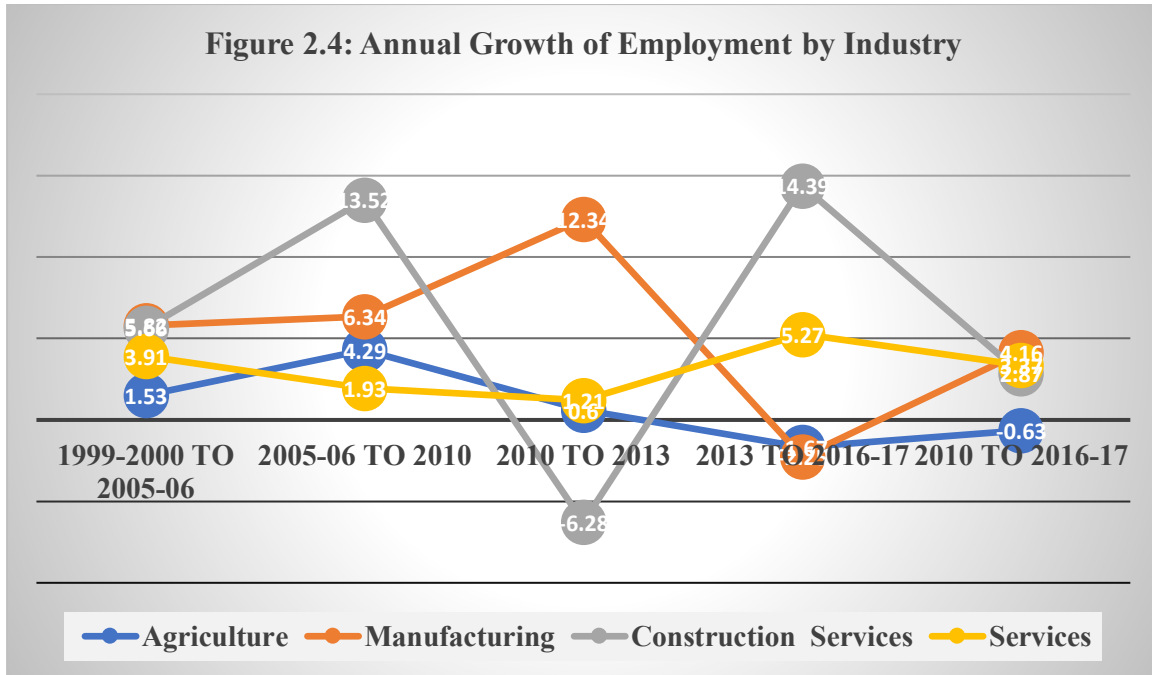
Source: Calculated from LFS, different years.

**Table 2.7: Growth of Employed Persons by Industry and Gender (% per year)**

Sector	1999-2000 to 2005-06			2005-06 to 2010			2010 to 2013			2013 to 2016-17			2010 to 2016-17		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>Agriculture</b>	1.53	-2.14	12.77	4.29	1.79	8.41	0.60	4.12	-5.00	-1.67	-6.53	6.22	-0.63	-1.76	0.89
<b>Manufacturing</b>	5.82	9.09	-1.15	6.34	5.15	9.62	12.34	5.83	25.64	-2.25	0.90	-7.57	4.16	3.15	6.50
<b>Construction</b>	5.66	6.05	1.34	13.52	13.01	19.51	-6.28	-6.17	-9.55	14.39	14.53	12.79	2.87	3.10	0.30
<b>Services</b>	3.91	5.27	-3.24	1.93	0.08	12.88	1.21	2.18	2.68	5.27	5.63	3.73	3.37	3.29	3.27
<b>Total</b>	3.30	2.51	6.13	3.32	1.22	9.06	2.39	3.08	1.21	1.33	0.60	2.94	1.82	1.67	2.19

Source: Calculated from LFS, different years

Figure 2.4: Annual Growth of Employment by Industry



Source: Constructed by using data from LFS (various years).

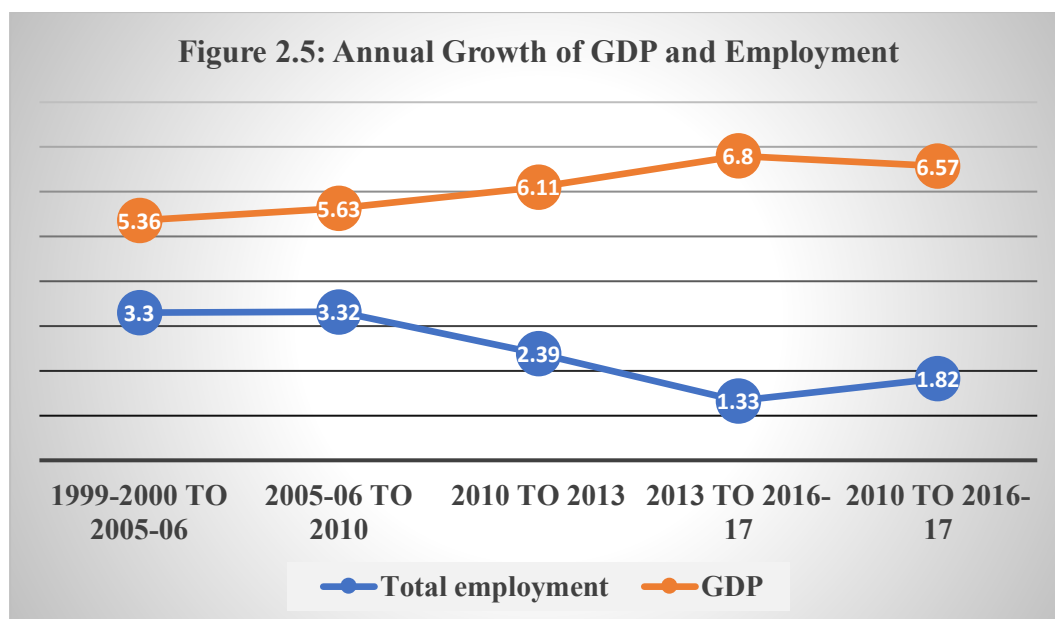
A second interesting point to note is the sharp fluctuations in the growth of employment in the construction sector. During 2005-2010, there was a large increase which is normal for an economy like that of Bangladesh. However, the increase in the growth of employment during 2005-2010 was followed by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

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

### Economic growth and employment

While growth of employment, especially in relation to the growth of labour force, is important, from the point of view of examining how employment intensive output growth has been, it is necessary to look at employment growth in relation to output growth (Figure 2.5). Elasticity of employment growth with respect to output growth is a summary measure of the latter, and can be estimated from available data. Estimates of employment elasticity for the sub-periods

referred to in Table 2.7 are presented in Table 2.8<sup>13</sup>. Several interesting points regarding the employment intensity of output growth in Bangladesh emerge from this Table.



Sources: Figures on employment growth have been estimated from labour force survey data while GDP growth figures have been estimated from data available in Bangladesh Economic Review.

<sup>13</sup> It may be noted that elasticity of employment with respect to output may be estimated by using different methods. One is the method of regression of employment with output as the independent variable. The other is to use data for two points in time and estimate employment elasticity as the ratio between employment growth and output growth. Given the absence of time series data on employment, the latter method has been used here. In interpreting such point estimates of employment elasticity, the possibility of the estimates being influenced heavily by situations of the selected years should be noted. A second point to be noted with regard to the elasticity estimates presented in Table 2.8 is that data on employment and output have been obtained from two different sources. While output growth has been estimated from national accounts data (available from the Ministry of Finance), employment growth has been estimated from labour force surveys which are household surveys conducted periodically by the Bangladesh Bureau of Statistics. It would be unrealistic to expect a high degree of reliability for estimates of employment elasticity based on such diverse data sources.

**Table 2.8: Elasticity of Employment with Respect to Output**

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

Notes and sources: (i) Output growth figures have been calculated from data in Ministry of Finance, Government of Bangladesh: *Bangladesh Economic Review*, various years. (ii) Employment elasticity has been calculated by using the output growth figures in this table and employment growth figures presented in Table 2.7.



First, for the economy as a whole, the ability of the economy to generate employment seems to have declined over time; and this decline is particularly sharp for the period 2013 to 2015-16. The same remark applies to the job creating ability of the agriculture sector. The latter is not surprising because in an economy like that of Bangladesh, not only the share of agriculture in total employment but also the absolute number employed in the sector is expected to decline. However, this should not imply that the potential for growth in *productive* employment in agriculture has been completely exhausted (see Box 2.1).

Second, output growth in the manufacturing sector gradually became more employment intensive up to 2013. This has to be looked at as a positive development because given the availability of surplus labour, it is through the growth of labour intensive industries that the surplus labour can be transferred to the modern sector. Growth in the manufacturing sector since the 1990s has been driven primarily by the ready-made garments sector which is a highly labour intensive activity. High growth of this sector and heavy weight of the sector in total manufacturing must have contributed to making output growth in the sector as a whole increasingly employment intensive. However, what is surprising is the negative growth of employment in the sector during 2013 to 2015-16 despite output growth of around 10 per cent per annum. That should be a cause for worry. Of course, one may point out that the 2013 manufacturing employment figure was unusually high, and the subsequent year's figures should not be compared with that. In order to address such a one-off inflexion in the data, employment elasticity was estimated for the period from 2010 to 2016-17 and was compared with the elasticity figures for the previous five-year period (2005-06 to 2010). The results are presented in Table 2.9 below:

**Table 2.9: Elasticity of Employment with respect to Output, 2005-06 to 2010 and 2010 to 2016-17**

<b>Sector</b>	<b>Employment elasticity, 2005-06 to 2010</b>	<b>Employment elasticity, 2010 to 2016-17</b>
<b>Agriculture</b>	0.7103	-0.1877
<b>Manufacturing</b>	0.8697	0.4159
<b>Construction</b>	2.4164	0.5078
<b>Services</b>	0.2734	0.5905
<b>GDP</b>	0.5499	0.2755

Source: Authors' estimates based on data mentioned for Tables 2.7 and 2.8.

Several points emerge from the comparison mentioned above. First, the overall employment elasticity (i.e., for the economy as a whole) for 2010 to 2016-17 is a little higher than for the period 2013 to 2016-17, but compared to the 2005-06 to 2010 period, the figure is just half.

### **Box 2.1: Does Agriculture Still Have the Potential for Growth of Productive Employment?**

As is common in developing countries, the process of economic growth in Bangladesh has been associated with a decline in the share of agriculture in GDP as well as in total employment, although the latter has been much slower in pace. But in recent years, the absolute number employed in the sector has also started to decline. That may naturally lead one to think that the sector has exhausted its potential for the growth of productive employment. But before coming to such a conclusion, it would be useful to take a careful look at developments that are taking place in the sector.

Growth in agricultural GDP as a whole has declined over time – from over 5 per cent per annum during 2005-06 and 2006-07 to between 2 and 3.5 per cent per annum since 2015-16. Within the sector, the decline is more marked for crops and horticulture. Alongside this growth experience, there has been structural change within the sector: the share of crops and horticulture in the sector's GDP has declined while that of forestry has increased.

A more important structural change witnessed by the sector – at least from the point of view food security and employment – is a shift away from local varieties of rice to high yielding varieties (HYV). This has happened in the case of both *boro* and *aman*. The share of jute has also increased. And a particularly notable development is increase in the share of vegetables in total acreage. On the other hand, there has been a decline in the share of wheat.

The change in cropping pattern mentioned above has had important implications for labour requirement in crop production because different crops require different amounts of labour input per unit of land. Jute is the most labour-intensive of these crops followed by HYV boro. All HYV rice crops require much more labour compared to wheat. And vegetable production is much more labour-absorbing than cereal production. Hence, it is possible to conclude that the observed changes in cropping pattern have been in a more labour using direction.

Alongside the labour using character of structural change mentioned above, there has been a change that has been labour-saving in nature – mechanization of certain operations, especially land preparation and threshing.

Although there has not been any research on the net employment outcome of the opposing changes mentioned above, developments like decline in the time measure of underemployment, and growing seasonal shortages of workers indicate that crop production has been quite labour-intensive. The current trend of a rise in the share of vegetables in cropped area also has positive implication for labour use. Growth of vegetable production on a commercial scale holds potential for productive employment.

Real wages in agriculture increased during 2008-09 to 2011-12, but declined thereafter. And that decline took place during a period when labour productivity in the sector registered growth of over 3 per cent per annum. Another notable aspect is the substantial difference between peak and slack season wages – which is a structural characteristic of monsoon agriculture, and continues to remain a feature in Bangladesh. Hence it would not be appropriate to argue on the basis of seasonal shortages of workers that surplus labour has been exhausted. But seasonal shortages of workers – especially during harvesting – is being used to argue that further mechanization is needed and there should be policies to promote

it. This is an issue that needs careful consideration and debate based on hard evidence and carefully conducted research. It would be desirable to consider policy on mechanization alongside a policy regarding wages of workers.

Source: Islam (2019 b)

This implies that even if one ignores the 2013 labour force data, employment elasticity for the economy seems to have fallen sharply during the past decade. The same conclusion would apply to manufacturing and construction. For services, there has been a rise. But for that sector also, the longer term trend (i.e., if one compares with the figures for 1990-2000 to 2005-06) indicates a decline (from 0.6887 to 0.5905). It would thus appear that employment elasticity for the economy as a whole and for manufacturing industries declined over time. Even if one makes allowance for possible data issues surrounding labour force surveys, the magnitude of the decline is so sharp that it should be a reason for worry on the part of policy makers<sup>14</sup>.

It may be noted in this context that data from the website of BGMEA (presented in Table 2.10) also shows that employment in the industry has remained stagnant since 2011-12. This, of course, was not due to a decline in the growth of output or exports of the industry. As data presented in Table 2.10 shows, exports registered a healthy rate of growth even during the period when employment growth was slow or stagnant.

**Table 2.10: The Ready-made Garments Industry: Growth of Employment and Exports, 1989-90 to 2015-16**

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

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<sup>14</sup> It may be noted here that a decline in employment elasticity is an indication of a rise in labour productivity, and hence should be desirable. Indeed, with economic growth, a rise in labour productivity is important, especially from the point of view of creating necessary space for increases in real wages of workers. However, in an economy which is still characterized by the existence of surplus labour and where employment growth is important, output growth should come from a combination of employment growth and growth in labour productivity, rather than from the latter alone. And it is in this sense that the sharp decline in employment elasticity that has been observed in Bangladesh is a matter to be taken seriously. The experience of the countries of East and South East Asia, e.g., Republic of Korea, Taiwan-China and Malaysia shows that it is possible to combine growth in labour productivity and in employment.

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

Note: At the time of finalizing this report in December 2019, it was noticed that the employment figures are no longer shown in the BGME website mentioned above.

Apart from the RMG industry, LFS data shows that employment in another major industry, viz., food processing declined between 2013 and 2015-16 (from 1.23 million to 704,000). Whether this decline was due to a decline in the output of the industry or despite growth of output is an important question that needs to be addressed. But in order to do so, it would be necessary to go beyond LFS data because that is a survey of households which does not provide output data. On the other hand, the last year for which the survey of manufacturing industries was done is 2012. So, it is not easy to address what happened to output in various industries after that year. Box 2.2 presents a brief analysis.

### **Box 2.2: Industrialization and Productive Employment**

Examples of developing countries that have been successful in combining economic growth with the growth of productive employment, e.g., China, Taiwan-China, Republic of Korea, and Malaysia, show the critical role that can be played by industrialization. One of the key features of their experience is the pursuit of export-led strategy that enabled the growth of labour-intensive industries during the initial stages of their growth, which resulted in high growth of output and productive employment.

During the 1970s and 1980s, Bangladesh pursued the traditional import-substitution strategy of industrialization. Both economic growth and growth of manufacturing were low. After several rounds of reforms in the economy, there was an acceleration in growth during the 1990s and 2000s. The annual growth of manufacturing output which ranged from five to seven per cent per annum during 2000-01 to 2002-03, rose to the 10 to 12 per cent range during 2014-15 to 2016-17.

Despite an acceleration in the growth of manufacturing industries in recent years, a number of weaknesses remain. First, the growth trend during the period mentioned above has been marked by periods of instability. Second, there has been very little structural change in the composition of the sector. Only one industry, viz., ready-made garments (RMG) – accounts for a very high proportion of the total output and employment of the sector. And there is very little sign of any change in that respect. A few other industries have come up in recent years; but their share in total output and employment of the sector is very low. On the other hand, the condition of most of the traditional industries like jute goods, paper, sugar, cement, fertilizers, etc., has deteriorated over time.

As there has not been much of a transformation in the structure of output, one cannot expect to see any notable change in the structure of employment. The shares of RMG and food processing remained virtually unchanged over the years mentioned above. And the share of textiles declined. In sum, when one talks about manufacturing employment, the RMG industry remains the major source. Even in that industry, there has been a stagnation in employment in recent years. As a result, the annual growth of employment in manufacturing

fell from 6.34 per cent per annum during 2005-06 to 2010 to 4.16 per cent during 2010 to 2016-17. During the former period, the sector created about 350,000 jobs annually. That number declined to about 200,000 in recent years (e.g., 2015-16 and 2016-17). This is very small compared to the annual addition of labour force of about 1.6 million.

But the decline in the growth of employment cannot be ascribed to a decline in the growth of output. The major industries like wearing apparels and food processing have witnessed healthy growth of output. And yet, employment growth has been disappointing in both. In the ready-made garment industry, the level of employment has stagnated since 2014-15, although output and export have continued to register healthy growth. A combination of factors, e.g., closure of small units which, in turn, is perhaps due to structural changes that have been taking place in the industry in the wake of the Rana Plaza disaster, and the adoption of labour -saving technology may have been responsible for the disappointing employment performance of the industry in recent years.

It is important to note that with only one export-oriented industry and a high degree of concentration of exports on that industry, Bangladesh is not yet firmly placed on the path of export-oriented labour-intensive industrialization.

Source: Islam (2018)

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

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

It needs to be noted that employment elasticity also provides an indicator of the direction of movement of labour productivity. An increase in the former implies a deterioration in the latter. An elasticity of more than one is particularly worrisome in that respect. Since this is found to be the case for manufacturing during 2010-2013, it would appear that employment growth in manufacturing during that period was attained at the expense of a decline in labour

productivity<sup>15</sup>. The case of construction during that period lies at another extreme: output growth was achieved with a reduction in employment.

### Unemployment, underemployment and excessive employment

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

Open unemployment rate in Bangladesh has remained between 4 and 5 per cent of the labour force since the 1990s. In fact, the figure remained unchanged at 4.3 per cent during three consecutive surveys - 1999-2000, 2003-03 and 2005-06, and then inched up to 4.5 per cent in 2010. In 2015-16, the rate of unemployment went down to 4.2%, and it remained unchanged in 2016-17. Thus, it seems that not only is the rate of unemployment low, it has remained surprisingly stable for a long period. Hence, in any serious discussion on employment and labour market, one has to go beyond open unemployment.

Given the existence of surplus labour in developing countries, underemployment is considered to be a useful alternative indicator of the labour market situation. However, the concept of underemployment is also not without complexity, and hence measures also vary. Two alternatives that are often suggested are visible and invisible underemployment. Visible underemployment refers to the underutilization of the available labour time of an individual and willingness of the individual to work longer. This is also referred to as the time measure of underemployment<sup>16</sup>. Invisible underemployment is an analytical concept referring to the

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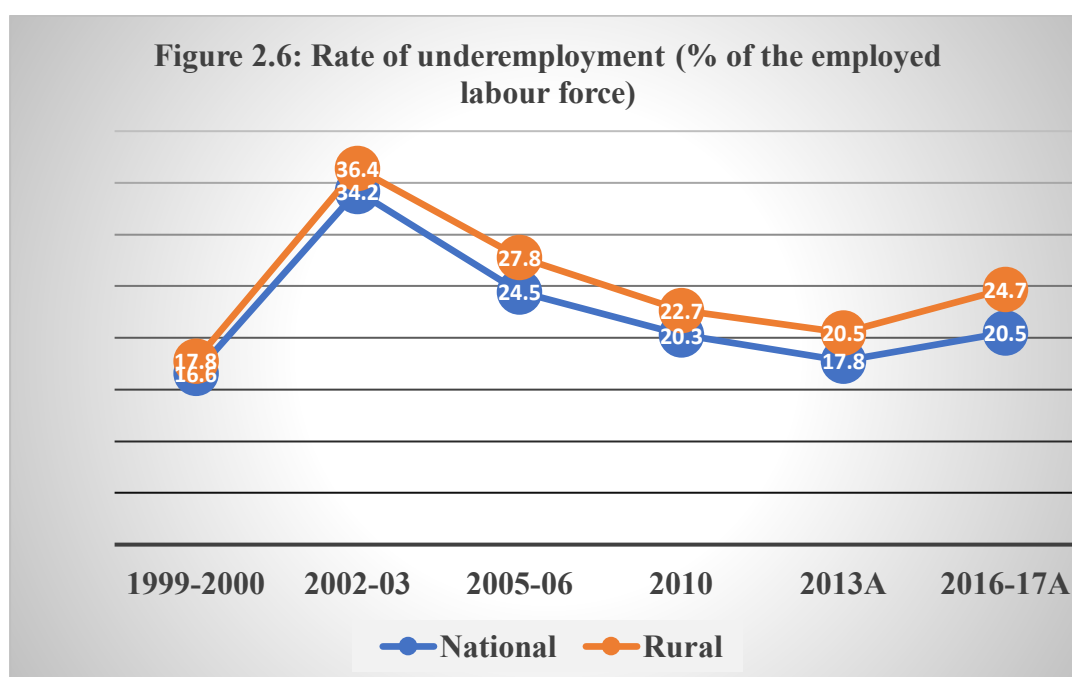
<sup>15</sup> It may be noted that in theoretical terms, output growth consists of growth in employment and in labour productivity. Both can increase simultaneously, as is demonstrated by the experience of the countries of East and South East Asian countries. This has been demonstrated by a decomposition exercise (Islam, 2010) for countries of Asia. That exercise shows that for Bangladesh, the contribution of productivity growth to GDP growth increased over time up to 2006. What happened after that year remains to be analyzed.

<sup>16</sup> It may be noted that the ILO (ILO, 2013) has come up with another measure of labour underutilization that considers, in addition to time underutilization, “potential labour force” which is a concept defined to include three mutually exclusive groups: (i) unavailable job seekers – persons without employment who are seeking employment but not available, (ii) available potential job seekers - persons without employment and not seeking employment but are available, and (iii) willing potential job seekers – persons without employment who are neither seeking employment nor available for employment but want employment. In addition, there may be

productivity and income generating capacity of work in which one is engaged. There is no universally accepted measure of such underemployment. It could be measured in terms of productivity associated with or income generated by employment. Up to 2010, the labour force surveys of Bangladesh provide a measure of visible underemployment in terms of the time measure and categorize those working less than 35 hours a week as underemployed. Relevant data are presented in Figure 2.6 and Table 2.11.

The measure of underemployment used for the 2013 and 2016-17 LFS is different from those for the earlier years (described above) in two respects: (i) First, the threshold for weekly number of working hours is 40 hours (instead of 35 hours in the earlier surveys), and (ii) Second, two additional criteria are applied to determine whether one is underemployed: willingness and availability to work additional hours.

Before coming to the data in Figure 2.6 and Table 2.11, it may be useful to sound a note of warning about using them to draw straightforward conclusions. For example, a comparison of the figures for 1999-2000 and 2002-03 indicates more than a doubling of the rate of underemployment. It is very difficult to explain such a sharp increase, especially since the economy was not doing so badly during those years. Likewise, the sharp decline in the years after 2002-03 also defies logical explanation<sup>17</sup>.



“discouraged jobseekers” who are unemployed and willing to work and yet are not actively seeking jobs because of the perception of the lack of jobs.

<sup>17</sup> One possible reason for the observed blip in the figure for 2002-03 is that the survey for that year was carried out during a short period which coincided with the lean season of agriculture. That may have contributed to the high rate of underemployment in that year.

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

Sources: Constructed by using data from LFS.

Some clue for the observed volatility of the figures on underemployment could perhaps be found when the overall figures are broken down by gender and location. Figures presented in Table 2.11 indicate that the rate of underemployment shows much more volatility for women compared to men. For example, female underemployment increased sharply between 1999-2000 and 2005-06 and fell sharply thereafter. On the other hand, male underemployment shows secular increase over the entire period of these three labour force surveys. One may be tempted to conclude from these figures that after a sharp increase in female underemployment, it has declined after 2005, and that should be regarded as a positive sign. In this context, it may be useful to look at the difference in trend in female underemployment between rural and urban areas. The volatility is much higher for rural women than urban women. And that gives rise to the suspicion that the observed figures may reflect differences in inclusion in and exclusion from the labour force. For example, in 2005-06, many more rural women who work for short periods (particularly as unpaid workers) may have been included as members of the labour force, and that may have pushed the female underemployment rate to a very high level. In 2010, the opposite may have happened. Thus, how responses regarding female employment are recorded in the questionnaires can have serious implications for the results.

Because of the application of different criteria, the official figures of underemployment from 2013 onwards are not comparable to those of the earlier years. Separate calculations (for 2013 and 2016-17) made by using the same criterion as for the earlier years are also presented in Table 2.11. These figures bring out a few points. First, the declining trend for overall underemployment as well as for rural and urban areas continued till 2013. For women, the decline was continuous from 2005-06. For men, there was a rise in 2010 followed by a fall in 2013. But there was an increase in underemployment in rural areas after 2013. But the estimates based on official measures (last two columns of Table 2.11) indicate a decline in underemployment after 2013.

**Table 2.11: Underemployment in Bangladesh by Location and Gender (% of labour force)**

	<b>1999-2000</b>	<b>2005-06</b>	<b>2010</b>	<b>2013<sup>a</sup></b>	<b>2016-17<sup>a</sup></b>	<b>2013<sup>b</sup></b>	<b>2016-17<sup>b</sup></b>
National	16.6	24.5	20.3	17.8	20.5	4.0	2.4
Male	7.4	10.9	14.4	13.1	11.1	3.8	2.2
Female	52.8	68.3	34.1	29.5	41.8	4.4	2.9
<b>Rural</b>	17.8	27.8	22.7	20.5	24.7	4.4	2.6
Male	8.1	12.4	16.7	n.c	13.0	4.2	2.4



Female	57.7	77.0	36.6	n.c	49.4	4.7	3.0
<b>Urban</b>	12.2	13.9	12.4	10.8	9.6	3.0	1.9
Male	4.7	5.9	6.9	n.c.	6.5	2.7	1.7
Female	38.2	39.8	25.6	n.c	18.1	3.7	2.6

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

(ii) <sup>b</sup> These are figures for underemployment reported in the official report of the 2013 and 2016-17 LFS. It needs to be noted that the definition of underemployment used in the surveys since 2013 is different from the one used for the earlier surveys, and hence the figures for those years are not comparable to the earlier ones.

Source: LFS.

Alongside underemployment, long hours of work are also a reality for many in the labour market of Bangladesh. Some data are presented in Table 2.12. Several points emerge from this data. First, if 50 hours per week is regarded as a cut-off point for excessive work, the average worker in Bangladesh does not appear from to suffer from that. However, for men – in both rural and urban areas, this seems to be the case. Moreover, large proportions of the workers irrespective of location and gender suffer from the phenomenon. This is more so for urban men, although rural men are not far behind. Second, there was an improvement during 2010-2013, though that was limited to men. For women, in both rural and urban areas, the proportion who worked excessive hours increased during that period. Third, the proportion people working excessive hours increased during 2013 to 2016-17 – in both rural and urban areas. On the whole, it seems that working long hours is a strategy for survival in Bangladesh.

**Table 2.12: Excessive Work by the Employed Population**

	Average Hours Worked per Week			Percentage of the Employed Persons with Excessive Hours of Work		
	2010	2013	2016-17	2010	2013	2016-17
<b>All employed</b>	46	46	48	51.1	46.6	49.8
<b>Male</b>	51	47	52	64.8	51.0	63.5
<b>Female</b>	35	43	38	19.2	36.3	18.7
<b>All Rural</b>	45	45	46	50.8	44.4	44.7
<b>Rural Male</b>	50	46	51	65.4	49.3	60.2

<b>Rural Female</b>	34	42	36	17.0	32.8	11.9
<b>All Urban</b>	49	48	53	62.0	52.5	63.1
<b>Urban Male</b>	53	49	55	62.6	55.2	71.6
<b>Urban Female</b>	38	46	47	26.7	46.7	39.9

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

Source: Calculated from LFS, various years.

### Quality of jobs: vulnerable employment

As mentioned earlier, open unemployment in Bangladesh is low because people cannot simply afford to remain unemployed, so they try to eke out a living from some work. As a result, a large proportion of the employed are engaged in work that can be called “vulnerable”. There is no universally accepted definition of vulnerability in this context, but the sense that is being conveyed is the vulnerability of workers engaged in such employment from various perspectives like stability of the job and income earned from it. The ILO identifies vulnerable employment as the self-employed and own account workers as well as those engaged in unpaid family work<sup>18</sup>. Data relating to this kind of employment are presented in Table 2.13. A few aspects relating to the trend in vulnerable employment emerge from this table.

First, between 2005-06 and 2010, no significant change appears to have taken place in the proportion of self-employed and own account workers and those in unpaid family work. In other words, the degree of vulnerable employment did not improve during that period. However, some changes are noticeable for the period 2010 to 2016-17. While the proportion of self-employed registered some increase, that of unpaid family helper declined considerably.

Second, if one looks at a longer period, viz., between 1999-2000 and 2016-17, there has been an increase in the proportion of self-employment and own account work, especially for women. There was an increase in the share of unpaid family work till 2010 - indicating that many of the own-account workers possibly reverted to becoming unpaid family helper. During 2010 to 2016-17, the share of this category declined. On the whole, it would appear that the degree of vulnerable employment has remained stubbornly high over the long term period. Moreover, if the proportion of paid employees is regarded as a proxy to regular employment, the situation appears to have worsened during the decade ending in 2010 and then improved in

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<sup>18</sup> This is also used as one of the indicators of MDG 1B relating to employment and labour market. The present author, however, considers this as an imperfect indicator of vulnerable employment because all the self-employed need not be vulnerable and there are others, especially those in casual wage employment, who may be vulnerable. On this, and a critique of the MDG indicators of vulnerable employment, see Islam (2014).

the three subsequent years<sup>19</sup>. In other words, with regard to the target of reducing the proportion of own account workers and contributing family workers in total employment, Bangladesh has a long way to go, although some signs of improvement can be seen.

**Table 2.13: Changes in the Structure of Employment by Status in Employment (percentage of total employment)**

Status	1999-2000	2002-03	2005-06	2010	2013	2015-16	2016-17
<b>Self-employed/ own account workers (Total)</b>	35.1	44.8	41.9	40.8	40.7	43.3	44.3
Male	49.4	50.6	50.0	47.5	52.22	47.6	46.5
Female	10.8	24.5	15.9	25.1	12.31	33.1	39.3
<b>Employee</b>	12.6	13.7	13.9	14.6	23.2	39.1 <sup>a</sup>	39.1
Male	15.1	13.8	14.5	17.0	22.21	43.6 <sup>a</sup>	42.6
Female	8.2	13.4	11.7	8.9	25.5	28.5 <sup>a</sup>	31.2
<b>Unpaid family helper</b>	33.8	18.4	21.7	21.8	18.2	14.5	11.5
Male	10.2	9.9	9.7	7.1	5.1	4.6	4.0
Female	73.2	48.0	60.1	56.3	50.1	37.6	28.4
<b>Day labourers</b>	18.3	20.0	18.2	19.7	15.5	n.a. <sup>x</sup>	n.a.
Male	25.0	22.9	21.9	25.8	18.9	n.a.	
Female	7.8	9.6	6.5	5.3	7.2	n.a.	

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

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

Source: LFS.

<sup>19</sup> What happened during 2013 to 2016-17 remains unclear because the report for the latter year puts “employees” and “day labourers” together and presents them under one head, viz., paid employees. This figure is about the same as the total of the components in 2013.

## Quality of jobs: informal sector

Another indicator of vulnerable employment is the proportion of those engaged in the informal sector of the economy. When labour force growth is high and growth in formal sector jobs is insufficient to absorb all the new addition to the labour force, the informal sector performs the role of last resort. Although a segment of the informal sector may exhibit characteristics of dynamic growth of economic activities, a large proportion basically acts as the sponge for absorbing surplus labour. In Bangladesh, the share of employment in the informal sector has increased substantially from 78.48 per cent in 2005-06 to 87.43 per cent in 2010<sup>20</sup>. In fact, the number employed in the informal sector grew at a higher rate (6.19 per cent per annum) between 2005-06 and 2010 compared to the earlier inter-survey period of 2002-03 to 2005-06 when annual growth was 1.96 per cent. It is thus clear that there has been a tendency towards informalization of employment in the country. During 2010 to 2016-17, there has been no reversal of this worrisome trend. Although the share of men engaged in the informal sector declined (remaining at very high level), that of women actually increased (Table 2.14).

**Table 2.14: Employment in the Informal Sector: 2003 to 2017**

Year	Employment in the informal*			Share of informal sector employment in total employment (%)		
	Total	Male	Female	Total	Male	Female
2002-03**	35.1	27.2	7.9	79.23	78.95	79.79
2005-06	37.2	27.5	9.7	78.48	76.18	85.69
2010	47.3	32.4	14.9	87.43	85.5	92.3
2013	50.1	35.6	15.2	87.4	86.3	90.3
2015-16	59.5	41.8	17.8	86.2	82.3	95.4
2016-17	51.7	34.6	17.1	85.1	82.1	91.8

Source: *Labour Force Survey*, various years.

Note : \*for definition of informality in 2013 to 2017, *Labour Force Survey* 2017 P 19.

\*\* The informal sector is defined in 2003 to 2010 in terms of the number of workers employed – those employing less than four workers are classified as informal.

The second important challenge is that, informality prevails not only in agriculture sector but also in industry in both rural and urban areas. As shown in Table 2.15, 90% of industrial employment is informal type. The shares are respectively 90.6 and 88.9 per cent in urban and rural areas.

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<sup>20</sup> The informal sector is defined in terms of the number of workers employed – those employing less than four workers are classified as informal. The figures represent both urban and rural areas.

**Table 2.15: Employed Population Aged 15 or Older, by Formal/informal Employment, Sector and Area, 2016-17**

Sector of employment	Rural			Urban			Bangladesh		
	Formal	Infor- mal	Total	Formal	Infor- mal	Total	Formal	Informal	Total
<b>Row %</b>									
<b>Agriculture</b>	4.5	95.5	100.0	6.5	93.5	100.0	4.6	95.4	100.0
<b>Industry</b>	9.4	90.6	100.0	11.1	88.9	100.0	10.1	89.9	100.0
<b>Service</b>	25.7	74.3	100.0	31.8	68.2	100.0	28.2	71.8	100.0
<b>Total</b>	11.9	88.1	100.0	22.7	77.3	100.0	14.9	85.1	100.0

Source: LFS.

**Table 2.16: Informal Employment as % of Total Employment Aged 15 or Older, by Industry, and Sex**

Industry	Informal (%)		
	Male	Female	Total
Agriculture, forestry and fishing	94.8	96.1	95.4
Mining and quarrying	93.7	100.0	94.0
Manufacturing	87.3	94.2	89.5
Electricity, gas, steam and air condition	53.4	60.3	54.0
Water supply, sewerage, waste management	63.2	70.8	65.8
Construction	91.7	94.7	91.9
Wholesale and retail trade, repair of motor vehicles	61.7	75.4	62.7
Transportation and storage	92.9	81.1	92.5
Accommodation and food service activities	74.9	88.2	77.0
Information and communication	73.2	81.3	73.9
Financial and insurance activities	52.9	66.1	55.3
Real estate activities	70.9	73.3	71.0
Professional, scientific and technical a	51.0	63.6	52.1
Administrative and support service activities	64.3	87.5	66.5
Public administration and defense	25.0	33.2	26.2
Education	55.3	65.2	59.3
Human health and social work activities	57.1	69.1	62.2
Arts, entertainment and recreation	90.4	79.4	87.6
Other service activities	77.3	85.5	80.7
Activities of households as employers, u	98.6	97.3	97.6
Activities of extraterritorial organization	98.4	100.0	98.6
<b>Total</b>	<b>82.1</b>	<b>91.8</b>	<b>85.1</b>

Source: Labour Force Survey, 2017 (LFS)

Table 2.16 presents data on the extent of formality by detailed sector classification and the difference by sex. Agriculture, manufacturing, construction, accommodation and food services and transport are some of the large sectors exhibiting substantial informality (higher than 80 per cent). In the first four sectors, extent of informality is higher among women.

Table 2.17 presents data on extent of informality by education level of workers. Education level of HSC or above is needed for substantial improvement in informality. This has important implications for policy.

**Table 2.17: Formal Employment Aged 15 or Older, by Education Level, Sex and Area,**

2016-17 Occupation	Formal as % of total Employment		
	Male	Female	Total
None	6.5	4.0	5.6
Primary	13.0	5.5	10.8
Secondary	23.7	9.1	19.1
Higher secondary	35.4	20.2	32.0
Tertiary	48.0	49.4	48.3
Others	12.0	2.9	11.3
<b>Total</b>	17.9	8.2	14.9

Source: LFS.

As employment in the informal sector is commonly perceived as low-quality employment, it would be useful to ask whether this could be said about the sector as a whole or there are differences between industries. More specifically, one could ask whether all jobs in the informal sector are characterized by low productivity and income or there are differences. Since labour force surveys are about the only source of data on the sector, and they are household-based surveys, data on productivity are not available from them. However, they collect data on incomes of wage/salaried workers, and it is possible to separate out the informal sector workers and look at their incomes. Before going into that, it may be useful to look at the industry composition of those employed in the informal sector (Table 2.18). Data presented Table 2.18 show that the industry composition of the informal sector is not much different from overall employment. Outside agriculture, manufacturing, construction, trade and transport are the major employing sectors. The other noteworthy sectors include education and hotel and restaurants.

Data on average monthly incomes of those in wage/salaried jobs (Table 2.19) provides interesting insights into the quality of jobs in the sector. First, there is wide variation in the average income of those employed in various sectors. While manufacturing provides just about average income, agriculture, construction, transport, domestic service, and accommodation and food services offer below average incomes. They account for about two-thirds of those engaged as wage/salaried employed in the informal sector. At the other end of the spectrum are those in real estate, financial services, professional and technical activities, information and communication, education, and health services. However, these sectors account for a small

proportion (about five per cent) of salaried employment in the sector. At the middle of the spectrum are manufacturing, trade and various miscellaneous type of services that yield average or slightly above-average levels of income. And they account for about a quarter of those in wage/salaried jobs in the informal sector.

In terms of geographical location, those in the informal sector of urban areas earn about a fifth more than those engaged in similar activities in rural areas. But there is variation in that respect as well. In sectors like manufacturing, construction, and accommodation and food services – sectors that account for about a quarter of the urban informal sector employment - the difference is just about 6 per cent. In trade and transport also, the difference in incomes is less than 20 per cent. It can this be said that for a sizeable proportion of workers, informal sector jobs in urban areas are not much better than their rural counterparts.

**Table 2.18: Informal Employment by Industry (% of total employment) and Location, 2016-17**

<b>Industry</b>	<b>Rural</b>	<b>Urban</b>	<b>Total</b>
<b>Agriculture, forestry and fishery</b>	56.12	14.24	45.52
<b>Mining and quarrying</b>	0.22	0.05	0.18
<b>Manufacturing</b>	11.49	26.07	15.18
<b>Electricity, gas, etc.</b>	0.08	0.18	0.11
<b>Water supply. Sewerage and waste management</b>	0.02	0.05	0.03
<b>Construction</b>	5.63	7.47	6.10
<b>Wholesale and retail trade, repair of motor vehicles</b>	8.69	15.80	10.49
<b>Transport and storage</b>	8.24	12.67	9.36
<b>Accommodation and food service activities</b>	1.36	2.79	1.72
<b>Information and communication</b>	0.11	0.62	0.24
<b>Financial and insurance activities</b>	0.23	1.10	0.45
<b>Real estate activities</b>	0.05	0.45	0.15
<b>Professional, scientific and technical activities</b>	0.18	0.53	0.27
<b>Administrative and support service activities</b>	0.33	0.83	0.45

<b>Public administration and defence</b>	0.38	0.80	0.49
<b>Education</b>	1.93	4.21	2.51
<b>Human health and social work activities</b>	0.40	1.21	0.60
<b>Arts, entertainment and recreation</b>	0.10	0.12	0.11
<b>Other service activities</b>	3.34	4.97	3.76
<b>Activities of households as employers</b>	1.08	5.81	2.28
<b>Activities of extraterritorial organization</b>	0.00	0.02	0.01
<b>Total</b>	100.00	100.00	100.00

Source: Calculated from unit record data of the labour force survey.

A third question that may be asked is how do the incomes in non-agricultural sectors compare with that in agriculture? This would be a relevant question because in an economy with surplus labour in agriculture, movement of workers out of agriculture may be due to a genuine pull factor arising from opportunities for good jobs promising substantially higher incomes or driven by push factors faced by those in agriculture who are in distress and are willing to move out even if the difference is small. In rural areas, employment in mining and quarrying, construction, transport, and domestic services yield incomes that exceed that of agriculture by less than a quarter. In two other sectors - wholesale and retail trade and accommodation and food services – the difference is less than 30 per cent. In urban areas, mining and quarrying, construction, transport, and domestic service belong to this category. It would thus appear that in both rural and urban areas, those in wage employment in sectors like construction, transport, and domestic service are not driven by pull factors characteristic of a dynamic economy creating good quality jobs.

Fourth, an important question is how the incomes of the workers in the informal sector compare with the average household income and income needed to be above the poverty line. If the poverty line per capita monthly income of 2016 (Tk.2,268) is used as the threshold, and that is multiplied by the average size of households (4.06), income needed for a household to be above the poverty line works out to Tk. 9,208. From Table 2.19, it can be seen that the income of those in domestic service falls below this level. That implies that unless a household has more than one earner, the income received would not be adequate for a poverty-free living. Jobs in construction and transport do only slightly better in that respect.

To sum up, informal sector is not a homogeneous category, and all those who are employed there are not in jobs characterized by low productivity and low income. However, a large proportion of them are engaged in sectors like construction, transport, accommodation and food services and domestic service where incomes are low (below the average income of informal sector as a whole). Employment in manufacturing yields higher than average income.



**Table 2.19: Monthly Income of those Employed as Wage/Salaried Workers in the Informal Sector**

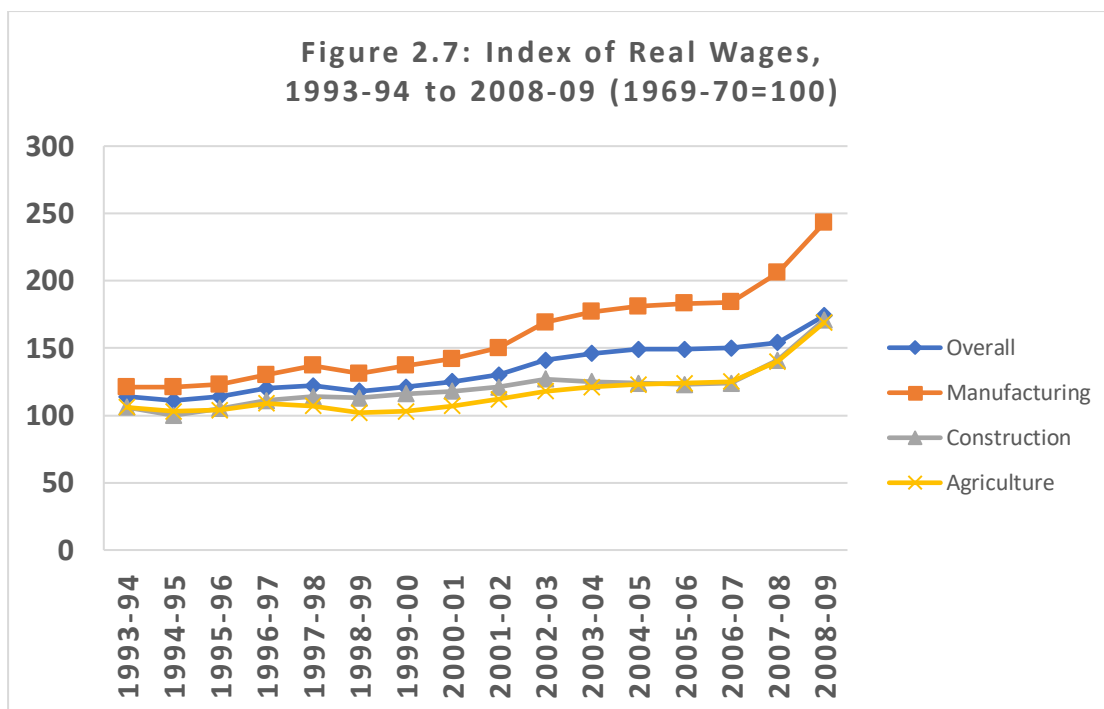
Industry	Monthly Income (Taka)					
	Rural		Urban		All	
	Income	%	Income	%	Income	%
<b>Agriculture, forestry and fishery</b>	8,408	100.00	8,667	100.00	8453	100.00
<b>Mining and quarrying</b>	9,258	110.11	10,750	124.04	9536	112.81
<b>Manufacturing</b>	11,254	133.86	12,005	138.52	11,740	138.88
<b>Electricity, gas, etc.</b>	14,367	170.87	22,757	262.58	19,684	232.86
<b>Water supply. Sewerage and waste management</b>	11,522	137.04	12,131	139.97	11,987	141.80
<b>Construction</b>	9,497	112.96	9,994	115.32	9,757	115.42
<b>Wholesale and retail trade, repair of motor vehicles</b>	10,815	128.63	12,633	145.76	12,074	142.84
<b>Transport and storage</b>	10,297	122.47	11,476	132.42	10,986	129.96
<b>Accommodation and food service activities</b>	10,649	126.65	11,277	130.13	11,071	130.97
<b>Information and communication</b>	14,652	174.27	21,368	246.56	19,938	235.86
<b>Financial and insurance activities</b>	16,652	198.05	26,236	302.73	24,088	284.95
<b>Real estate activities</b>	12,882	153.22	22,401	258.47	21,096	249.56
<b>Professional, scientific and technical activities</b>	16,520	196.48	22,089	254.88	20,588	243.55
<b>Administrative and support service activities</b>	14,258	169.59	15,079	173.99	14,818	175.30
<b>Public administration and defence</b>	16,916	201.19	20,789	239.88	19,457	230.18
<b>Education</b>	20,218	240.47	21,260	245.30	20,880	247.01

Industry	Monthly Income (Taka)					
	Rural		Urban		All	
	Income	%	Income	%	Income	%
<b>Human health and social work activities</b>	17,130	203.74	19,587	226.00	19,104	226.00
<b>Arts, entertainment and recreation</b>	13,958	166.01	15,139	174.68	14,592	172.63
<b>Other service activities</b>	13,391	159.28	13,952	160.98	13,703	162.11
<b>Activities of households as employers</b>	7,730	91.93	8,022	92.56	7,955	94.11
<b>Activities of extraterritorial organization</b>	13,000	154.62	22,055	254.49	20,409	241.44
<b>Total</b>	10,498	124.86	12,693	146.46	11,708	138.50

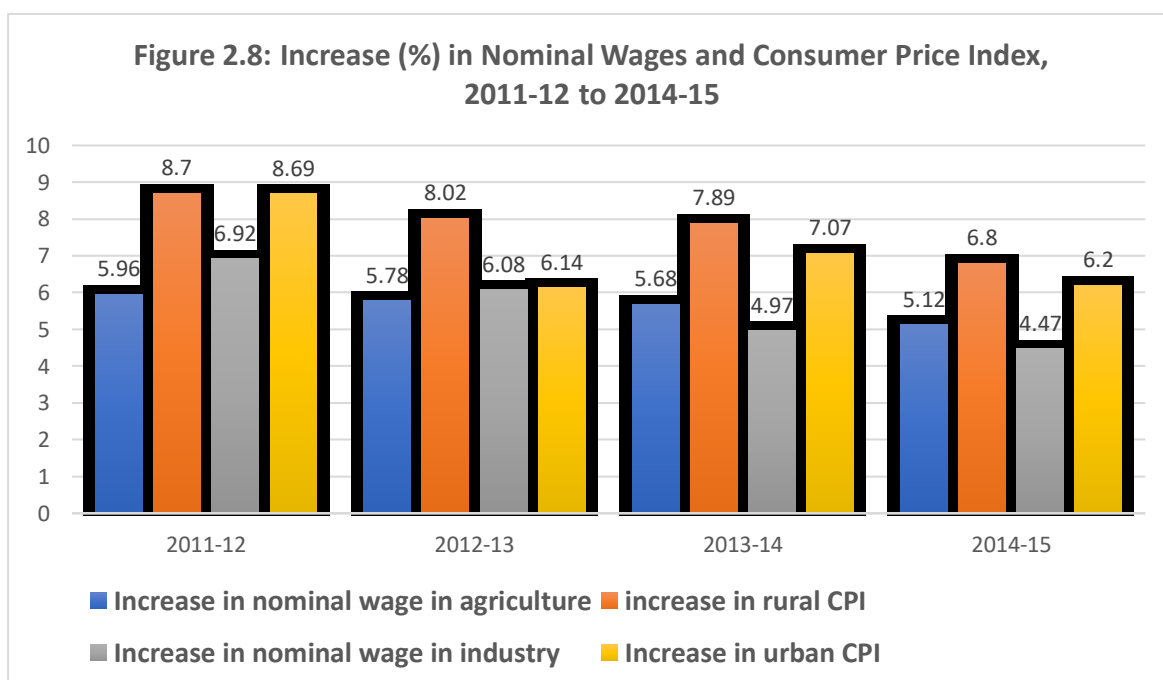
Source: Calculated from primary data of the LFS.

#### Quality of jobs: real wages

If one looks at data on trends in real wages in Bangladesh, a somewhat mixed picture emerges. First, data on real wages of different categories of workers that are available from government sources (Figure 2.7) show that although Bangladesh witnessed an acceleration in economic growth since the mid-1990s, real wages of workers started to rise significantly only after 2007. In fact, real wages stagnated during 2003-2007. Second, real wages started to rise from 2008. It may be recalled that during that year there was a major food crisis throughout the world, the impact of which was felt in Bangladesh in terms of sharp increases in the prices of major food grains. There were increases in wages in response to such price increases – a trend that lasted for a few years. But things started to change from 2011-12, as can be seen from Figure 2.8.



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



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

Government sources do not provide data on real wages after 2008-09. What is available are data on changes in nominal wages and consumer price index. Such data for agriculture and

industry for the period of 2011-12 to 2014-15 are presented in Figure 2.8. It can be seen that in all these years, the rise in consumer price index (CPI) for rural areas exceeded the rise in nominal wages in agriculture. Likewise, the rise in urban CPI exceeded that of nominal wages in industry. These data, i.e., rise in nominal wages falling short of the rise in consumer prices, indicate that real wages in both agriculture and industry declined. This is a conclusion that emerges from available official data, and runs counter to the prevailing notion that real wages in Bangladesh have been rising. In reality, real wages did rise for some years since 2008; but the trend did not continue, and most likely got reversed in recent years<sup>21</sup>.

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

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

Another factor that may have influenced movements in real wages in various sectors is rural-urban migration. This is a common phenomenon in many developing countries, and Bangladesh is no exception. The substantial difference in population growth between rural and urban areas (noted earlier in this chapter) provides an indicator of such migration. Growth of labour force in rural areas has also been much lower. These factors, coupled with the spread of education among the younger generation may have adversely affected the supply of labour for agriculture. On the other hand, high rate of rural-urban migration may have boosted the supply of labour for manufacturing and thus helped keep the lid on real wages in the sector<sup>22</sup>.

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<sup>21</sup> In this context, one might wonder how other countries of South Asia have been doing with respect to real wages of workers. Data available up to 2012 show that real wages of agricultural labourers increased in India, Nepal and Sri Lanka and declined in Pakistan. In India, real wages of workers as a whole also increased. However, wages have not moved in tandem with increases in labour productivity and since the share of wages in value added has declined, the rise in real wages failed to make any contribution to improving the distribution of income. For data and detailed analysis of this issue, see Islam (2019 a).

<sup>22</sup> A recent phenomenon is reverse migration from urban to rural areas. A survey carried out in 2013 by the Bangladesh Bureau of Statistics shows that between 2009 and 2013, the rate of rural to urban migration has

It may be useful to look at additional data on earnings from wage/salary-based employment that are available from labour force surveys which are presented in Table 2.20.

**Table 2.20: Monthly Earnings from Wage/Salary (Taka)**

Sex	Earnings 2013	Earnings 2016	Annual average per cent change 2013 to 2016	Earnings 2017	Per cent change 2016 to 2017
Male	11,621	13,127	4.1	13,583	3.5
Female	11,136	12,072	2.7	12,254	1.5
All	11,493	12,897	3.9	13258	2.8

Source: Calculated from LFS data.

During 2013 to 2016, nominal earnings increased by an average of 3.9 percent annually. This is lower than the total inflation during this period, which average 6.2 per cent annually. During 2016 to 2017 nominal income growth was even lower - only 2.8 per cent; and inflation in that year was 5.6 per cent, thus indicating a negative real income growth of wage/salary earners. In both periods, female income growth was lower and the decline of real earnings was even higher. Since average hours worked was very close in 2016 and 2019, the real wage decline holds for hourly wage as well.

#### Quality of jobs: labour productivity

One indicator of employment performance that was included in the MDGs is growth rate of labour productivity (GDP per employed person). This measure is also useful to get an idea about whether changes in real wages in an economy are in line with that in labour productivity. But given the state of data availability, it is not easy to obtain even a crude measure of labour productivity like output (i.e., GDP) per worker because employment data come from labour force surveys which are household surveys, and do not provide data on output. However, an effort has been made to calculate GDP per worker by using GDP data from national accounts and employment data from the LFS. The results, which are presented on Table 2.21, indicate an annual growth in labour productivity of about 4 per cent during the period of 2002-03 to 2010. After 2010, labour productivity continued to grow at over 3 per cent per annum. And the estimate for 2013 to 2015-16 indicates a doubling of the growth rate. If one looks at a longer period, growth in GDP between 2010 and 2016-17, growth in labour productivity is found to

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increased (Byron, 2015). A higher rate of rise in agricultural wages compared to wages in manufacturing may have created incentives for such reverse migration.

be over 5 per cent per annum. So, it may be safe to conclude that more than half of the annual growth in GDP (which has ranged between six and seven per cent during the 2000s) has been due to growth in labour productivity. The contribution seems to have been higher in recent years (i.e., after 2010).

Given the order of magnitude for the growth in labour productivity (measured as GDP per person) observed from the figures in Table 2.21, it is surprising to see the decline in real wages after 2011-12 (noted above).

**Table 2.21: Labour Productivity (GDP per employed person)**

Year	GDP (billion Taka)	Employment (million)	GDP per person (Taka)	Annual growth rate in GDP per person (%)
2002-03 (base: 1995-96)	2371.0	44.3	53,521	
2005-06 (base: 1995-96)	2846.7	47.4	60,057	3.92
2005-06 (base: 2005-06)	4823.4	47.4	101,759	
2010 (base: 2005-06)	6267.2	54.1	115,845	3.29
2013 (base: 2005-06)	7,519.9	58.1	129,430	3.77
2015-16 (base 2005-06)	8,835.5	59.5	148,496	7.11
2016-17 (base 2005-06)	9,475.4	60.3	155,578	4.77
2010 to 2016-17				5.03

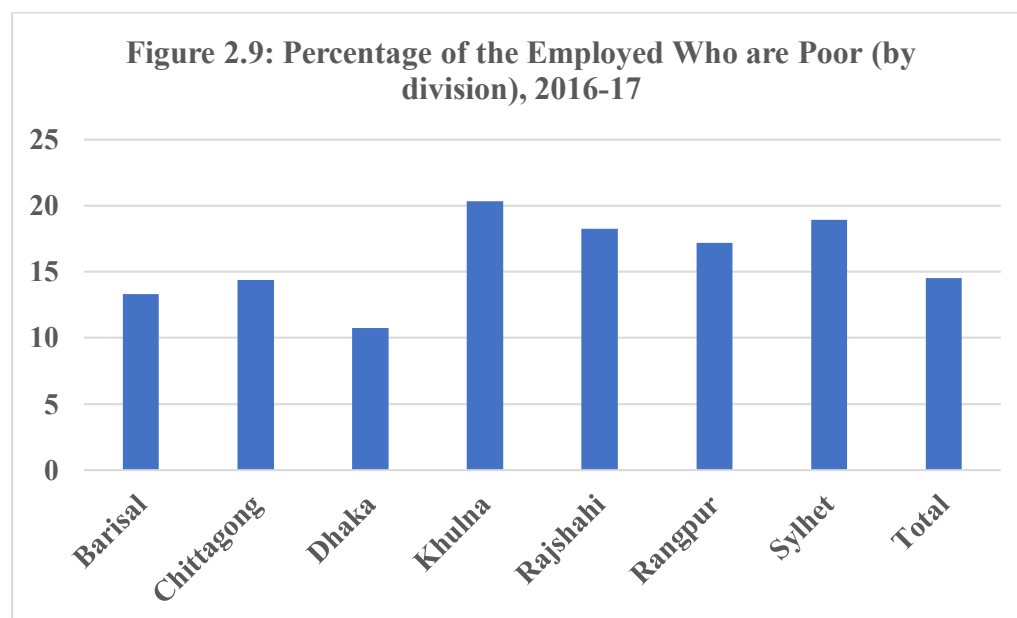
Notes: As mentioned, the base year for the figure for 2002-03 is 1995-96. Hence, in order to calculate the growth rate between 2002-03 and 2005-06, the figure for the latter with base as 1995-96 has been used. For the rest of the figures, the base year is 2005-06.

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

### Quality of jobs: working poor

In addition to real wages, a useful indicator of the quality of jobs is whether earnings from them are adequate to enable workers to have a living above the poverty line. The phenomenon of

“working poor” is common in many developing countries, and is a great challenge for poverty reduction policies since expansion of employment is often viewed as a policy instrument for poverty reduction. For this group there is no scope of increasing the hours worked. Policy for addressing the needs of this group has to go beyond expansion of present type of employment. Data on the proportion of workers who are below the poverty line are presented in Figure 2.9.



Note: Data on working poor are for those in salaried/wage employed. For self-employed, there is no income data in the LFS. Working poor is defined as someone who worked for 35 or more hours during the previous week and his monthly earning from wage/salary is below the average moderate poverty threshold.

Source: Calculated from LFS 2017 data

A few points may be noted. More than half the poor of the country suffer from poverty despite working full time. The extent of working poverty is much higher in rural areas than in urban areas. And there is considerable degree of regional variation in the extent of working poverty – the lowest in Dhaka division and the highest in Khulna division. The northwest and northeast regions also show much higher percentage of working poverty compared to the national average.

### Gender Dimensions of Employment

#### *Labour force, participation rate and structural change in employment*

Gender dimensions of the employment and labour market situation have already been touched upon earlier in this chapter. To recall a few points,

- Compared to men, labour force participation rate is much lower for women.
- Since 2000, the rate of growth of female labour force has been higher than that of males.

- For two decades since the 1990s, women’s participation rate increased; but it has stagnated after 2010.
- Despite some change in the sector composition of employment of both men and women, women remain predominantly in agriculture. In recent years, the proportion of men in agriculture has declined but has increased for women.

An important dimension emerging from the sectoral distribution of employment mentioned above is the overriding importance of women in supplying food for the growing population of the country. Women account for 47.41 per cent of those employed in the “crop and animal” sector. In terms of age, most of these women are 30 years and over (Table 2.22).

Younger women are more in sectors like manufacturing, education, health, etc. While this has positive implication for earnings (since these sectors yield incomes that are higher than in agriculture) of younger women, the higher proportion of relatively older women in agriculture also raises the issue of inter-generational equity.

The older among the employed women tend to be less educated, and therefore, women engaged in agriculture are likely to be less educated than women in other sectors. In fact, data from LFS shows (table not shown) that the workers employed in agriculture are older and less educated for total of men and women employed in this sector as well as for men and women separately<sup>23</sup>.

Data on land ownership of women employed in agriculture shows that 38% of them are landless or owns less than .04 acres of land. This will have adverse implications for productivity of the employed women. That, in turn, points to the need for improvement in the quality of agricultural labour force in general and of female labour force in particular. Also, it points to the importance of attracting young educated men and women to this sector and imparting relevant skills to raise their productivity. Otherwise, productivity in agriculture may suffer once the existing cohort exits from labour force after certain age. This subject will be taken up again in the Section on strategies.

**Table 2.22: Sector Composition (%) of Employment, by Gender and Age Group, 2016-17**

ISIC Rev-4/BSIC 2009 at 1 digit-Section	Age 15-29			30 & above		
	Male	Female	All	Male	Female	All
Agriculture, forestry and fishing	21.78	46.71	30.03	36.29	65.74	45.02
Manufacturing	21.73	25.46	22.97	10.91	10.69	10.84
Construction	10.76	1.43	7.68	6.24	1.34	4.79

<sup>23</sup> Rahman and Islam (2013) shows that women self-employed (mostly in agriculture) are less educated but comes from larger land owning groups. ADB and ILO (2016) shows that the latter relationship has been weakened in 2013, which is also borne out by analysis of data of LFS 2017.



ISIC Rev-4/BSIC 2009 at 1 digit-Section	Age 15-29			30 & above		
	Male	Female	All	Male	Female	All
Wholesale and retail trade, repair of	17.59	3.42	12.90	19.61	3.33	14.79
Transportation and storage	12.76	1.24	8.95	11.60	1.04	8.47
Accommodation and food service activities	2.54	0.66	1.92	2.22	1.14	1.90
Public administration and defense	1.49	0.64	1.21	2.15	0.81	1.75
Education	3.26	6.87	4.45	2.99	3.82	3.24
Human health and social work activities	0.53	1.25	0.77	0.74	1.12	0.85
Activities of households as employer	0.62	3.59	1.60	0.66	5.68	2.15
others						
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: LFS

The pattern of structural change in women's employment has implications for the quality of employment in terms of productivity and informality. The contrasting patterns of structural change of employment of men and women implies that men are benefiting more from the advantages of modern sector employment while women are being left in jobs in the traditional sector with lower productivity. Whether this applies to all women in agriculture is not quite certain. Part of their employment in agriculture may be in high value products; and in that case, there could be scope for optimism. There is no data on detailed breakdown of the types of women's activities within agriculture or on productivity of their labour. However, given that wages in agriculture are lower than in other sectors, it can be surmised that productivity is also lower. And incomes from self-employment in the sector are also likely to be lower. Hence, the danger of women remaining in low-productivity activities should not be under-estimated.

In addition to the analyses based on broad sectors, data on changes in women's share of employment in detailed sector classification can help reveal whether some positive features are also present in female labour market. The relevant data are presented in Table 2.23.

**Table 2.23: Share (per cent) of Women in Employment of Different Sectors**

Sector	2016-17	2010
Agriculture, forestry and fishery	45.06	40.91
Manufacturing	32.89	28.33
Construction	7.44	8.67
Retail trade	7.68	Na

Sector	2016-17	2010
Transport and storage	3.83	6.15
Accommodation and food	15.89	6.74
Finance and insurance	18.58	5.45
Legal and accounting activities	11.11	n.a.
Public administration and defence	14.58	6.68
Education	40.81	25.37
Human health	42.94	38.37

Source: Calculated from LFS, 2010 and 2016-17.

Some patterns and trends seem to emerge from data presented in Table 2.23. First, after agriculture, the major employers of women are health services, education<sup>24</sup>, and manufacturing – in that order. A major change during the past decade or so is the emergence of education as a major employer of women. Of course, this may be due largely to the large proportion of women in teaching at the primary level. But this can be taken as a good beginning, and further progress can be aimed at. Second, although manufacturing has lost the second position to education, nearly a third of this sector’s jobs are held by women, which is substantially higher than in 2010. Third, a few other services have emerged as notable employers of women. They include finance and insurance, accommodation and food, public administration, and legal services. Although the proportions are still small in these sectors, their emergence in recent years can be taken as a sign of progress.

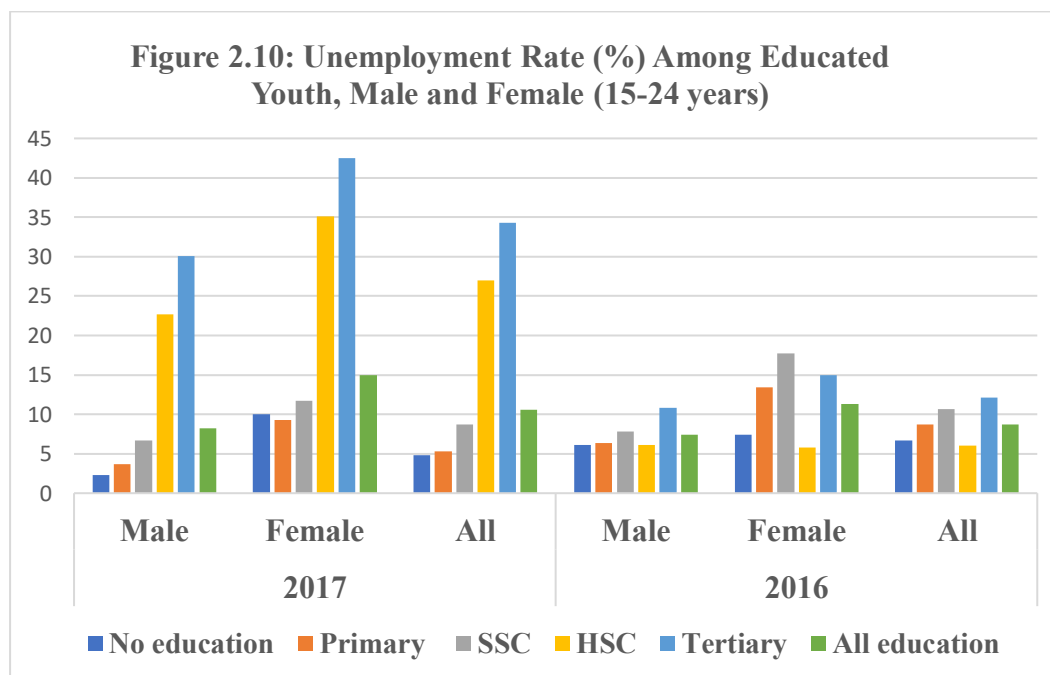
The sectors that are traditionally important areas of women’s employment (e.g., education and health) as well as some emerging sectors like accommodation and food, public administration and legal services – all require some level of education. Hence it is possible to hypothesize that education is an important variable that can influence the sectors in which women are employed. Data on the level of education for employment in different sectors (Rahman and Islam, 2018) tend to support this hypothesis. Such data show that with just primary education, the possibility of finding employment outside agriculture and manufacturing would be limited. The probability of employment in education, health and public administration increases when the level of education is secondary or above. More than 70 per cent of those employed in the information and communication sector reports higher secondary or higher level of education.

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<sup>24</sup> High proportions of women in education and health indicate that social sectors could be major sources of their employment, especially for those with education. For some specific ideas, see Box 6.1 (Chapter 6).

The general conclusion that emerges is that in order to move into modern sectors where wage/salaried jobs are the norm, education would be an important pre-requisite.

But it must not be assumed that more education would automatically help women (or for that matter anyone) to move from traditional to modern sectors, or from jobs with low productivity and incomes to those higher productivity and higher incomes. Data on unemployment rates by education levels for both women and men (presented in Figure 2.10) raise questions regarding employability of young people that would need to be addressed.



Source : Constructed by using data from LFS.

While there is an inverse relationship between unemployment rate and levels of education, what is more disconcerting is that unemployment rate among young educated women (HSC and higher) is substantially higher than that among men with similar education. Particularly alarming is the increase observed between 2016 and 2017. And the increase has taken place despite the fact that LFPRs among young women were at the same level in these two years. Possible reasons of such rise are that there is a shortage of jobs that could match the preferences of young educated job seekers. They are likely to prefer jobs within commuting distance from home whereas more jobs may be in larger towns far from home. Generation of self-employment may not often be possible due to lack of business knowledge and experience. Employers often show preference for male workers. Of course, the weight of these forces can be assessed only through in-depth empirical research. And such research would be important for formulating effective strategies to address the issue.

#### *Gender difference in wages and earnings*

Gender differential in earnings is a subject of longstanding discussion in the literature on employment and labour market. Data from the Labour Force Survey of 2016-17 presented in

Table 2.24, show the extent and variation in this respect<sup>25</sup>. On an average, women’s wage and salary are ten percent lower than men’s.<sup>26</sup> But this difference varies between occupations the gap being the largest for agriculture and elementary occupations and lowest for technicians and associate professionals. If one looks at the proportion of women in different occupations, one would see that a very high proportion is engaged in the two occupations where the gender pay gap is the highest, implying that a large proportion of women suffer from such discrimination.

**Table 2.24: Gender Differences in Earnings from Wage/Salary by Occupation: 2016-17**

<b>Occupation</b>	<b>Women’s Average Monthly Earning as Proportion of Men’s (%)</b>
Managers	90.19
Professional	92.49
Technicians and Associate Professionals	95.90
Clerical Support Workers	90.93
Service and Sales Workers	93.37
Skilled Agricultural, Forestry and Fisheries	82.15
Craft and related Trades Workers	92.05
Plant and Machine Operators and Assembler	92.57
Elementary Occupations	83.13
Total	90.22

Source: Calculated from the Labour Force Survey 2016-17 data.

A look at the trend in the gender differential in earnings indicates a widening of the gap over time. In 2013, the gap was less than five per cent; by 2016-17, it increased to nearly ten per cent.

An interesting aspect of the gender gap in earnings is that it widens with the age of individuals, as can be seen from Figure 2.11. For both men and women, earnings rise first, and after a

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<sup>25</sup> Data presented in Table 2.24 are not controlled for the level of education. One study (Farole and Chi, 2017) shows that when controlled for education, gender-related earnings gap is not significant.

<sup>26</sup> Rahman and Al-Hasan (2018) found that in 2017 women’s earnings were 12.2 per cent lower compared to those of men and that discrimination was higher for lower deciles. Wage gap was also found to be higher in the informal sector.

certain age starts to decline. For women, the peak comes much earlier, during 25-34 years, than in the case of men, during 45-54 years.

One study attempting to analyze the factors influencing earnings (Rahman and Islam, 2018) found that while education is important, it is only post-secondary education that can make a real difference. As for experience, incomes increase up to an age, and then starts declining.

**Figure 2.11: Male and Female Earnings by Age Group (Taka per month 2016-17)**



Source: Constructed by using data from the labour force survey, 2016-17

### Employment and Unemployment of the Youth

Growth of youth labour force in a country like Bangladesh is considered to be indicative of a potential for demographic dividend and can be a positive factor in attaining economic growth. This, however, should not be taken as assured because labour force participation rate among the young people may not rise for a variety of reasons. Moreover, unless economic growth is able to generate productive employment at a rate required to fully absorb the new entrants into the labour force, the result may be unemployment and underemployment of the youth and waste of resources.

Employment and Jobs Strategy which will be relevant for younger labor force requires separate treatment because this group is likely to have special priorities in their choice of labour market roles and may face additional vulnerability because of their age. The transition of school to workforce is often difficult, especially for youth from low income families, who are likely to enter the labour force earlier than others. Young women face a different set of social constraints which may restrict their entry into the labour force.

In an economy dominated by family employment, the entry of youth labour force is considered as an automatic process where they are first engaged as unpaid workers in family farm/enterprise. But this process may no longer serve as a route to employment of youth as the youth labour force receive education and aspire to move to paid jobs in new occupations.

Data on age-specific participation rates presented earlier in this chapter (Tables 2.5 a and 2.5 b) indicated that while labour force participation rate of the young increased up to 2010, it started to decline thereafter. Various studies also show that unemployment rates among the young people are much higher than the average and have risen in recent years. Hence, it is important to look at the issues in some depth.

#### *Growth of Youth Labour Force (YLF) and Potential Demographic Dividend*

Data on youth population and labour force<sup>27</sup> presented in Table show the following.

- After an acceleration in the growth of youth population during the first decade of 2000s, it has remained static in recent years.
- During 2000 to 2010, about 6.4 million youth have joined the labour force in Bangladesh. This can be considered as a demographic dividend (of course in a potential sense) because this has resulted mainly from the growth of population.
- LFPR among youth increased from 51.7% in 2006 to 53.2% in 2010 and then declined to 48.7 in 2017. Therefore, in the recent period the size of the youth labour force has stagnated.

**Table 2.25 Growth of youth population and youth labour force (15-29 years)**

<b>Indicator</b>	<b>2000</b>	<b>2006</b>	<b>2010</b>	<b>2016</b>	<b>2017</b>
Youth Population (mill.)	30.3	34.3	39.3	41.6	41.3
Average growth of YP (%) per year	-	1.92	3.46	0.01	-.01
Youth Labour force (mill.)	14.5	17.8	20.9	20.8	20.1

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<sup>27</sup> Youth is defined as persons aged 15-29 years. LFS provides two sets of youth tables, for 15-24 years and another for 15-29 years aged. In Bangladesh, those with tertiary education enter labour market during ages 25-29. So, 15-29 range is used in the present section. However, the actual strategies suggested will apply to 15-35 years aged persons as well. NYP defines youth as 15-35 years old.

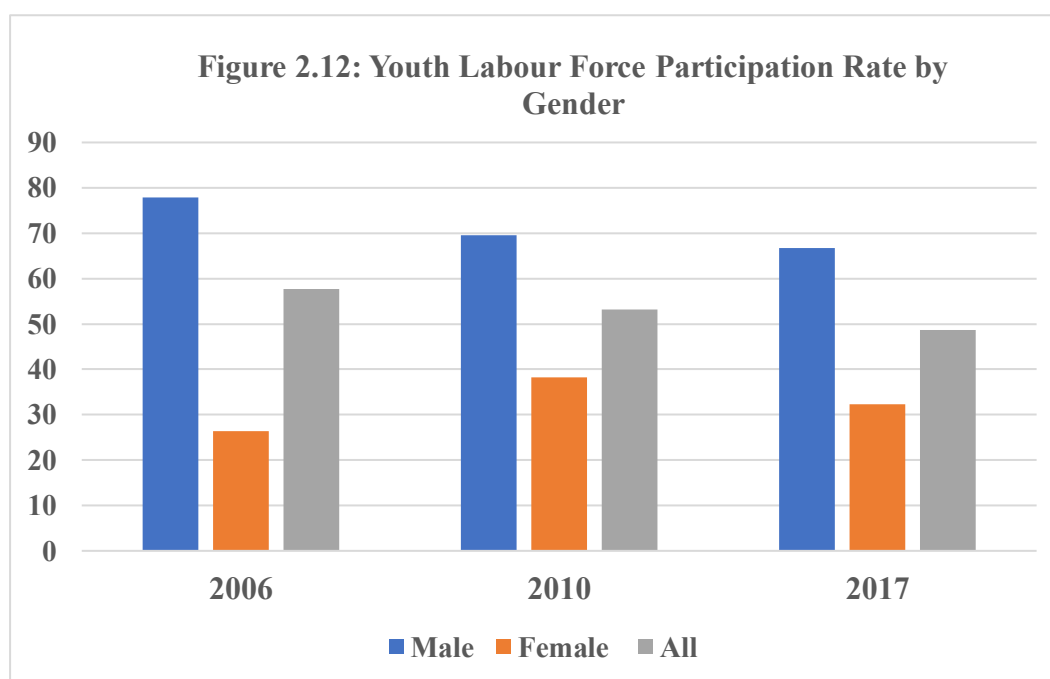
Indicator	2000	2006	2010	2016	2017
Average growth YLF (%) per year	-	3.48	4.09	.0	-.03
LFPR among youth	47.4	51.7	53.2	49.9	48.7
Youth in employed labour force (%)	38.1	35.8	36.9	33.5	31.6

Source: BBS (various years): Labour Force Survey.

The size of youth labour force may increase again since there is ample scope of raising the overall LFPR among youth through a rise of LFPR among young women which is currently quite low. Moreover, the share of employed youth in total may go up also through reduction of youth unemployment which at present is much higher than the rate of overall unemployment. Thus, the potential for utilizing the demographic dividend may remain despite a decline in population growth. But it needs to be recognized that the size of the dividend may not increase at a fast pace and that Bangladesh may have reached the peak of the demographic dividend.

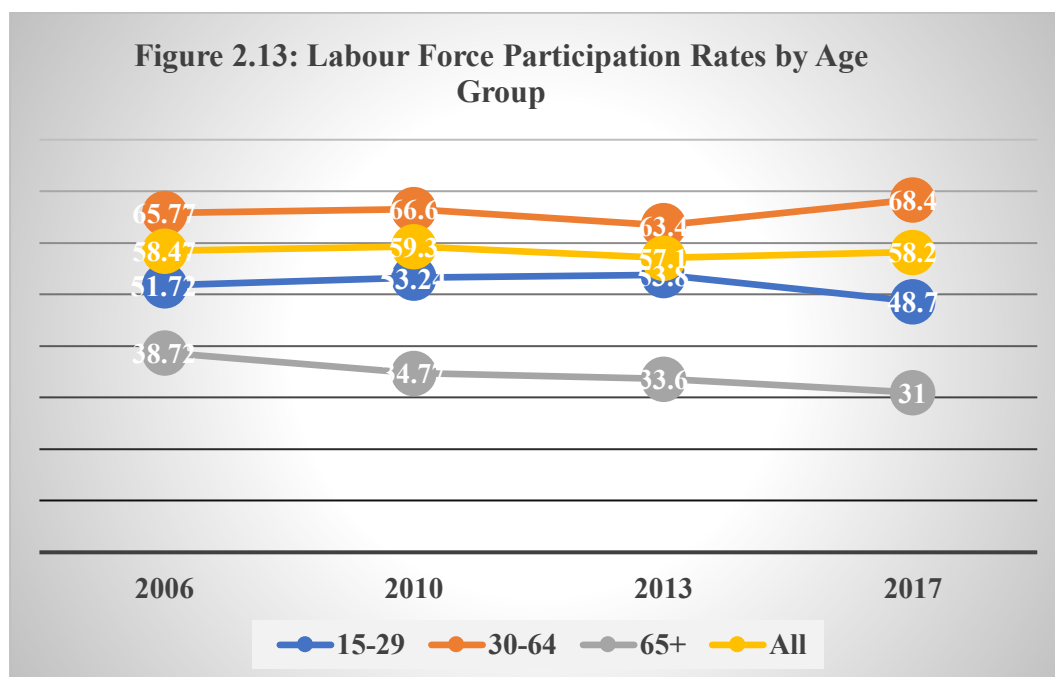
#### *Youth Labour Force Participation: Trends and Implication*

Youth labour force participation rate (LFPR) is likely to depend on supply side factors like school enrolment rates and its changes and environment for investment on human capital. In addition, demand side forces may act in either direction. Youth LFPR data for Bangladesh during 2000 to 2017 show that it increased between 2000 and 2010 and then declined. Gender disaggregated data shows that the participation rate of male youth has declined while female labour force participation rate has increased (Figure 2.12).



Source : Constructed by using data from LFS.

A comparison of LFPR among age groups (Figure 2.13) shows a decline of LFPR among the young (15-29 years) and older (over 65 years) age groups.



Source: Constructed by using data from LFS.

#### *Quality of Youth Labour Force*

Quality of youth labour force determines their productivity and contribution to the economy; and education is an important dimension of quality. Data on education of youth labour force shows that (Table 2.26) the share of youth labour force without any education has declined considerably and the shares with a few years of education have increased during the recent years. But the share with education above SSC level have not increased. These shares are likely to increase with a gestation gap and are expected to change within next five years or so. Studies reveal that there is significant inequality in access to education (Rahman, 2009). Inequality between rural and urban areas and among income groups has been glaring and this may hamper the quality enhancement of youth labour force.

**Table 2.26: Level of education of youth labour force (15-29 years): 2000 to 2017 (Per cent)**

Level of education	2000			2006			2010			2017		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No schooling	38.6	34.3	49.4	27.75	25.87	33.17	26.9	27.4	25.9	8.95	9.13	8.78
class i – v	26.3	28.0	22.2	28.90	29.54	27.04	27.4	29.4	24.1	21.78	23.89	19.89
Class vi – viii	15.0	16.8	10.4	17.56	18.06	16.12	19.2	18.5	20.5	24.16	20.69	27.28



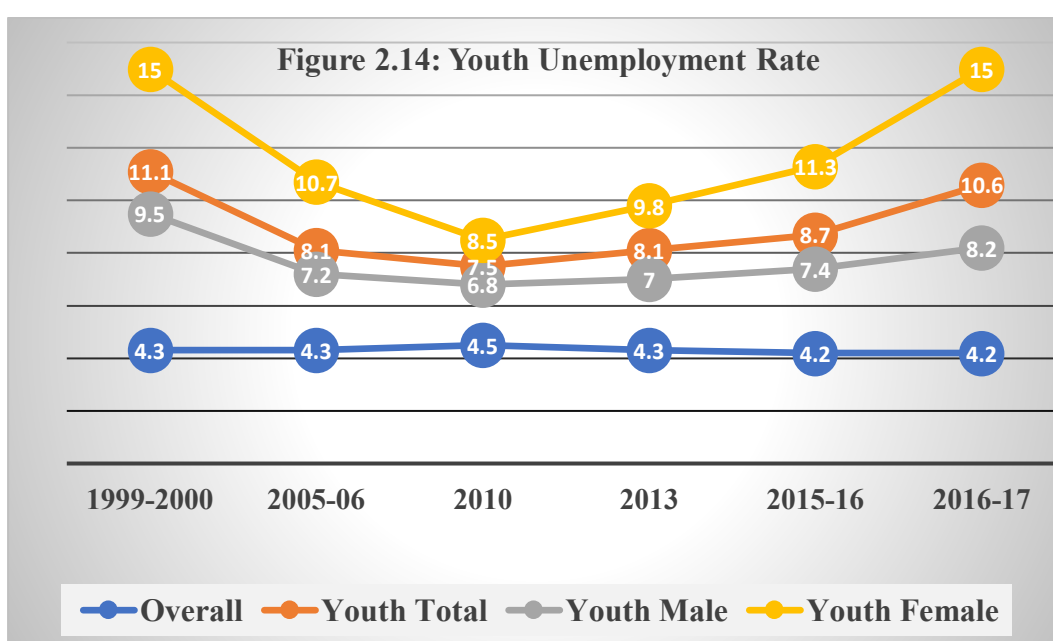
Level of education	2000			2006			2010			2017		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Class ix – x	6.7	7.0	6.7	10.38	10.76	9.28	13.3	11.6	16.3	28.78	27.12	30.28
SSC/HSC & equivalent	9.4	9.6	9.1	11.72	12.06	11.75	10.7	10.3	11.5	12.16	13.93	10.57
Degree & above	4.0	4.3	3.2	3.44	3.47	3.37	2.5	2.8	1.7	4.17	5.24	3.20

Source: BBS (various years): Labour Force Survey.

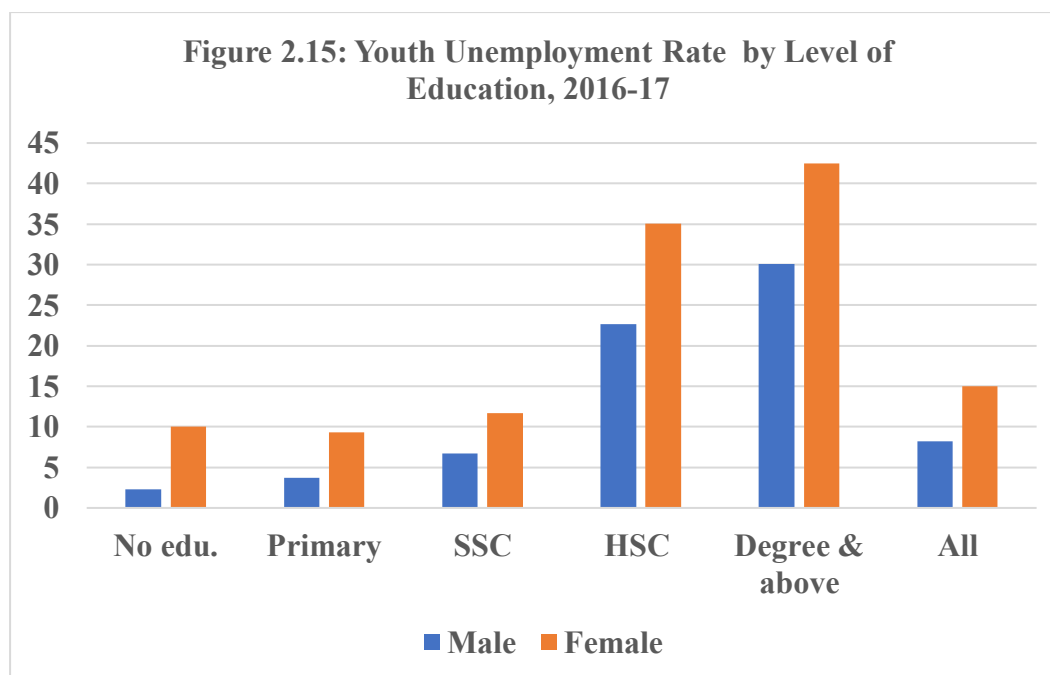
### *Unemployment Rate among Youth*

Unemployment rate among youth slightly declined during 2006 and 2010 (Figure 2.14); and both male and female youth labour force experienced the improvement. After that, it has increased, both among male and female youth.

In Bangladesh high rate of youth unemployment is actually due to higher rate of unemployment among educated youth. It is a matter of concern that unemployment rate is higher among educated youth compared to those without education (Figure 2.15). This pattern at least partially reflects that the educated youth are from better-off families and can afford to remain unemployed. Nonetheless, it implies wastage of human capital. Educated unemployment tends to generate a vicious circle through its discouraging effect on future private investment on education. Young persons without education come from poorer households and can hardly afford to remain without employment. Unemployment rate is only 4.3 per cent in this group. These workers usually engage in the casual labour market where continuous dearth of employment opportunity is rather unusual. Unskilled and uneducated workers seeking casual jobs do not therefore face continuous unemployment.



Source : Constructed by using data from LFS.



Source : Constructed by using data from LFS.

#### *Youth not in employment, education or training*

In addition to the unemployment rate, the difficulty in school to work transition is reflected in the extent of “not in employment, education and training” (NEET). This group consists of those unemployed, those discouraged to enter the labour force due to social and economic factors including the prevailing high rate of unemployment, and those unwilling/unable to join the labour force. Another factor is the burden of care work including household chores and non-availability of services which would enable them to be in the labour force. The last two components of NEET constitute potential labour force.

According to LFS 2016-17, a large section of youth belongs to NEET - 8.1 percent among men and as high as 49.4 percent among women. Household chores has been mentioned as the main reason of these women’s non-entry into labour force.

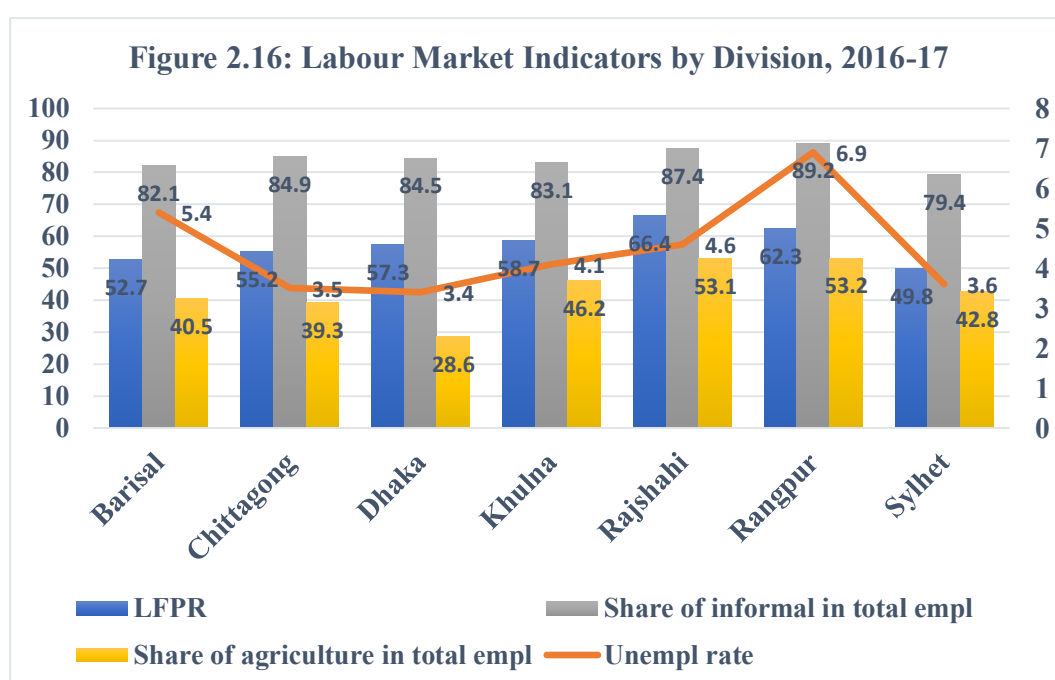
#### Labour market performance by Region and location

##### *A few basic characteristics*

Bangladesh’s land area is small and does not contain much difference in physical features. And yet, the recent development experience of the country raises concerns about regional variation, and there is need for focusing on the regional context in the Jobs Strategy. The HIES data shows that poverty incidence is much higher in the administrative Divisions of the north, west and south. There have been differences in the poverty rate in the urban and rural areas - the rural areas continue to be poorer. Although the prevalence of “Urban bias in development” may not be as sharp as highlighted by Lipton in his much discussed thesis (Lipton 1977), there are

differences in the opportunities in various spheres, and it would be of interest to examine whether labour market features are different among regions and how to address specific constraints in some regions.

Higher and rising poverty incidence in the southern and north-western divisions have been noted with concern since 2006. Since then, various steps have been taken to help reduce poverty in these areas. Such measures included microcredit to boost growth of self-employment and expansion of social safety net. As a result, the incidence of poverty has declined in some areas. But without growth of investment in mainstream economic activities, growth of employment, productivity and wage cannot materialize through structural transformation of the economy. In this respect, data on various indicators of labour market shows substantial inequality among Divisions (Figure 2.16).



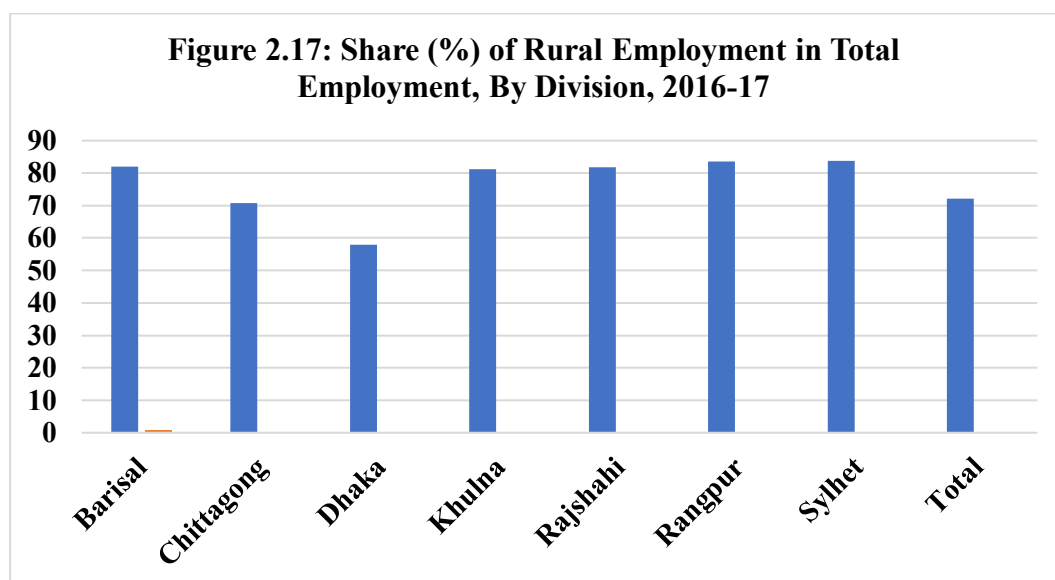
Note: All data in the above figure are in percentage.

Source: Constructed by using data from LFS.

Figures on LFPR and unemployment show efforts to raise labour supply in the Divisions with higher poverty. LFPR stands above 57 per cent in Khulna, Rajshahi and Rangpur. However, the lower demand for labour is reflected in unemployment data. Unemployment rates are high in Rangpur, followed by Barisal and Rajshahi.

Rajshahi, Rangpur and Khulna are yet to benefit from structural transformation in employment (and possibly output, although disaggregated data on GDP are not available). In these Divisions respectively 53.1, 53.2 and 46.2 per cent employment is in agriculture. In contrast in Dhaka and Chittagong Division only 28.6 and 39.3 per cent employment is in agriculture. Rajshahi and Rangpur Division are also at the top in terms of extent of informality. WB (2018) provides data which shows that during the last one and half decades share of agricultural employment

increased in these two Divisions. Figure 2.17 shows the variation in the extent of rural employment. While Dhaka and Chittagong divisions are least rural, the divisions of north and west - Rajshahi, Rangpur and Khulna and Sylhet are much more rural in terms of employment.



Source: Constructed by using data from LFS.

Wage and salary income data shows (Table 2.27) lower average income in the rural areas of these three divisions (Rajshahi, Rangpur and Khulna). Rural Sylhet also has low wage income although the rate of poverty is not high. This is possibly because of dominance of low wage haor areas in total wage employment whereas foreign remittance keeps poverty incidence low.

Above analyses demonstrate that the policies and programmes adopted for poverty reduction did not result in a transformation of the economy of the backward Divisions. Being far from the central industrial hub of Dhaka and Gazipur, the division of Rajshahi, Rangpur and Khulna could not derive an indirect benefit through rural-urban migration. On the aggregate rural to urban or even rural to a rural migration creates an income advantage (WB 2018). For the poorest regions, such scope is limited since the extent of industrialization is low.

**Table 2.27: Wage/Salary Income per Month by Division and Location, 2016-17**

Division	Average wage/ salary per month (Taka)					
	Urban	% of urban over the average	Rural	% of rural over the average	Both	% of average
Barisal	14,178	103.91	10,881	106.39	13,056	107.00
Chittagong	12,402	90.89	10,449	102.17	11,629	95.30
Dhaka	14,593	106.95	11,030	107.85	13,268	108.74
Khulna	12,940	94.83	9,813	95.95	11,571	94.83
Rajshahi	13,598	99.66	9,935	97.14	11,819	96.86
Rangpur	13,257	97.16	9,437	92.28	11,195	91.75

Division	Average wage/ salary per month (Taka)					
	Urban	% of urban over the average	Rural	% of rural over the average	Both	% of average
Sylhet	13,170	96.52	9,409	92.00	11,567	94.80
Total	13,645	100	10,227	100	12,202	100

Source: LFS.

Therefore, the poorer Divisions (all except Dhaka Chittagong and Sylhet) require investment in infrastructure and power which may create dynamism in mainstream economic activities. However, this may not bear fruit in the short run. During next five years, investment to increase productivity of agriculture (both crop and non-crop) can be more effective as routes to growth of employment and income.

#### *Rural urban Inequality in the labour market*

Difference between rural and urban areas in terms of labour market features are linked with the difference in sectoral composition of employment. Data on sectoral share of employment (Table 2.28) show that about 52 per cent of rural and 12 per cent of urban employment is in agriculture. This difference is counteracted by much higher share of urban employment in manufacturing, trade and a few service activities. This is quite expected.

**Table 2.28: Employed population aged 15 or above, by major industry, sex and area, 2016-17**

ISIC Rev-4/BSIC 2009 at 1digit-Section	Rural (%)	Urban (%)
Agriculture, forestry and fishing	51.7	11.8
<b>Sub-total</b>	<b>51.7</b>	<b>11.8</b>
Mining and quarrying	0.2	0.0
Manufacturing	11.3	22.4
Electricity, gas, steam and air conditioners	0.1	0.3
Water supply, sewerage, waste management	0.0	0.1
Construction	5.3	6.6
<b>Sub-total</b>	<b>17.0</b>	<b>29.4</b>
Wholesale and retail trade, repair of vehicles	11.8	20.5
Transportation and storage	7.8	10.8
Accommodation and food service activities	1.5	2.9
Information and communication	0.1	0.7
Financial and insurance activities	0.3	1.7

ISIC Rev-4/BSIC 2009 at 1digit-Section	Rural (%)	Urban (%)
Real estate activities	0.1	0.5
Professional, scientific and technical	0.3	0.8
Administrative and support service activities	0.4	1.0

Source: BBS (2017): Labour Force Survey.

However, the growth of non-farm employment in urban areas is not sufficient to help a structural transformation of rural employment. Policy initiatives of both government and NGOs have helped generate non-farm employment in rural areas and still the share of non-farm employment increased by only six percentage points (from 42 per cent to 48 per cent) during 2006 to 2017.

Moreover, data on broad sector composition of employment shows that the share of industry is high in city corporations (36.7 per cent) but is rather modest in other towns (23.4 per cent), latter is closer to the rural share (17.0 per cent). Concentration of industrial employment in the city corporations (located in Dhaka and Chittagong Division) does not depict a healthy spatial dispersion of opportunities.

**Table 2.29: Employed population aged 15 or older, by sector and locality, 2016-17**

		Rural	Urban	City corporation	Total
	<b>Column %</b>				
Agriculture		51.7	19.1	2.9	40.6
Industry		17.0	23.4	36.7	20.4
Service		31.3	57.5	60.4	39.0
Total		100.0	100.0	100.0	100.0

Source: LFS.

Above discussion on the Divisional dimension of labour market characteristics have already hinted at the need for looking at the rural and urban dimension in addition to differences among Division. The “city corporations” account for high shares of employment in Dhaka and Chittagong Division (Table 2.30). The share of employment in smaller towns in these two Divisions is not very different from share of towns in other Divisions. Thus, the growth of large cities has not helped growth of employment in smaller towns as a linkage.

**Table 2.30: Employed population aged 15 or older, by division and locality, 2016-17**

	Employed persons share (row %)			
	Rural	Urban	City corporation	Total
Barisal	82.0	13.6	4.4	100.0
Chittagong	70.7	15.2	14.1	100.0
Dhaka	58.0	16.3	25.7	100.0
Khulna	81.2	14.6	4.3	100.0

	Employed persons share (row %)			
	Rural	Urban	City corporation	Total
Rajshahi	81.7	16.1	2.3	100.0
Rangpur	83.6	14.7	1.7	100.0
Sylhet	83.7	11.9	4.4	100.0
Total	72.1	15.3	12.5	100.0

Source: LFS.

Other aspects of difference between rural and urban areas include education of labour force, extent of informality, hours of employment and earnings. Some of these aspects have received attention in other sections. The major differences that are observed include:

- a) Higher share of urban labour force are educated above SSC level.
- b) Hours worked per week is higher among urban workers.

A comparison of wage/salary income shows a mixed result. Although the average income is 37 per cent higher in urban areas, income difference in some occupations are small. Detailed data in Table 2.31 shows that urban-rural difference in salary/wage income is non-existent or very small in occupations such as agricultural activities, crafts and related work and elementary occupations. Rural-urban differences are high in high skilled occupations like managers, professionals, technicians and associate professionals and clerical support workers. Such professionals in urban areas are likely to be more qualified compared to their rural counterparts and also because urban areas have more scope of better paid employment for better skilled persons.

**Table 2.31: Average monthly income from employment (wage/salary), by occupation, sex and area, 2016-17**

Occupation	Rural Total	Urban Total
Managers	25,117	41,473
Professionals	23,471	29,349
Technicians and Associate Professionals	18,845	23,308
Clerical Support Workers	14,243	17,842
Service and Sales Workers	11,304	12,505
Skilled Agricultural, Forestry and Fisheries	9,267	9,434
Craft and Related Trades Workers	10,268	10,750
Plant and Machine Operators, and Assembler	11,724	12,410
Elementary Occupations	8,392	8,392
Other Occupations	24,361	29,037

Occupation	Rural Total	Urban Total
<b>Total</b>	11,608	15,912

Source: LFS.

Employed persons dependent on salary/wage income are most disadvantaged in the rural areas of Rajshahi, Rangpur and Khulna Divisions where such incomes are lower and poverty incidences are high.

Data on extent of informality in rural and urban employment (Table 2.32) shows that the difference is not very high when one considers non-agricultural sectors, especially in the case of industry (respectively 90.6 and 88.9 per cent of industrial employment in rural and urban areas are of informal nature).

**Table 2.32: Informal employment aged 15 or older (as % of total employment), by broad economic sector, sex, and area, 2016-17**

Economic Sector	Rural			Urban			Bangladesh		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Agriculture</b>	95.0	96.2	95.5	92.6	94.6	93.5	94.8	96.1	95.4
<b>Industry</b>	90.1	92.3	90.6	85.8	96.0	88.9	88.5	94.1	89.9
<b>Service</b>	73.1	80.6	74.3	65.6	78.0	68.2	70.1	79.4	71.8
<b>Total</b>	85.6	93.3	88.1	73.6	87.3	77.3	82.1	91.8	85.1

Source: LFS.

### Overseas Employment: Trends, Prospects and Challenges

#### *Trends and patterns*

While emigration of people from Bangladesh has a long history<sup>28</sup>, short-term migration for employment started in the 1970s and picked up pace gradually. From just over 6,000 in 1976, the number of people going abroad for jobs increased to around 100,000 by the end of 1980s. But the pace gained momentum during the 2000s and after 2005, there was a sharp increase in the flow for a couple of years<sup>29</sup> (Figure 2.18). There was another sharp rise in 2017 when more than one million people found employment overseas. But the average outflow during 2016 to 2018 was around 800,000. It is also important to note that these numbers represent gross outflow of workers and don't take into account workers who return after the end of their contract. While there is no information – official or unofficial – on the number of returning

<sup>28</sup> The first wave of emigration of people from the area that now constitutes Bangladesh started in the 1960s when Britain opened its doors.

<sup>29</sup> It is difficult to say what caused this sharp but short-lived increase in the number of migrant workers. During discussions with experts in this field, it was mentioned that the political situation of the country during those years may have been responsible for a large number of people leaving the country for jobs abroad.

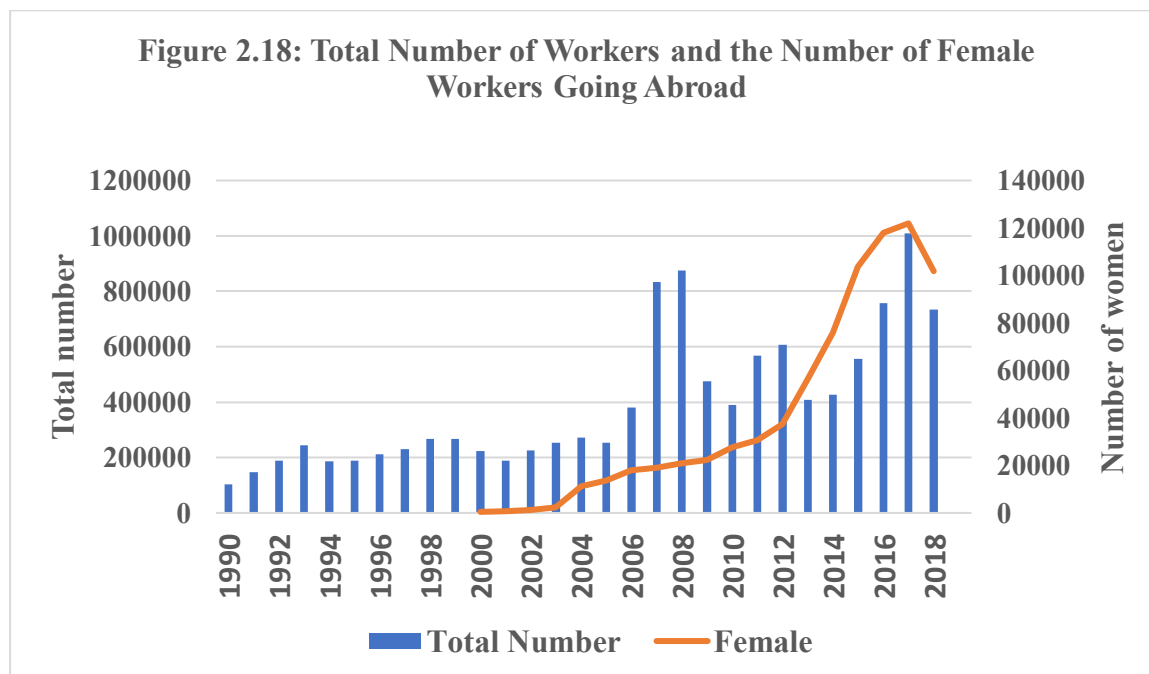


workers, those knowledgeable about the situation think that almost similar numbers return every year, and the net outflow could as well be zero.

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

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

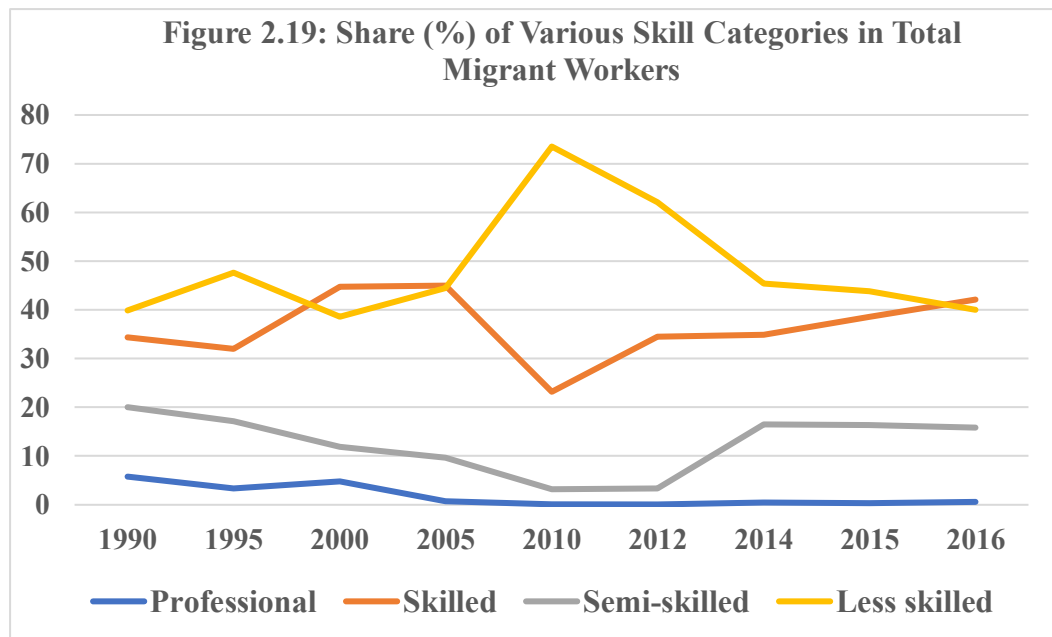
The trend of overseas employment by gender indicates that in the past women accounted for a negligible proportion of migrant workers from Bangladesh. However, there has been notable increase in the number of female workers going abroad in recent years.



Source: Constructed by using data from the website of BMET.

The skill composition of migrant workers is important from the point of view of the kind of jobs that they would be doing, the incomes they would earn and hence the amount of remittance

that they would be able to send. Data presented in Figure 2.19 indicate an improvement in the situation. Several points may be noted from Figure 2.19. First, “less skilled” (a term presumably used officially for unskilled workers) workers constitute a very high proportion of migrant workers. Of course, this proportion has declined considerably since 2010, but in 2016, 40 per cent of overseas employment was accounted for by this category. On the other hand, the share of skilled workers has registered some increase in recent years. As for semi-skilled, there was a sharp increase after 2012, but has declined in recent years. The share of professionals is negligible.



Source: Constructed by using data from the website of BMET.

#### *Future possibilities and challenges*

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

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

For making projections of future overseas employment, the past trend could be a useful guide although there are limitations as mentioned above, and additional factors need to be taken into account<sup>30</sup>. Nonetheless, projection made by using the trend line fitted into the time series for the period 1990 to 2018 (Figure 2.20) is reported below.

The estimated equation with time as the independent variable is:

$$Y = 49,697 + 23,066 X$$

Using the above equation, the projected figures work out to:

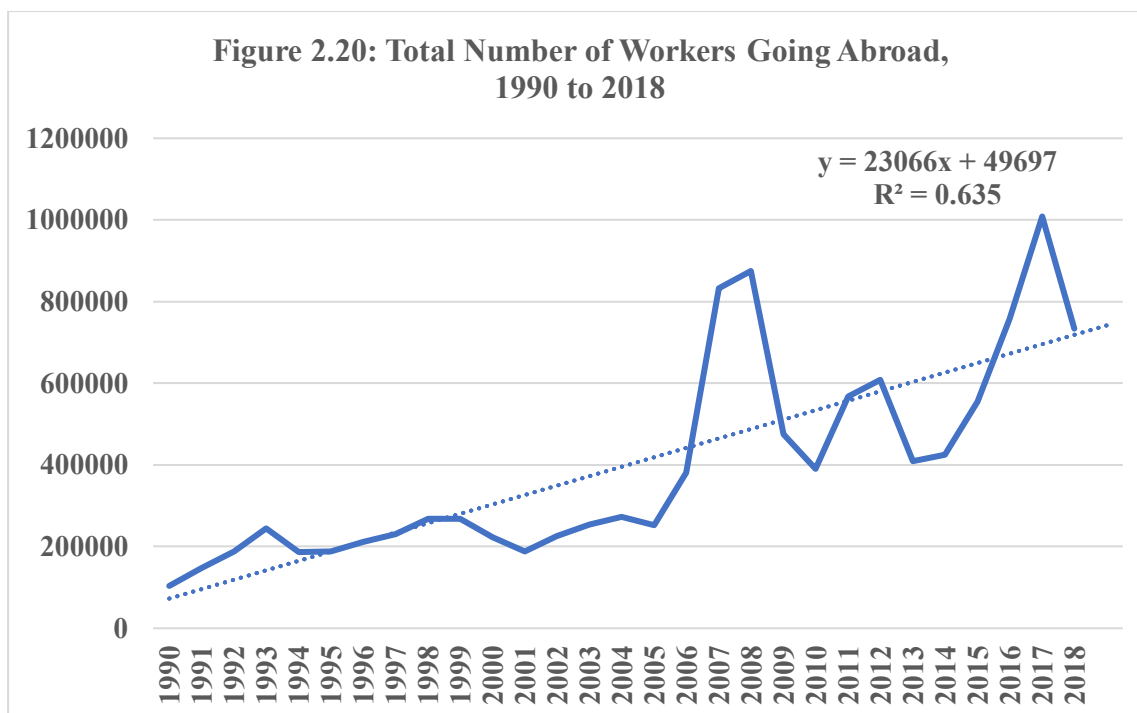
2025: 745,882

2030: 842,447

The above figures imply that if the past trend continues without too much of change, overseas employment could be of this order. For example, by 2025, around 800,000 workers from Bangladesh could be employed overseas. By 2030, the figure could be nearly 900,000. It needs to be mentioned in this context that for purposes of policy making and formulating strategies, the above-mentioned figures may be taken as indicative rather than literally. In order to understand the reason for this, one simply has to look at the trend in employment of Bangladeshi migrant workers in major destination countries like Saudi Arabia, UAE, Kuwait, and Malaysia and the uncertainties associated with such employment in several cases.

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<sup>30</sup> In a fast-growing developing economy like Bangladesh, the domestic labour market is likely to undergo significant changes over such a long period, and the supply side of the labour market may change considerably – thus producing a very different situation regarding aspirants for overseas employment. Of course, international migration for employment takes place even between matured economies; and working age people from Bangladesh may still be available for overseas jobs if there is sufficient incentive in terms of differences in remuneration and other factors. But the composition of job-seekers for overseas employment is likely to be different at that stage.



Source: Constructed by using data from the BMET website.

Bangladesh faces major challenges in the area of overseas employment. The first challenge is to ensure that the number does not go below a level. This is important not just from the point of view of providing job-seekers with an alternative source but also from the country's economic health. Remittances sent by workers constitute an extremely important source of foreign exchange and has played a major role in the macroeconomic stability that the country has been able to maintain for some years now. Secondly, there are several serious issues on the qualitative side which are briefly mentioned below.

Despite some increase in the share of skilled workers in the overseas employment in recent years, the skill composition continues to remain concentrated around unskilled and semi-skilled workers. It is not easy to break this status quo for several reasons. The first is the domestic capacity to produce the skilled required in the overseas job markets, while another important factor is the perception in receiving countries about Bangladesh as a supplier of only low skilled workers. The two are interlinked and will need to be addressed simultaneously.

Abuses of migrant workers at both the sending and receiving ends, guaranteeing their rights and ensuring their welfare remain major challenges.

High cost of migration is a serious problem. More disconcerting is that much of the excess cost does not reflect the actual costs of travel and other related items of expenditure. . Payments to intermediaries represent a large part of the total costs of migration. Although the government has stipulated the costs for various destinations, the expenses incurred by overseas job-seekers far exceed those figures. This needs to change, and the cost needs to be aligned more closely to actual costs.

## 2.3 The Employment and Labour Market Situation: A Summing Up

### Summary of the main findings

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

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

Third, there has been a gradual increase in female labour force participation rate. Although the trend was disrupted in 2013, data from the labour force surveys of 2015-16 and 2016-17 shows that it has gone back to the level of 2010. If the rising trend continued, that would have been a positive factor for future economic growth of the country.

The fourth good news – this one from the demand side – is a rise in the growth of employment in manufacturing between 2010 and 2013. Although this came at the cost of falling labour productivity, it created an expectation that labour-intensive industrialization could serve as a mechanism for absorbing surplus labour in the country. Unfortunately, however, this good news did not last for long; and we shall return to that presently.

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

Sixth, there was a rise in the real wages of workers – till about 2010-11. And it is interesting that the rise was more pronounced for the agriculture sector. The rise in real wages coupled with a rise in the growth of manufacturing employment created an impression that surplus labour may have been exhausted. However, data from various sources including the labour surveys of 2015-16 and 2016-17, the website of BGMEA, and data on wages and prices from the Bureau of Statistics (and Ministry of Finance) show that the good news on employment and real wages did not last long.

The disappointing news on employment starts from the fact that the overall elasticity of employment with respect to output (i.e., GDP) has been declining over time. One might, of course, argue that that this is natural in a developing economy and should be indicative of improvement in labour productivity. Indeed, growth of employment relative to output growth should leave room for improvement labour productivity. However, one needs to worry when

there is a trade-off between growth in productivity and employment<sup>31</sup>, and the latter is insufficient to absorb surplus labour at a sufficiently fast pace. The sharp decline in overall employment elasticity and a decline in manufacturing employment observed after 2013 give rise to such worry. Moreover, since this has been happening at a time when output growth has been high, one wonders whether the country has been going through a period of jobless growth.

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

Another point of concern – especially from the point of view of the relationship between economic growth, employment and poverty and inequality - is the decline in the real wages of workers. Although real wages increased for a few years after 2008, the trend did not continue. Real wages - overall as well as in major sectors, viz., agriculture and manufacturing - declined after 2011-12. Policy makers need to worry about it, especially if real wages are looked at as a means of reducing poverty and improving income distribution.

### **Box 2.3: Major Issues of Concern at a Glance**

- Female labour force participation rate stagnant at around 36 per cent for some years.
- Sharp decline in the growth of employment in recent years. Growth of employment in manufacturing has also declined significantly.
- Share of informal employment has persisted at a very high level, and level of incomes are low in a vast majority of such jobs.
- Real wages have declined in recent years despite growth in labour productivity, and more than half the poor are poor despite working.
- Unemployment rate among the youth is much higher than the overall unemployment and has increased in recent years.
- Unemployment rate is higher among those with higher levels of education, thus indicating that mere increase in the level of education cannot be a solution for the employment problem.
- Considerable regional variation in the overall employment and labour market situation – with indicators showing the north-west and south-west regions lagging behind.

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<sup>31</sup> The countries of East and South East Asia, e.g., Republic of Korea, Malaysia and Taiwan-China, were able to avoid such a trade-off and to combine high rates of economic growth with growth of employment and improvement in labour productivity.

## Gaps in knowledge and need for additional research

In order to formulate policies for meeting the challenges, it is important to have good understanding of the situation and the challenges. The overview of the employment and labour market situation presented in this chapter has been prepared with this purpose in view. While preparing this overview, gaps in data, analysis and research in a number of areas have been noticed. They include:

- New areas of employment, e.g., the gig economy (size, location, segment of the labour force benefiting, quality of jobs, etc.);
- Factors responsible for the recent slowdown in the growth of employment, especially in the manufacturing sector;
- Causes of a decline in real wages despite a rise in labour productivity;
- Productivity in various sub-sectors of the informal sector, factors responsible for the variation, and ways of raising productivity in sub-sectors characterized by low productivity;
- Spread of new technology, its drivers and its effect on productivity and employment;
- Gaps in education and skills – both quantitative and qualitative, and how to meet the gaps;
- Factors responsible for higher unemployment rates among those with higher levels of education;
- Factors responsible for low labour force participation rate among young women and high rate of unemployment among educated women;
- Sectors and occupations where foreigners are employed, and the reasons thereof;
- Performance of various employment related programmes and their relative efficiency in job creation;
- Experience with the implementation of various government policies, e.g., the industrial policy of 2016, the national skills policy, the national labour policy and the national policy for the empowerment of women.

## **Chapter 3: National Policies and Programmes for Employment and Labour Force**

Although the role of the government in economic activities (in terms of ownership) in Bangladesh has declined over time, the government has continued to play an important role through its efforts to boost employment growth. Such efforts may be put in two broad categories: (i) employment strategies that are pursued as part of the overall development strategy and economic policies that could potentially have implications for employment, and (ii) programmes and policies covering both demand and supply sides of the labour market that are undertaken from time to time. While the overall approach to and strategies for employment are usually articulated in the five-year development plans, policies not directly related to employment, e.g., macroeconomic policies, trade and exchange rate policies, and industrial policy could have important implications for employment. In addition, the government occasionally formulates policies for specific issues like labour, skills, women's empowerment, etc.

This chapter presents an overview of the government's overall employment strategies and policies in specific fields. It starts with the employment strategies articulated in the five-year plans (more specifically, Sixth and Seventh Five Year Plans of Bangladesh - 2011-2015, and 2016-2020), and then looks at economic policies (sections 3.2 through 3.4). Section 3.5 presents an overview of some direct employment programmes. The latter consists of programmes for self-employment based on micro-credit and those for wage employment – mainly through infrastructure. Sections 3.6 through 3.9 provide brief overviews of the following policies:

- (i) National Labour Policy 2012;
- (ii) National Youth Policy 2003 and 2017;
- (iii) National Skills Policy 2012;
- (iv) National 'Policy for the Advancement of Women' 2011

### **3.1. Employment Strategies**

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

- Encouraging higher female participation in labour force and enabling them to undertake gainful jobs and to stay in the labour market;
- Increasing the employment responsiveness of growth in manufacturing to absorb more labour;



- Raising the productivity of labour;
- Raising total factor productivity through technological change brought through direct foreign investment, R&D investment and development of IT.

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

The Seventh Five Year Plan (2016-2020) included employment as one of the elements (alongside GDP growth and poverty reduction) in its “three major themes”. The growth strategy of the Plan envisages that “all the additional labour force will be gainfully employed, including much of the underemployed”. Referring to the employment strategy of the Sixth Plan, the Seventh Plan declares: “it will continue this emphasis on structural transformation of the production and employment structures ... “ (P. 53). The Plan targeted the creation of over two million jobs annually (10.9 million additional jobs during 2015-16 to 2019-2020). Although a full-fledged strategy for attaining this target has not been articulated clearly, it appears that the strategy was one of employment expansion through growth and structural transformation and accelerating the pace of export-oriented industrialization. Industrial policy and policies related to trade and exchange rate are of direct relevance in this context; and the following sections deal with them.

### **3.2. Trade and Exchange Rate Policy**

During the early years after the country’s independence in 1971, the policy adopted was one of import-substitution, and the trade policy focused on providing protection to domestic industries. From around the 1980s, trade policy reforms were initiated for opening up and liberalizing the economy; and by around 1990, the country was on a clear path of a liberalized trade regime with tariff cuts, tariff rationalization, exchange rate liberalization, and drastic reduction and eventual elimination of quantitative restrictions on trade. Since then, successive governments maintained the policy of trade openness as an important aspect of development strategy.

An important aspect of trade policy is to provide generous promotional measures for encouraging exports which come in various forms like back-to-back LC facility, bonded warehouse facility, and cash incentive.

Exchange rate management has moved from a fixed rate regime to one of managed float; and with the exception of short-term fluctuations, the real effective exchange rate has generally been prevented from appreciating. On the whole, the exchange rate regime can be said to be export-oriented.

The liberalized trade regime has helped the country attain impressive growth in exports; and since the major export of the country (viz., ready-made garments) is labour-intensive, growth of exports has been associated with high growth of employment. However, exports have remained concentrated on one item mentioned above, thus making it clear that the adoption of

an open and liberal trade regime, by itself, is not a sufficient condition to guarantee a full-fledged export-led growth of the economy.

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

One major challenge in trade policy is that despite the abolition of quantitative restrictions and reduction in tariffs, the effective rate of protection remains favourable to import substitutes; and in that sense, the trade regime can still be regarded as not fully export-oriented.

### **3.3. Industrial Policy**

Policies for industrialization of the country are closely linked to the trade policy, and the two have moved in tandem. Although a number of industries were nationalized immediately after the independence of the country, restrictions on private investment were gradually withdrawn, and by the 1980s, economic policy moved decisively towards reliance on the private sector for economic growth. This becomes evident if one looks systematically at the government's industrial policy articulated in policy documents since the 1970s. While incentives of various kinds were provided to the private sector as a whole, some were extended to foreign investment as well. Export processing zones with special facilities and other fiscal and revenue incentives – especially for the so-called “thrust sectors” constituted the core of the incentive structure. What is noticeable is that successive industrial policies marked improvements in their formulation of goals, objectives and declared strategies for implementation. For example, the Industrial Policy of 2016 not only lists the goals in quantitative terms but also outlines a time-bound strategy for implementation.

The Industrial Policy (IP) of 2016 is particularly notable in that it includes employment alongside growth as the first goal and goes on to state quantitative targets in that regard. It aims to increase the contribution of the sector in GDP and employment to 35 per cent and 25 per cent respectively by 2021 (from 29 and 18 per cent)<sup>32</sup>. Although it is not clear how these figures were arrived at, their mention indicates the importance attached to employment alongside growth in the sector.

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<sup>32</sup> From the definition adopted in the policy document, it is clear that manufacturing is only one component of industry.

The incentives mentioned in the IP, 2016 include special incentives and tax exemptions for the “priority sectors” and for investment in backward areas. Policies are outlined for small, medium, micro and cottage industries, for public-private partnership, and for export-oriented industries. The latter includes import of machinery and spare parts at reduced tariff, duty drawback and bonded warehouse facility for three years from the start of an enterprise. Policies for encouraging FDI are also there in the IP 2016.

On the whole, it would appear that the Industrial Policy 2016 is well formulated and covers important aspects and challenges that the sector faces. But it would be important to monitor its implementation and assess the outcomes and see whether the policy is helping the economy move towards the stated goals. As mentioned already, one issue of concern is the country’s heavy (and almost exclusive) dependence on a single industry for exports and employment; and one gauge of success of any policy would be a change in that situation through economic diversification.

### **3.4. Monetary Policy**

Mention has already been made above of provisions for fiscal measures and incentives made in the industrial policy of the country. Monetary policy can also play an important role in promoting the goal of employment, although the key question in that regard would be whether the central bank pursues a single objective of maintaining price stability or multiple objectives including that of employment. The official website of Bangladesh Bank mentions five goals including that of employment. If one examines the working of the bank, one may find programmes and actions that may be interpreted as going beyond price stability. But there is very little in terms of systematically designed pro-employment policies.

There are several monetary policy instruments, e.g., money supply, interest rate, reserve ratio, and exchange rate through which a central bank can try to pursue the objective of maintaining price stability and promoting economic growth; and Bangladesh Bank also uses them. However, from the point of view of an economy like that of Bangladesh, the instrument of credit growth, and hence interest rate, can be important for both price stability and economic growth. If one examines the movements of repo rate, inflation rate, and GDP growth in Bangladesh, one would get the impression that the repo rate tracked inflation rate more closely than GDP growth – especially during periods like 2009 to 2012 and 2015 to 2017 (Islam, 2018 a). To what extent monetary policy of the country is being used to promote economic growth and employment rather than fighting inflation is a question.

### **3.5. Employment Generation Programmes**

Direct interventions aimed at creating employment and generating incomes, especially for the poor, include micro-credit programmes and programmes for wage employment. The latter includes programmes based on food and cash, e.g., the Vulnerable Group Development Programme, Test Relief (TR), Food for Work (FFW), Work for Money (WFM), and Employment Generation Programme for the Poor (EGPP).

### *Micro-credit*

Micro-credit programmes are run by NGOs as well as by various government ministries/departments. Table 3.1 presents data on the number of borrowers covered by the major NGOs as well as by Grameen Bank. Of course, one has to be careful while interpreting this data. For example, it is not clear whether these figures represent the cumulative figures of the number of beneficiaries covered by the respective agencies up to now or the number being covered in the year of reference (2017-18). This question becomes important when one goes beyond the figures of individual agencies to the total and looks at that from the perspective of the country as a whole. Consider the following.

The total number of beneficiaries covered by the figures of Table 3.1 is over 31 million which represents over 19 per cent of the country's population of 159 million. One has to add to this the number covered by various government ministries and the programmes of various commercial banks. On the other hand, the proportion of the poor in total population was 24 per cent in 2016. If one compares these two sets of figures, it would appear that almost all those who are below the poverty line are covered by micro-credit programmes.

#### **3.1: Coverage of Micro-credit Programmes, 2017-18**

<b>Programme</b>	<b>Total number of borrowers</b>	<b>Number of women borrowers</b>	<b>Percentage of women borrowers</b>
<b>PKSF<sup>a</sup></b>	9,388,953	8,587,528	91.46
<b>BRAC</b>	6,841,622	5,939,103	86.81
<b>ASA</b>	7,577,355	6,930,474	91.46
<b>Caritas</b>	5,736	4,009	69.89
<b>SHAKTI Foundation</b>	475,255	462,284	97.27
<b>BURO</b>	1,512,489	n.a.	-
<b>SSS</b>	600,906	585,951	97.51
<b>Grameen Bank</b>	8,986,050	8,689,004	96.69

Note: <sup>a</sup> indicates figures for 2015-16.

Source: Ministry of Finance: *Bangladesh Economic Review, 2017-18*

With the acceleration of growth of loan disbursement and provision of savings services, government felt the need for monitoring and regulating the activities of the MFIs. Microcredit regulatory Authority (MRA) was established in 2005 through an act. Since then MFIs need to

obtain license from MRA to understand their activities. MRA has formulated detailed rules of modalities of lending and borrowing.

The other important development in the sector is the establishment of Palli Karma Sahayak Foundation (PKSF) as an apex organization. Although initially it was engaged in wholesaling credit to NGO-MFIs, gradually it has emerged in the role of guiding the MFI activities.

Despite the progress of MFIs and acceleration of credit disbursement and savings generation, conscious policy efforts must be adopted so that MF can ensure growth of employment and income. In this context a number of major issues need to be addressed including the rate of interest on loans disbursed by MFIs, returns from activities in which loans are channeled. In addition, the initial motivations of MF in terms of raising income employment and empowerment of poor should not be lost sight of. Whether there is any need for concern around these issues is difficult to judge because during the last one decade there has been few studies and data generation on these aspects. A detailed study by Osmani (2015) based on 2012 data on clients of PKSF's partner organization shows a very small (ranging between 4 to 9 work days) increase in female employment as a result of borrowing from MFIs. There is hardly any other source of recent data on returns to MC financed activities and sectors of actual loan use vs purpose for which loan was taken and these topics are suggested as research topics to be urgently addressed.

On the issue of rate of interest charged by MFIs, since the early days the allegation has been that it is too high. The justification for such high rate is the high cost of operation due to door to door services. It is also argued that without the access to MFIs, these borrowers would be taking loans from private money lenders who charge exorbitant rates of interest (often in the range of 100 to 120 per cent per annum).

Nonetheless, to protect the interest of the borrowers, MRA has enacted a ceiling of rate of interest at 27 per cent per annum at flat rate. PKSF has recently taken an initiative to achieve the ceiling of 25 per cent per annum.

MFIs should be motivated to bring down the rate of interest further. In this context, it may be mentioned that large borrowers of commercial banks have historically paid interest rates of less than 15 per cent and recently every effort is being made to bring it to one-digit level.

Although a good deal of research has been carried out on micro-credit and its impact, especially on poverty, there has not been much focus on the impact of the programmes on employment. Available research (e.g., Osmani, et al., 2010; Osmani, et al., 2015; Farooki and Badruddoja, 2012) indicates that such credit can help expansion of self-employment in agriculture, and employment in livestock, poultry and non-farm activities. And that happens through both opportunities for new employment and more work-time in existing employment<sup>33</sup>.

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<sup>33</sup> For further details, see Islam (2015), Chapter 8 (in Bengali).

### *Programmes for generating wage employment*

Bangladesh has a long history of programmes for creating wage employment through infrastructure construction in rural areas where the major focus is job creation for the poor, especially during lean seasons of agriculture. Although such programmes are primarily regarded as a means of providing safety nets for the poor, they can be linked to the development of rural infrastructure through careful selection, planning and implementation of schemes. In the early days of the programme, these programmes were financed mainly through food aid received by the country, and thus they came to be known as food for works (FFW) programme. However, over time the programme evolved and branched out in different directions, including one (viz., Vulnerable Group Development Programme) that is targeted at poor women<sup>34</sup>. The mode of wage payment has also changed considerably, and many of the programmes are financed through cash. Table 3.2 presents some basic data on allocations (both in terms of work-months and cash) made for such programmes in recent years.

**Table 3.2: Budgetary Allocations for Employment-Based Social Safety Net Programmes**

Programmes	2013-14		2016-17		2017-18	
	Man-month (lakh)	Cash (crore Taka)	Man-month (lakh)	Cash (crore Taka)	Man-month (lakh)	Cash (crore Taka)
VGD	91.33	836.77	120	1,191.85	139.81	1605.70
Test Relief	18.75	1,282.35	0	0	17.83	1,300
Food for Work	10.08	615.19	0	0	8.03	792.51
Cash for Work	8.67	428.63	19.21	1,435.47	19.21	1,450.00
Employment Generation Programme for the Poor	7.72	1,400	8.27	1,650.00	8.27	1,650.00

Source: Ministry of Finance, Website on social safety net at:

[https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/672e3d4d\\_09bb\\_4205\\_9afd\\_843de55481d1/Safety%20net\\_English\\_18-19.xl.pdf](https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/672e3d4d_09bb_4205_9afd_843de55481d1/Safety%20net_English_18-19.xl.pdf)

It can be seen from the above table that in 2016-17, instead of food based “Test relief” and FFW programmes, employment programmes were based on cash allocations. But the allocation for FFW was re-instituted in 2017-18. A couple of points may be noted about the coverage of employment programmes. The first point is about quantity. For 2016-17, and 2017-18, the

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<sup>34</sup> It may be noted that the Vulnerable Group Feeding Programme is an unconditional cash transfer programme and is not meant for job creation.

allocation under the Employment Generation Programme for the Poor was for 8.27 lakh man-months. On the other hand, the website of the Ministry of Food and Disaster Relief shows that in 2016-17, this programme covered 914,870 persons. From these two figures, it would appear that the programme provided about a month's work to each of its beneficiaries during that year.

The second point is about the change that has taken place over time. According to data provided by the Ministry of Food and Disaster Relief (and reported in Islam, et al., 2011), TR and FFW created employment to the tune of 66.67 million and 62.50 million man-days respectively in 2009-10 – thus giving a total of 129.17 million man-days. On the other hand, Table 3.2 shows that total allocation for three employment programmes, viz., FFW, WFM and EGPP in 2017-18 amounts to 35.51 lakh work-months. Assuming 25 work-days per month, the latter works out to a total of 88.78 million man-days. It would thus appear that the quantity of employment generated under the employment programmes has declined over time. It is difficult to say whether this is due to a deliberate policy of the government to de-emphasize the importance of such programmes. It is also possible that given the decline in the incidence of poverty in the country, the need for wage employment of the type created by these programmes has declined. However, in the absence of any clear statement by the government on this issue, it is not possible to answer this question.

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

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

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

### *National Youth Service Programme*

This programme was introduced, first on a pilot basis in 2009-10, with the objective of providing temporary employment to the educated unemployed youth<sup>35</sup> in work related to nation building and various services provided by the government. The programme consists of a three-month training followed by “attachment” to government and non-government organizations providing services of various types including education, agriculture, health and family welfare, public security and law and order, local government, etc. The districts are supposed to be selected on the basis of the incidence of poverty. Three districts, viz., Barguna, Gopalganj and Kurigram were selected during the pilot phase; and at the end of that, the programme has been extended in several phases. By June 2018, a total of 193,651 persons were trained and attached in different places. Most of the youth (about 90 per cent) covered by the programme had either secondary or higher secondary education. After completion of their attachment, 32,140 (about 17 per cent of those attached) became self-employed and 3,726 (less than 10 per cent of the total number who became employed) got salaried jobs.

The idea behind the programme is quite interesting and it has good potential to provide a mechanism for employing the educated youth. One evaluation (TIB, 2013) found a number of positive aspects in it including its contribution towards raising social and economic awareness among the target group, empowering them with social contact and links to various types of organizations, women’s participation, skill upgrading and raising the overall level of confidence among them. However, the study noted a number of limitations in planning and implementation of the programme and concluded that it has not been able to achieve the desired results. It also provided a number of suggestions towards improving its performance.

### **3.6. National Labour Policy (NLP), 2012**

#### *Background*

National Labour Policy has been formulated in 2012 with a view to providing a supporting role for implementing labour related programmes mentioned in the vision 2021 of the government.

ILO’s “Fundamental principles and rights at work place” have provided a background for the NLP. The Fundamental principles are now quite well known and some of these have been quoted in NLP including, abolition of all forms of compulsory labour, alleviation of work place discrimination, freedom to organize and right to collective bargaining, abolition of child labour, and total elimination of children’s hazardous works.

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<sup>35</sup> For purposes of this programme, those in the age-group 18-35 were identified as “youth”, and those with secondary and higher level education were regarded as educated.



*Goals of the NLP 2012 have been stated as:*

To ensure productive, discrimination free, exploitation free, decent, safe and healthy work place through creating investment friendly environment for all active citizens as well as to establish worker's right and dignity of labour.

*Specific Objectives of NLP 2012 have been listed as follows:*

- a. Generate employment opportunity for all active citizens and according to their ability.
- b. Create skilled labour force for foreign labour market according to their demand;
- c. Achieve decent work on the basis of international standard both in formal and informal sector;
- d. Take steps to continue the improvement of standard of living of the working people;
- e. Improve social safety net system for domestic and Bangladeshi migrant workforce;
- f. Develop safe workplace environment to ensure safety of life and property;
- g. Eliminate discrimination between men and women at workplace and among workers;
- h. Generate employment and discrimination free workplace for tribes, minor races, ethnic and other community as well as repressed, physically and mentally challenged and floating people along with marginal and underprivileged sections.
- i. Eliminate all sorts of hazardous forms of child labour;
- j. Establish modern, time-befitting, welfare based, service oriented and effective labour & employment administration.

The list combines quantitative aspect (e.g., “a” above) and qualitative improvement of employment and labour market (e.g., c, d, f, g, i, and j in above list) and also training component (b above)

*Assurance of employment opportunity*

The NLP has listed how this will be done, although the suggestions are mostly generic and not specific. For example, it mentions that government will adopt various steps to create opportunity of employment, though the policies required for this have not been identified. A separate step mentioned is to encourage establishment of industry in rural areas with access to low cost labour supply. The policies needed for this remain to be formulated. It would also be important to clarify that it is the private sector who will have to bear the major responsibility for job creation, and the primary role of the government would be to create an enabling environment through appropriate policies. Of course, there are certain areas, e.g., infrastructure, education, health, etc. where the government also has a major role.

NLP also intends to create and maintain a database relating to job seekers and job opportunities and to ensure free access to such database.

A similar measure will be to take steps to identify potential employment opportunities through research and arrange training accordingly. NLP has also mentioned enhancement of apprenticeship opportunity. Of course, the policies for doing this remain to be elaborated.

A concrete step mentioned is that the Government will not take up any activity which may hamper security of the workers or lead to destruction of jobs.

#### *Enhancement of workers efficiency*

With a view to raising productivity of employment the government will take effective measures for skill development targeted to existing and future cohorts of workers. The government will help improve the standards of the private training centres and modernize the training centres run by different ministries. In this context the need for programmes to develop information communication technology skill in conformity with the demand of international labour market has been recognized and emphasis has been given on government initiatives to develop competent trainers at public and private institutions. However, in the initiatives for generating appropriate training facilities, only government initiatives may not be sufficient and private organizations must be encouraged.

In a later section of the NLP document, private and public combination has been mentioned in very general terms. To quote, “Government will assist to co-ordinate the activities of both the entities through giving importance to the participation and representation of private sector in government activities and policy formulation process.”

In the list of steps for expansion of training, the crosscutting issues and special groups have received attention although these issues are relevant for all the positive steps in various spheres. To quote from the NLP, “To extend skill development and for ensuring effectiveness it will be necessary to create special opportunity for women, young people; disabled and the people lagging behind and include both formal and nonformal sectors. Such measures will also include in-service training, alternative training.”

#### *Decent Work*

As a member state of ILO, Bangladesh is an active partner of its Decent Work Programme. So, the government aims to ensure decent work for all active men and women. To ensure decent work within a specified time schedule through the participation of the representatives of the owners and workers, NLP suggests that Bangladesh will

- Take measures for wide publicity of the standards of ongoing decent works program;
- Present successful examples of excellent working environment cases;
- Provide incentive schemes (bank loan, interest rate and tax -reduction) and recognition for the entrepreneurs demonstrating decent work;
- Will simplify imports for decent work employers.

While decent works has received an emphasis in the document, a comment is pertinent here. Unless decent work is at the core of all policies, all aspects of decent work will be difficult to achieve.

#### *Fair Wages*

NLP has provided a list of actions to be taken by government so that workers and their families receive fair wages. Steps include

- Fixation of standard of minimum wages;
- Review wage regularly to ensure conformity with commodity price (possibly the term is used to mean CPI);
- Fixation of wages in conformity with the efficiency of the workers and nature of work;
- Realistic initiatives for eradicating discrimination of wages among men, women and other underprivileged population groups.

Proper implementation of these steps is likely to result in fair wages.

#### *Worker's participation in productivity and profit*

One of the ways of increasing productivity is to ensure that a share of increased production and profit goes to workers involved in the production process. With a view to achieve this government will bring necessary amendments to the concerned law, although the document does not explicitly mention which laws. The objective of the amendment will be to ensure the interest of all concerned within the production process.

A number of steps which may be categorized as social protection measures have been included in NLP, but are not elaborated here.

#### *Information store house of labour market*

NLP proposes that government will collect comprehensive information about national and international labour market, store and publicize the collected data and make the job related information easily accessible to the active and probable job seekers. A research cell will be created in this context.

#### *Overseas employment and welfare of expatriate workers*

A significant share of labour force of the country is seeking employment in international labour market. Expatriate workers' contribution in socio-economic development of Bangladesh through remittances has been recognized. So, NLP proposes that the government will try to reduce the expenses for taking up overseas employment. It will formulate policies relating to search for new labour markets. Policies will be adopted for the welfare of the expatriate workers including safe repatriation.

#### *Female workers and equality in workplace*

NLP proposes that the government will take special measures to remove discrimination against women in workplaces. Measures will also be taken to create safe, healthy and women-friendly workplace and safe motherhood. These are essential for raising female LFPR, and the NLP shows awareness about the need for such measures.

#### *Elimination of child labour*

Bangladesh is active for preserving child rights including ratification of most of the charters of child rights of the United Nations and International Labour Organization. Therefore, the NLP mentions that the government will discourage the employment of children in formal and non-formal sectors in urban and rural areas. In particular, steps will be taken to prohibit

employment of children in hazardous work in any sector and to completely abolish child labour in such jobs.

#### *Labour related laws*

The government will take initiative to amend the labour laws in line with changing needs. It will try to make Labour Law and other related rules and regulations up to date.

This is a matter that needs to be treated with more urgency than is indicated by the manner of its phrasing.

#### *Implementation responsibility*

The Ministry of Labour and Employment will take the lead role to implement the labour policy. Labour policy will ensure implementation of rights of labour which are recognized internationally, especially in the areas of fair wages, decent employment, safe and sound working environment, social and professional security. This policy will also be helpful in achieving national economic development and advancement of labour rights through trade union practice by ensuring peace, stability and increasing productivity. NLP concludes by stating that “It is expected that all stakeholders will extend their co-operation in implementing the Labour Policy for the benefit of all concerned.”

#### *Some comments on the objectives and implementation of the NLP*

A few comments have already been made in the above discussion on some of the provisions of NLP. A few overall comments are pertinent. Given the comprehensive nature of the policy document, if all its provisions are implemented properly, the labour market situation of the country can be expected to improve. Especially important is the emphasis on the labour rights, trade unionism, reconciliation and arbitration etc.

However, some of the provisions are not adequately elaborated and the policy suggestions are incomplete. In this respect, more attention needs to be given to specific policies for accelerated growth of employment opportunities. Given the broad nature of the issues involved in it, only this aspect could be the subject of a full-fledged policy paper.

Emphasis on employment generation in a particular sector (e.g., industries in rural areas) or through any particular channel (e.g., overseas employment) without considering the overall framework of growth and employment generation may not be the most appropriate way of addressing the challenge. In the NLP there has been very little by way of an overall framework for employment policy and measures needed to boost employment through a combined application of economic and labour market policies.

The other deficiency is the need for a more fully developed proposal on skill generation and utilization. Of course, the National Skills Policy has, to some extent, responded to this deficiency.

Although NLP has a paragraph on implementation process, this is not adequate for the implementation of such a diverse set of policies. It may be unrealistic to expect that all stakeholders will extend their co-operation in implementing the Labour Policy for the benefit of all concerned because the benefits to various groups may be asymmetric and unequal.

### **3.7. National Youth Policy (NYP), 2003**

Employment and related human capital development are essential ingredients of the development of youth population. Therefore, the NYP adopted the following objectives: “To ensure favorable environment towards productive practical education, training and self-employment for the youth and bringing out all dormant potentialities including their leadership quality. The main objective of the present national Youth Policy is to create disciplined and efficient work force with a view to involving the youth in the national development”.

*Suggestions in NYP 2003 related to employment and training and the strategies of implementation*

It aims to establish a network of training and technical advice centres for the youth from national to grass root level with a view to imparting skill development training to the youth for human resource development under the initiatives of government and private sectors. Training programmes will be conducted through consultation with local administration, youth representatives and internationally reputed persons, and will respond to local needs.

Specifically, the following suggestions were included as employment and training related policies for youth:

Unemployed youth will be encouraged to create self-employment through proper utilization of local resources; and by providing credit, a favorable situation will be created to bring out all the dormant potentialities of the youth.

Some sector specific proposal comes up without giving any reason for preferring these sectors. As mentioned, “assistance will be given to concerned Ministry/ Department and, if necessary, to youth organizations for offering grant and recognition in developing industry, fish cultivation, afforestation and plantation by youth organizations”.

The NYP, 2003 proposed to give special attention to disadvantaged and unemployed youths living under poverty.

“To make the process of self-employment easier, the trained youth will be given micro credit (MC) easily at low rate of interest. For this purpose, a suitable credit manual will be followed too”. But this may not be an easy process because in the past micro credit programmes have not specifically targeted the youth, and a separate window with low rate of interest is likely to complicate matters (apart from the issue of its desirability).

Training on entrepreneurship development will also be imparted to the youth as suitable. Cooperation will be extended towards youth cooperative societies, voluntary youth organizations and self-employed youths for marketing their products. This is desirable no doubt, but a major part of training should be targeted to the creation of a smooth supply of skilled labour who will be in demand for paid employment.

### *Overall comments*

Among the objectives of NYP, 2003, important elements of ‘ensuring rights and responsibilities’ of the youth, ‘equal distribution and proper utilization of local resources and resources received from abroad - to build the youths for involving them in national development’ were included. However, these were not adequately linked with the employment and training possibilities.

National Youth Policy of 2003 has covered various dimensions of young persons’ lives and employment was one of these. Education, training and skill development also came up in various contexts. However, none of these aspects received a systematic, coherent and comprehensive treatment so that it could be used as a policy instrument for planning youth employment and matching human capital development.

NYP 2003 emphasize generation of self employment. NYP should also emphasize the expansion of opportunities for paid jobs. In this context appropriate policies of apprenticeship and skill development for school drop outs should be adopted.

Given the shortcomings and issues mentioned above, it has been a rational decision that the NYP 2003 was reviewed and a new draft of youth policy has been prepared in 2017.

### **3.8. National Youth Policy 2017 (Ministry of Youth and Sports, Government of Bangladesh)**

The NYP 2017 has included youth employment and entrepreneurship as the objectives: “provide youth with employment and choice of profession according to their ability and promote economic and innovative enterprise by youth. “

In the details of how this is going to be realized, employment related policies along with education, training and ICT have been included in the ‘empowerment’ section of the document. Before providing overall comments, it will be useful to quote the major items in the list from the NYP 2017 which is as follows:

#### *Training*

- Include in the training curriculum such subjects and activities that inculcate integrity, human values and self-trust in the trainees, and Provide employment-friendly and skill-enhancing trade-based training for youth.
- Provide training in conformity with international standard to build work force eligible for international labour market.
- Take necessary initiatives to ensure rural youth’s access to employment-friendly training.
- Develop training curriculum and ensure infrastructure suitable for youth with special needs.
- Ensure gender-responsive infrastructure.

#### *Employment and Entrepreneurship*

- Formulate a national strategy for youth employment;

- Establish linkage with the relevant employers for employing the youth trained in different types of trades;
- Provide the trained youth with opportunities of gaining experience by engaging them to serve as apprentices with relevant organizations;
- Provide the youth with decent and safe employment having hygienic & respectable workplace, fair wages/salary;
- Sensitize the youth to risks and pitfalls of illegal migration and prevent them from risking these;
- Provide the youth with low interest credit on soft terms. Establish a Youth Bank;
- Bring all young men and women under banking and insurance system;
- Establish business incubators for giving practical advice to youth entrepreneurs;
- Introduce one-stop/one-point service for youth entrepreneurs;
- Ensure a work environment sensitive to all youth, especially women youth and youth with special needs;
- Involve youth with blue economy;
- Establish adequate Child Care Centers at workplaces as an essential element of decent work;
- Expand the access of youth to application of ICTs across the country with a view to encouraging them towards ICT-based education and employment;
- Train the youth in ICTs in order to make them nationally and internationally accepted skilled manpower and effectively involve them in realizing ‘Digital Bangladesh’ and establish Youth Digital Resource Development Centre

### *Overall Comments*

While the above list tries to be exhaustive and involves essential elements of the empowerment process, there are other aspects of empowerment which goes missing (e.g. involvement in local government and various political and social movement processes).

The components of employment and training policies have been detailed out in the document and deserve attention. The employment related policies include focus on both self-employment/ entrepreneurship and wage employment. Various cross-cutting issues like attention to poorer sections, the disadvantaged groups in the society, those with special needs as well as gender dimensions have been addressed. However, the policies on employment growth and entrepreneurship development have been mixed up with the cross-cutting issues. The cross-cutting issues could be included in a separate section and that would make the preparation of action plan and their implementation easier.

Among the cross-cutting issues, gender dimension and especially women’s needs at workplace and infrastructure and services suitable for women have been addressed.

While more than a dozen special growths have been identified, for the purpose of employment generation, the grouping criterion may not be very conducive. Identification of disadvantaged groups can be done on the basis of social groupings. But other criteria of diverse nature have been used which makes the groups overlap. For example, ‘youth with no education/skill’ and

rural youth may have a significant overlap. Since ‘rural youth’ has been identified as a separate group, the question arises whether it is because villages are poorer than urban areas or because of the distinct rural occupational structure? In fact, youth from poorer households in both rural and urban areas will have some common features and young women living in urban slums may also face special vulnerability. Therefore, translation of NYP into effective programmes for employment generation will require identification of groups which can be targeted with labour market programmes.

NYP uses a cut-off-age of 15-35 years to define youth population. The definition used by other organizations of the government are different. For example, BBS uses 15-24 years to define youth labour force (Labour Force Survey used 15-29 in earlier rounds and the current one provides some data using this age group).

In the ‘empowerment’ component, NYP includes the major areas of skill development and employment generation for youth. Nevertheless, the list does not provide adequate understanding of the nature of youth’s entry process into the labour force, extent of unemployment and the problems related to job search process which would put the suggestions in a relevant perspective and help understand the challenges they face.

### **3.9. National Policy for the Advancement of Women (PAW), 2011**

PAW has listed employment, education and training related objectives under the broader issue of economic empowerment. These objectives include:

- To give full and equal opportunity to women in education, training, life-long education (continuing education), technical education, income generating training, information & technology etc.
- To give women the rights to wealth and resources earned through income, succession, loan/credit, land and market management.

The policy statement includes the following objectives related to women’s employment.

- To create employment opportunities for both educated and uneducated women;
- To raise the number of women in salaried jobs, to raise quota and its implementation. Also; to encourage private employers to follow government quota for women;
- To take up credit and training activities to create female entrepreneurs;
- To ensure healthy work environment to encourage women’s employment;
- To make necessary changes in legal provisions to encourage women to join labour force.

The PAW actually addresses all aspects of lives of women. Therefore, it is not expected that it will go to the details of employment or training related policies. Nonetheless, the relevant objectives have been mentioned above so that these receive attention in the new Jobs Strategy, although may be in a modified form to suit the needs of women in a changing world.



## **PART II: INTERNATIONAL EXPERIENCE**

## **Chapter 4: International Experiences in Employment Policy – A Brief Overview**

As many countries of the world face the challenge of employment and are trying a variety of approaches in addressing the challenge, it may be useful to look at some such experiences. While success stories (or good practices) can offer valuable lessons, even experiences of countries that faced difficulties in implementing certain policies and strategies may offer useful ideas. Keeping an eye on criteria like similarity in issues faced and different approaches and instruments adopted, the countries that are included in this chapter are China, India, and Republic of Korea. Each of these countries has its distinct feature and experience that are worth looking at.

- China is pursuing its employment related goals through a national employment policy that is supported by a legal framework. The approach adopted is very broad and is supported by instruments/policies on both the demand and supply sides.
- India does not have a nationally legislated employment policy, but has a legislated employment guarantee programme.
- Korea is pursuing a target rate of employment, and uses both macroeconomic policies and labour market polices (e.g., job matching) to pursue the goal.

The present chapter provides an overview of the basic features of the employment strategies in the three countries mentioned above. Before coming to the actual country experiences, it may be useful to briefly mention the framework used in the description.

Employment policies operate on both demand and supply sides of the equation. While some policies help augment demand for labour, others operate on the supply side. Demand side measures include macroeconomic and sectoral policies and policies aimed at direct job creation. Appropriately formulated macroeconomic policies can help increase demand for labour by raising the rate of economic growth. On the other hand, carefully formulated monetary and fiscal policies may be helpful in influencing the pattern of growth to make it more employment friendly. Likewise, sectoral policies are important for promoting the growth of sectors that are more employment intensive. Similarly, direct job creation programmes (e.g., public works) are often used to create jobs.

On the supply side, policies relating to education may have both quantitative and qualitative effect on labour force. Policies aimed at raising the rate of enrolment and encouraging young people to continue with education/training, can reduce the supply of labour in the market. Education and skill training can also improve the quality of labour force and help by reducing the mismatch between demand for and supply of labour. Active labour market policies (e.g., training and retraining of workers, employment services, etc.) play an important role in bringing about needed adjustments in the labour market and preventing unemployment. Hence, in implementing employment policies, it is essential to have a set of instruments in the package.

Since employment policies cover a wide range of actions, a number of government ministries and departments would normally have roles to play in formulating and implementing the policies. Hence coordination of action by the various actors is an important task.

## 4.1 China

Central Committee of the Communist Party of China (CPC) and the State Council attaches importance to employment as the priority strategy of the country. Since 2002, a series of policy measures have been undertaken to promote employment. In September 2002, the CPC central committee and the State Council issued the document “Notice on Strengthening the Work of Employment and Re-employment.” In November 2005, the State Council drew up “Notice on the Continuance of Strengthening Employment and Re-employment. In April 2007, the Standing Committee of the National People's Congress (NPC) of China adopted the *Employment Promotion Law*, which was put into execution from January 2008. The State Council also established the inter-ministerial employment policymaking mechanism which includes nearly 20 ministries.

*The main focus of employment policy* has changed from time to time. For example, in 2003, the main goal was to implement the policy of re-employment and public employment service, and expand the budget input to the groups who have difficulty seeking employment. In 2005, the main target shifted to solving the problems of the laid-off workers who lost their jobs due to enterprise restructuring. From 2008, more active policy promoting national employment was implemented during the world financial crisis and domestic disasters such as the earthquake in Sichuan province. The other groups that received specific attention from time to time include college graduates, those having special difficulties, and migrant workers.

*Employment strategy* includes promoting employment through economic growth, entrepreneurship development, and skill training. Policies range from macroeconomic and sectoral policies to labour market policies.

*Targets* are set for (i) new jobs, (ii) registered urban unemployment rate, (iii) number of re-employed and laid-off workers, and (iv) the number of disadvantaged persons employed<sup>36</sup>. The employment target is set for each year by the Ministry of Human Resources on the basis of an assessment of the overall economic situation, supply of labour, and employment growth in recent years. The Ministry discusses the target with each province and then provides the State Council with the target of new jobs, the registered urban unemployment rate, and the number to be re-employed during the year. The specific policy measures and action programmes are formulated in consultation between central and local governments.

The major elements of *active labour market policies* include: (i) strengthening public employment service and vocational training, (ii) special employment fund for job creation, and (iii) credit support for groups with difficulty.

Major policies and programmes include (i) fiscal policy for re-employment of laid off workers and promotion of new employment, (ii) fiscal policy for creation of jobs for college graduates,

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<sup>36</sup> For example, for 2014, the respective targets were: 10 million, 4.6%, 5 million, and 1.2 million

and (iii) joint action mechanism between social security and employment promotion, (iv) public employment service (PES), and (v) skill development

A variety of *instruments* are used for implementing employment policy in China which include:

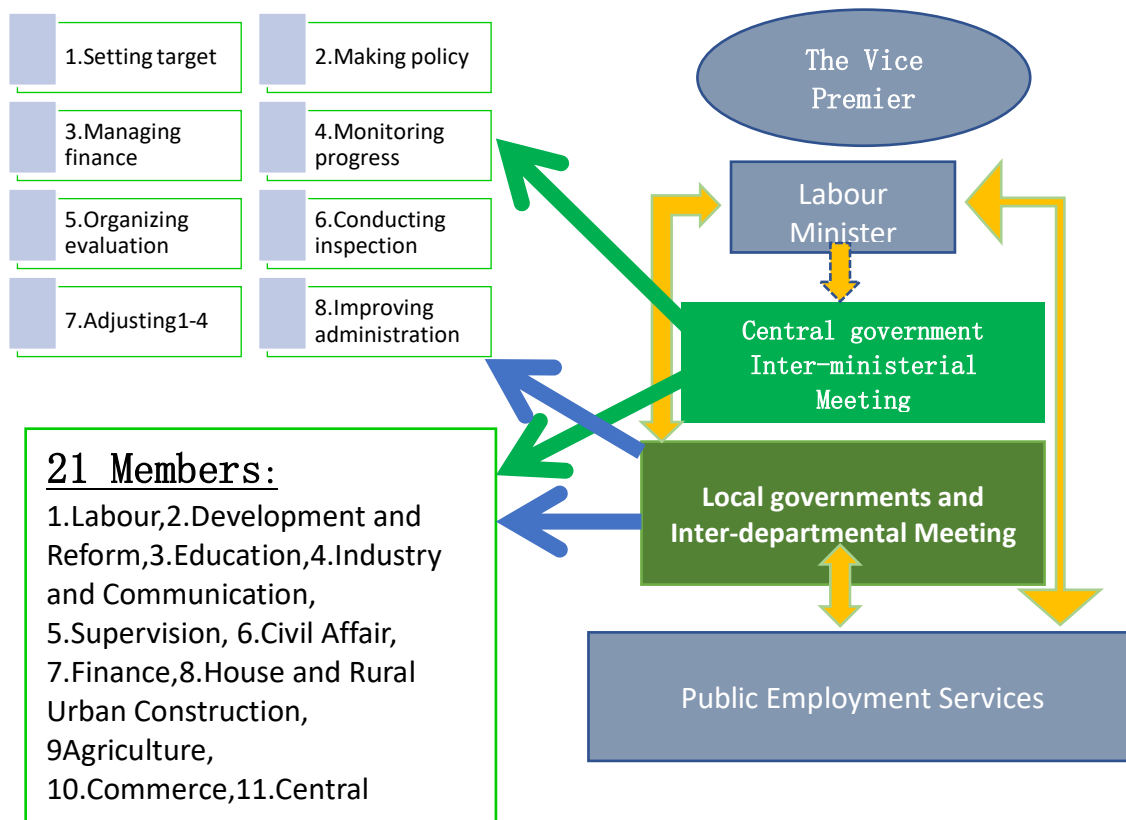
- Employment Promotion Law, 2007
- Taxation policy for re-employment of laid off workers, 2006
- Preferential fees and policies for self-employment of laid-off workers, 2002, 2006
- Policy for small loans
- Special Employment Funds designed to provide subsidies for training, job placement, interest for microcredit, etc.

*The mechanism for implementation of employment policy in China involves*

- A cycle of setting targets, making policy, managing finance, monitoring progress, evaluation, adjustment and improvement based on evaluation
- A system of coordination at central and local levels, and
- An accountability system consisting of indicators, statistical reporting, and inspection and evaluation

The Employment Promotion Law of 2007 stipulated the *employment policy coordination system* at both national and local level. At the national level, The State Council established an inter-ministerial policy making mechanism that includes 21 ministries. A key element of implementing the employment policy at the local level is the target responsibility system, under which the National People's Congress sets the target and the State Council signs target contracts with local governments. The local governments adopt five specific objectives for the assessment of governors and relevant departments that include a net increase in jobs, the implementation of re-employment policy, strengthening of employment services, increasing re-employment of capital investment, and helping the employment of disadvantaged groups.

**Figure 4.1: The Mechanism for Coordination of Employment Policy in China**



Source: Zeng, et al. (2013)

An important aspect of the coordination system in China is inter-departmental coordination at the local level which, in turn, consists of two parts - a horizontal part and a vertical part. Horizontally, local governments establish an inter-departmental coordination mechanism which is similar to the inter-ministerial meeting at the national level. Vertically, the Ministry of Labour coordinates important matters of implementation to the provincial level government. Each member of the inter-ministerial meeting issues guidelines in their own policy area, following which their provincial counterparts do the same.

A good example of how the vertical coordination (between local governments and the central government) works in China is the target responsibility system under which the State Council signs “target contracts” with local governments. The latter adopts five employment related objectives that include a net increase in jobs, the implementation of re-employment policy, strengthening re-employment services, increasing re-employment of capital investment, and the employment of disadvantaged groups. The Employment Promotion Law requires local governments above the county level to take employment expansion as one of the major goals of economic and social development. For the implementation of the employment policy, the relevant ministries and other agencies introduce a series of policy measures which are followed up by local governments through measures for implementation.

The Employment Promotion Law of 2007 also includes a system of carrying out assessment and supervision of the process of implementing the national employment policy. Once target

responsibilities are agreed upon, their completion is included in the assessment of cadres. Scoring and evaluation mechanisms are established in many places.

China has a well-structured system of accountability that consists of seven parts: (i) Key Indicators in the National Development Plan, (ii) Annual Work Plan, (iii) Financial Management, (iv) Inspection and Evaluation, (v) Social Supervision, (vi) Statistics and Reporting, and (vii) Adjustment and Improvement.

There are four key indicators of employment in China's National Development Plan: (i) new jobs, (ii) registered urban unemployment rate, (iii) number of re-employed and laid-off workers, and (iv) the number of disadvantaged persons employed. There are specified systems for defining and collecting information on each of these indicators. In fact, the first two indicators are integrated into the annual national plan of economic and social development.

The central and local government allocates funds (under the rubric of Special Employment Funds) for implementing employment policies. There is a well-articulated system for allocating such funds to the provinces which can be used for a variety of programmes like job placement, vocational training, social insurance, subsidies for probationary employment, interest subsidy for microcredit, etc.

The use of the special employment funds is subjected to evaluation through an independent and transparent process using scientific methods. The focus of the evaluation is to relate expenditure with the relevant outputs. Indicators of performance in four aspects are used: (i) the ratio of funds raised locally, (ii) proportion of the expenditure on special employment funds, (iii) a score based on new jobs promoted through subsidies for job placement, training, social insurance, interest on microcredit, and public sector jobs.

Supervision and inspection system of the law on employment promotion include three parts: (i) supervision from the organ of state power, (ii) supervision from the organ of state administration, and (iii) social supervision. The central government employs a third party to do some investigation and assessment.

As for statistics and reporting, there are four parts: (i) the labour market information system providing basic data from all levels into a database, (ii) provincial and central system, (iii) indicators of transfer of labour from rural to urban areas (collected in 500 counties), (iv) dynamic monitoring of the unemployed.

The final step in the accountability system of employment policies in China is adjustment and improvement. This is done through a series of steps in the area of employment policy. While some of these focus on overall employment (e.g., the Employment Promotion Law of 2007), there can be measures in response to specific situations (e.g., measures undertaken in 2008 in response to damages caused by the Wenchuan earthquake, and in 2009 in response to the adverse effects of the global economic crisis).

## 4.2. Republic of Korea<sup>37</sup>

Employment policy in Korea has evolved over time. During the period of high economic growth (1960s and 1970s), employment grew at rapid rate alongside output growth. During that period, employment policy focused mainly on the supply side issues like job matching service, and vocational training. When economic growth slowed down in the 1990s, the need for countervailing measures against unemployment arose, and emphasis was put on active labour market policies. In 2013, the government launched a “roadmap” for attaining 70% employment rate. It is a major paradigm shift in government policy, in that economic, industrial, education, welfare and all other policies were reviewed from a "jobs" perspective. Employment policies adopted as part of the “roadmap” include macroeconomic (tax reforms), sectoral policies (labour intensive SME) and active labour market policies. More specifically,

- Tax reform to encourage private sector job creation including tax credit for SMEs,
- Reform of the welfare system to enhance incentives for low income earners to search for jobs,
- Programmes targeted at the youth and the elderly,
- Skill development, and
- Expansion and strengthening of Public Employment Service

In Korea, *the mechanism for implementing the employment policy* includes quantitative targets, instruments for specific policy areas, mechanism for coordinating the implementation, the system of support to employment policy and an accountability system. The major aspect of the quantitative target (announced in 2013) was to attain an employment rate of 70% by 2017. Local governments are encouraged to have their own job creation targets in line with their characteristics and situation. The areas of policy focus that has been identified to pursue this goal are (i) expansion of employment through a greater attention to domestic demand, services and SMEs, and (ii) change in work culture with focus on promoting part-time work, shorter working hours and a better work-life balance. The coordination mechanism provides for coordination at the national as well as local levels as well as for involving the private sector. The support system includes (i) tax and welfare systems for employment, (ii) employment insurance system, (iii) public employment service, (iv) vocational training, and (v) labour market information system. The accountability system includes provision for overall assessment of the impact of various programmes on employment, assessment of employment insurance, and assessment of local job creation strategies.

Employment policy in Korea also encompasses a number of policy areas that cover both demand and supply sides of the labour market. Accordingly, the country has adopted a *coordination system* that reflects the need for bringing in the relevant players within and outside

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<sup>37</sup> Formulation and implementation of National Employment Policy of Korea are done under the ‘Framework Act on Employment Policy’. Information on this Act can be found here: [https://elaw.klri.re.kr/kor\\_service/lawView.do?hseq=44466&lang=ENG](https://elaw.klri.re.kr/kor_service/lawView.do?hseq=44466&lang=ENG)

the government. The system also adopts the concept of vertical integration where agencies of central and local governments work together in implementing employment the NEP (see Figure 4.2).

At the national level, *coordination of employment policy implementation* is done at two levels. The first is at the highest possible level with the President chairing the National Employment Strategy Meeting the goal of which is to deploy a coherent government wide national employment strategy<sup>38</sup>. Members of this coordinating meeting include each ministry, related government institutions like the central bank and the planning agency, political parties, etc. Research institutes and independent professional experts are also called upon to attend this meeting. The broad composition of this meeting indicates the comprehensiveness of horizontal coordination attempted by Korea. The broad goals of the Meeting include (i) formulation of employment-friendly policies, (ii) addressing the quantitative as well as qualitative mismatch in the demand for and supply of labour through skill development, and (iii) pursuing labour market efficiency.

The second tier of coordination at the national level is provided by the Employment Policy Coordination Meeting which is presided over by the Ministry of Employment and Labour (MOEL). This mechanism has been set up to translate the broad strategies adopted at the National Employment Strategy Meeting into policies in relevant areas of various ministries and agencies and coordinate their implementation. This meeting goes beyond government policies and addresses issues raised by the private sector with a view to improving the job creation efforts.

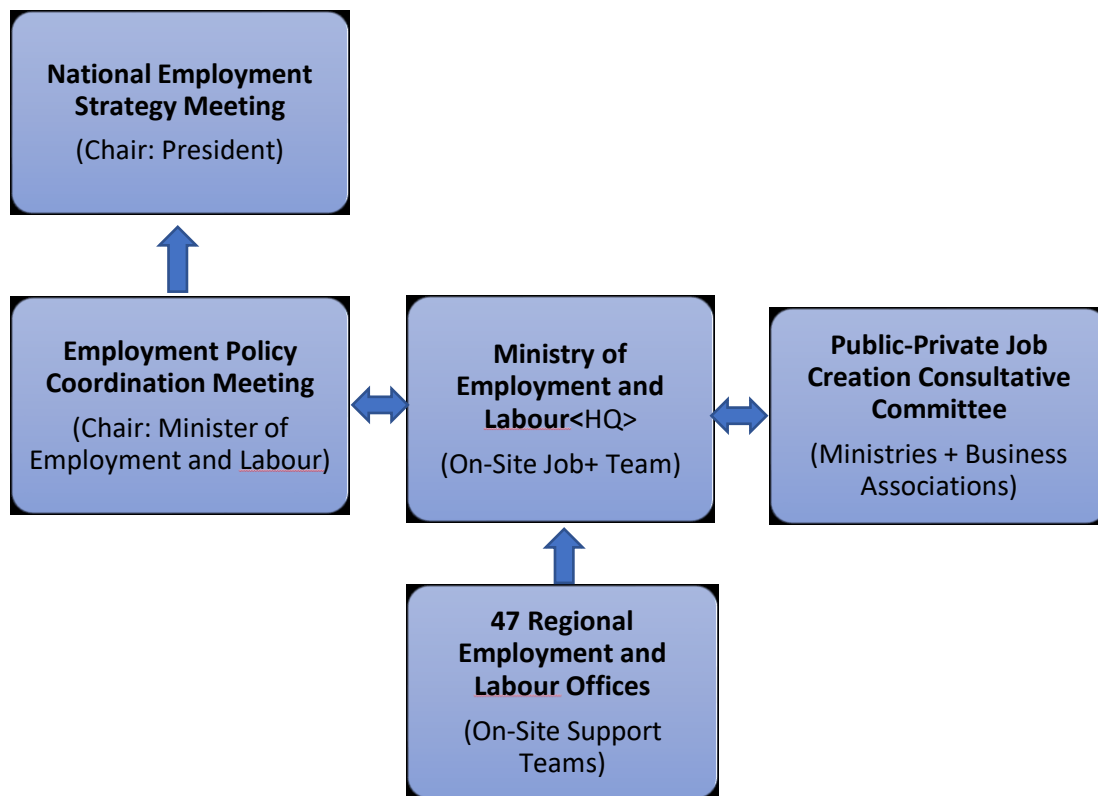
In addition, Public-Private Job Creation Consultative Committee has been established jointly between the government and the private sector so that the job creation efforts of the private sector could be facilitated. The Committee includes Minister of Employment and Labour and delegates from five major business organizations (Korea Chamber of Commerce, Federation of Korean Industries, Korea International Trade Association, Korea Federation of Small and Medium Businesses, and Korea Employers' Federation). Other government ministries related to job creation efforts could participate if related issues were brought up. The Committee is chaired by the Minister of Employment and Labour.

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<sup>38</sup> The highest-level coordination body is not permanent. It depends on president's will. Usually this meeting lasts during the tenure of president. However, Employment Policy Council (Chaired by Minister of Labour) is permanent because it is prescribed by the law (Framework Act on Employment Policy). MoEL has the authority and responsibility for formation and implementation of NEP. Special committee or presidential committee can be established by president and if established it can do draw big picture on NEP than EPC in MoEL.



**Figure 4.2: The Framework of Coordination of NEP in the Republic of Korea**



Source: Kang (2013).

For customized measures in response to on-site needs, MOEL began providing direct support at business sites by setting up “On-site job+ Team” - an on-site group to support job creation. These teams have been formed for providing on-site coordination by visiting workplaces to assess the difficulties that companies and job-seekers face with regard to employment issues.

In Korea, local governments pursue various job creation projects, either with support from the central government or with their own financial resources. Vertical coordination is provided by the Employment Policy Coordination Meeting which resolves issue relating to overlaps between the actions of central and local governments. The “On-site job+ Team” is also an important mechanism for providing support at the local level, and they work under the Regional Employment and Labour Office.

The Public Employment Service (PES) was initiated in 1998 through establishment of Job Centres (JCs) with the mandate providing employment assistance (including job intermediation and vocational counselling), employment insurance management and vocational training. During the initial years, the level of services provided by the Job Centres was not very high. Since 2005, the government of Korea started expanding the PES. JCs are part of the local administration office under the Ministry of Employment and Labour. In 2013, there were 82 JCs in the country.

But JCs are not the only agency providing employment service in Korea. On the one hand, PES is provided by employment service agencies of local governments. In addition, there are private

employment service agencies as well. Although the latter are under the supervision of the JCs, the exact relationship between the private employment service agencies and the JCs is not clear.

In terms of actual services provided, there has been some innovation. Following are some examples:

- The “Successful Employment Package Programme” introduced in 2009 for low income job seekers.
- The Youth Employment Service started in 2011
- Finding New Job Programme for the middle-aged and old job-seekers.

Under the above programmes, services are provided in stages. The first stage consists of career path setting when individuals receive intensive counselling. On the basis of the results of this stage, individual action plans are prepared. The second stage consists of improvement of vocational competency during which training, jobs for experience, start-up programmes, and youth internship programmes are provided. The third stage consists of intensive job matching during which the JC counsellors accompany programme participants to their job interviews for providing support. Group interview sessions are held by participants and recruiting companies.

Efficient matching between job seekers and potential employers is key to the success of employment services, be it public or private. Availability of labour market information plays an important role in facilitating this match. In Korea, there is close inter-linkage between LMIS and PES. The Job Centres are networked by the central information centre where all information about jobs and job seekers are gathered, classified and analyzed. The LMIS of the country covers a wide range of topics including macroeconomic aspects, labour market trends, technology and industry information, employment insurance, education, training, job counselling, etc. The information is available to the local branches of PES as well as to the public. So, the private job agencies may also use this information. On the other hand, there are private agencies providing with information relating to jobs (often through internet). Thus, the PES and private employment service in Korea complement each other.

*The accountability system* in Korea has two major elements: (i) the employment impact assessment programme (EIAP), and (ii) the local job creation strategy notice system. EIAP was set up in the wake of the Asian economic crisis with the objective of identifying policy alternatives for job creation through analysis of policies that have a direct impact on jobs as well as of government policies that may have some impact on job creation. An Employment Impact Assessment Centre (EIAC) is designated for two years. For example, in 2013, the Korea Labour Institute was selected as the EIAC. The evaluation involves examination of the relevance of the activities of a project to the goal of employment as well as the impact on employment in quantitative and qualitative terms (by using rigorous methods like input-output and CGE models). The result of impact evaluation is sent to various ministries and other agencies relevant for the project concerned. The project entity sets up an action plan based on the assessment results which is sent to the MOEL. The progress of implementation of the action plan is reported to the Employment Policy Council and the Ministry of Finance uses the results as reference data in future budgetary allocation.

Through the Local Job Creation Strategy Notice System, local governments are encouraged to establish their own job creation targets (in line with the characteristics of the region) and formulate their employment policies which are then submitted to the MOEL for support. This has created a healthy competition among the local governments and has resulted in regionally customized job creation projects. In addition to support from the central government, the local governments are also allocating budgets for such projects.

### 4.3. India

Since its independence, India has pursued a strategy of planned development; and employment has been one of the priority areas of focus of its five-year plans. While the early plans reflected the political vision of the country's first Prime Minister Jawaharlal Nehru and the architect of planning P.C. Mahalanabis, the strategies continued to evolve with the development of the economy. But the issue of employment featured in all plans in some way or the other. More recent plans e.g., the eighth (1992-1997), ninth (1997-2002), tenth (2002-2007), and the twelfth (2012-2017) plans included chapters on employment with detailed projections and target growth rate of employment<sup>39</sup>. However, none of the plans elaborated a full-fledged employment strategy with plans for implementation and monitoring of the outcomes.

With the change of government in 2014, the approach to economic development changed and the mechanism of five-year development plans was abandoned. At the end of the twelfth plan period (2012-2017), the government outlined its development strategy in a report titled *Strategy For New India @ 75* for the period 2018-2023 which focuses more on labour market reforms - although mention is made of employment generation and skill development programmes.

From the above, it may appear that for employment strategy, there is not much to look at in the Indian experience. But there is one area in which India has a good deal of experience since the early days of development effort – direct programmes for employment creation, especially wage employment through infrastructure construction. While there were programmes at the national level in various forms, at the state level, the Employment Guarantee Scheme in Maharastra became very well-known for its emphasis on guaranteeing jobs and for finding ways of financing it. In 2005, the central government adopted a national level employment guarantee programme for job creation in rural areas of the country. Apart from the focus on guaranteeing jobs, the other notable aspects of this programme include its rights-based approach, a social protection element built into it, gender-sensitiveness, and its financing from own resources. In a discussion on Jobs Strategy for a developing country like Bangladesh, the experience of such a programme can offer useful lessons. Hence a brief description of the programme and its performance is provided below.

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<sup>39</sup> The last one, for example, projected the creation of 33.8 million new jobs over the plan period and mentioned that “the cornerstone of employment policy for the Twelfth Plan is to create 10 million additional jobs in the manufacturing sector”.

### *The national rural employment programme of India*

In September 2005, the Indian Parliament passed the National Rural Employment Guarantee Act (NREGA) which represents a bold step in the realm of public policy for employment and social protection not only in the country but also for the developing world as a whole. While the primary goal of the Act is to generate employment for the poor in rural areas, it also provides for basic economic security for them. The Act guarantees at least 100 days of wage employment per household in infrastructure construction schemes. Although the remuneration is linked to the amount of work performed, the mechanism for calculating the wage ensures that the daily wage will not be less than the prevailing minimum wage in agriculture. Moreover, the Act provides for an unemployment allowance if work cannot be provided within 15 days of application. There are a number of other aspects of the Act that are worth noting which include

- Allocation of at least one-third of the jobs to women,
- Providing work within five kms of one's place of residence, and a payment of transport allowance in case the job is located farther than that,
- Allowing local bodies (viz., the village *panchayets*) to execute at least half of the work, and
- Introduction of job cards, written application, direct payment of wages to bank accounts, etc. as measures to ensure transparency in the execution of the programme.

In addition to the goal of providing employment and social protection, the Act also envisaged to ensure that the schemes selected under the programme would contribute to the development of infrastructure in rural areas and thus contribute to economic growth. With that aim, the Act provides a list of the type of schemes that could be undertaken for creating employment. The list includes construction of rural roads, digging irrigation canals, flood control and drainage of water, land development, rehabilitation of ponds and water bodies, water management and conservation, and prevention of drought through afforestation and tree plantation.

Apart from providing employment and social protection and contributing to rural development, the Act has some other positive features. For example, by creating employment in rural areas, the programme was expected to strengthen the overall demand for labour in the rural labour market. That, coupled with the application of minimum wages in the jobs created, was expected to improve the bargaining position of the workers and lead to an improvement in the overall situation of labour in the rural economy.

Of course, critics have pointed out possible negative aspects of the employment programme in India described above. One major concern was whether it could have an inflationary effect on the economy, if production, especially of food grains, did not increase alongside increases in employment (Ghose, 2011). Although the Act does specify that the schemes selected should be such that they contribute to rural/agricultural development, what happens in reality would depend on how the schemes are selected and implemented.

Although there has not been much of in-depth evaluation of MGNREGP, a few observations may be made on the basis of official documents and other studies (see also, data presented in Table 4.1)<sup>40</sup>.

**Table 4.1: Some Data Concerning the Implementation of India’s Mahatma Gandhi National Rural Employment Guarantee Act**

	2006-07	2011-12	2018-19
Number of districts covered	200	All rural	All rural
Number of households covered (Crore)	2.1	5	5.3
Share (%) of women among the workers	40	48	54
Average number of work-days per household	43	42	51
Budget (Crore Rupees)	11,300	40,000	69,295
Expenditure (Crore Rupees)	8,824	37,303	69,595
Share (%) of unskilled labour in total expenditure	66	66	68

Source: GOI (2012) and NREG website [www.mnregaweb4.nic.in/netrega/all\\_lvl\\_details\\_dashboard\\_new.aspx](http://www.mnregaweb4.nic.in/netrega/all_lvl_details_dashboard_new.aspx) (downloaded on 19 May 2019).

- While the programme was initially launched in 200 districts of the country, within three years it was extended to the rural areas of all the districts.
- In six years, the number of households covered by the programme increased to two-and-a-half times.
- The share of women in the total number of participants was 48 per cent in 2012, and rose to nearly 55 per cent in 2018-19 - thus exceeding the target of one-third.
- But the average number of days of employment per household peaked at 54 days, although the target was 100 days. Of course, it is possible that the demand for jobs does

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<sup>40</sup> Data and information provided in the following paragraphs are mainly from the studies included in GOI (2012) and the website of MGNREGP.

not require offering 100 days. In fact, there is substantial variation in the number of days of jobs provided in various states of the country - with the number very low in developed states, thus indicating that this number perhaps reflects demand for jobs.

- In 19 states the average wage rate in schemes under the programme was higher than the prevailing wage rates in agriculture. This may have created a pressure on rural wages as a whole. In fact, one study (Kannan and Jain, 2013) shows that this programme resulted in a 5.3 per cent wage increase in agriculture. Whether the rise in rural wages may have had an inflationary effect is difficult to say. However, if one looks at the type of schemes taken up under the programme it would appear that they should have created possibilities of a positive impact on growth in agriculture. Moreover, there is evidence to show that the magnitude of employment created was countercyclical with seasonal variation in the demand for labour in agriculture.

Based on the experience of India's MGNREGP, a few observations may be made, albeit tentatively, about the use of employment programmes as a mechanism for employment and social protection. First, the Indian programme is indicative of the adoption of a rights-based approach to employment. And by enacting a law in this respect, the guarantee of jobs has been given a legal backing. These two elements distinguish this programme from similar programmes elsewhere in the world; and they are critical if such a programme has to effectively serve as a measure of simultaneously creating employment and providing social protection.

Second, although the programme's basic objective is to guarantee a minimum level of income for the poor and thus address structural poverty, the guarantee element enables it to address labour market risks and provides workers with a choice of falling back on it when faced with unemployment. Thus, it has the ability to act as a potential automatic stabilizer.

Third, the programme is financed from the country's own resources without depending on external resources as is often the case with such programmes in low income developing countries. Initially, the estimated cost of the programme was about one per cent of the country's GDP, and it was thought that the country should be able to afford to spend that amount for providing safety net to the country's poor. A country's ability and willingness to commit such resources towards its social protection programmes is extremely important, an issue to which we turn now.

Fourth, the programme in India is financed entirely from the national budget; so, its implementation is not dependent on external funding. When the Act was being discussed prior to its adoption by the national parliament, it was estimated that the implementation of the programme would involve about one per cent of the GDP of the country. The argument in favour of the Act was that if the country is committed to the objectives of guaranteeing a minimum amount of employment and reducing poverty, it should be able and willing to allocate resources that would be about one per cent of the country's GDP. That kind of consideration has given the Act of India a special status in the developing world.

#### **4.4. Lessons that can be drawn**

In drawing lessons from the experience of other countries, it is always useful to bear in mind differences in the levels of development and in the institutional frameworks. For example,

although China has adopted market oriented economic framework and policies since the starting of economic reforms in the late 1970s and early 1980s, the institutional framework still has strong elements of “command’ and central planning. So, it may not be realistic to emulate what is done there in terms of target setting and pursuing such targets through instruments that are unique features of the country’s institutional set-up. Republic of Korea, on the other hand, is no longer a developing country and has many of the features and institutions of developed countries. Hence, it may not be realistic for a country like Bangladesh to follow what is being done there. But it needs to be noted that when one talks about learning lessons from other countries, it is not necessary to think in terms of blindly replicating everything that is done elsewhere. Lesson learning should be a matter of getting ideas about alternative ways of doing things and using the relevant ones in one’s own set-up – if necessary, with appropriate modifications and adjustments. With these caveats, it may be possible to bring out a few points from the experiences of the three countries that have been summarized in this chapter that may be useful for Bangladesh to note.

The experiences of both China and Korea show how a national employment policy is backed by detailed implementation plans, resource allocation for specific programmes (e.g., the Special Employment Fund in China), mechanisms for coordination and monitoring of results. Provision has been made for independent evaluation of programmes. As for the details of the strategies, both countries combine macroeconomic and sector level policies with labour market policies. These are examples of good practices that may be taken note of.

The special employment programme of India is also a good example of how such a programme of creating wage employment for the unskilled can be institutionalized, financed out of a government’s own resources, and implemented in a reasonably efficient manner with positive impact on the labour market.

The example of India is useful in another respect – in demonstrating that high rate of economic growth is not a guarantee to good performance on the employment front. Moreover, as the country has not adopted any strategy or policy aimed at improving the employment-output relationship, there is not much to learn in terms of policies. In fact, some of what will be outlined in Chapter 6 in terms of a possible Jobs Strategy may be relevant for India as well.

**PART III: EMPLOYMENT PROJECTIONS,  
STRATEGY AND IMPLEMENTATION  
FRAMEWORK**



## **Chapter 5: Analysis of the Medium-term Employment Challenge – Quantitative and Qualitative**

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

### **5.1. Employment Projection and Prospects**

#### 5.1.1. Methodology applied

It would be in order to note a few basic aspects of the projection being presented. First, the present exercise will have two components: one for the period of the country's Eighth Five-Year Plan (2020-2021 to 2024-25) and another for the period up to 2029-30. Since 2030 is the terminal year of the SDGs, and one of the goals is to attain full and productive employment and decent work for all by that year, it would be useful to understand what the challenge implies – at least in quantitative terms. The exercise may also be looked at in relation to the country's Perspective Plan (PP) for the period 2021 to 2041, and the aspiration to attain the status of a developed country by the terminal year of that Plan. The period up to 2030 may be regarded as the first phase of the PP period during which surplus labour available in the economy should be fully absorbed. Once that critical turning point is attained, the challenge of employment will be somewhat different.

Second, to get a picture of the supply side, projection of labour force has to be made by using a realistic figure for its growth rate. But given the volatility observed in the past figures that emerge from different rounds of the labour force surveys (ref. Chapter 2), it is difficult to settle for a figure with confidence. For example, the rate of growth of labour force during different inter-survey periods varies from 1.15 per cent per annum during 2013 to 2016-17 to 3.45 per cent during 2005-06 to 2010. Moreover, there is no clear trend in the observed growth rates. Given the situation, one way is to look at a reasonably long-term period and use the growth figure observed for that period for purposes of projections. For example, the annual growth of labour force during 2002-03 to 2016-17 was 2.28 per cent. In the absence of any other more reliable figures, the present study uses this for making projections of labour force growth up to 2030<sup>41</sup>.

Third, an aggregate projection model is used (elaborated further below), which involves the use of elasticity of employment with respect to output and projected GDP growth. As for the

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<sup>41</sup> The figure used in the Planning Commission's Perspective Plan Growth Framework is higher than this. Although not mentioned explicitly, it seems to be in the order of 2.36 per cent. The labour force surveys of 2013 and 2016-17 imply an annual growth of 1.15 per cent per annum which appears to be unrealistically low.

former, several points need to be noted. First, since 2005-06, there has been a gradual decline in the elasticity of employment with respect to output – thus indicating a decline in the ability of the economy to generate employment. Moreover, this decline was quite sharp during the period of 2013 to 2016-17; the estimated employment elasticity for that period was only 0.1765 compared to 0.3887 for 2010 to 2013. Although it is natural for a developing economy like that of Bangladesh to undergo some technological change that might result in a decline in the employment elasticity of output, such a sharp decline within a short period seems to be an aberration of the observed trend and appears to represent a period of “jobless growth”. So, the use of the elasticity figure for 2013 to 2016-17 in a projection exercise is likely to yield misleading results. It would, therefore, be useful to make alternative projections using more realistic parameters. One possibility is to use the estimated elasticity for a longer period. In that regard, one candidate is the estimate for the period 2010 to 2016-17, which is 0.27. The other possibility is to use a figure that is a little higher than the one just mentioned, so that one can get some idea about what can be achieved if employment- oriented policies are undertaken and economic growth becomes somewhat more employment-intensive. From this consideration, an elasticity figure of 0.3 is used to make another alternative set of projections. The projection exercise described below uses all the three alternatives.

As for projected GDP growth, the Planning Commission’s Perspective Plan projection ranges from 8 per cent in 2020 to 9 per cent in 2031 (Planning Commission, 2017). For purposes of the employment projections, the following rates of GDP growth are used:

2016-17 to 2019-20: 8.2 per cent

2020-21 to 2024-25: 8.5 per cent

2024-25 to 2029-30: 9.0 per cent.

One set of employment projections is made by using these figures. However, the present study argues that it is not only the rate of growth but also the pattern of growth that influences the employment outcome of an economy. In order to demonstrate this, two alternative growth scenarios (represented by GDP growth of 8 and 7.5 per cent per annum) will be used in conjunction with an employment elasticity figure of 0.35, which is slightly lower than the observed figure for 2010 to 2013 but higher than the figure for 2013 to 2015-16.

The model used for projections is presented below

$$E_t = E_0(1 + r_e)^t, \quad (1)$$

where

$E_t$  represents total employment in the terminal year of the projection period,

$E_0$  represents total employment in the base year, and

$r_e$  represents the annual rate of growth of employment during the projection period.

$$r_e = \eta r_g \quad (2)$$

where

$\eta$  represents elasticity of employment with respect to output, and

$r_g$  represents growth of output

$$\eta = r_e \div r_g \quad (3)$$

### 5.1.2. Results of projections

#### *Labour force*

Applying the growth rate of 2.28 per cent per annum (the observed growth of labour force during 2002-03 to 2015-16), one gets a projected labour force of 76.1 million for 2025 and 85.2 million for 2030. This gives one an additional labour force of 12.6 million for the period 2016-17 to 2024-25 - about 1.58 million per year.

To the new labour force, one has to add the backlog of unemployment (2.67 million in 2016-17) that exists and for whom employment needs to be found. Allowing for some unemployment to remain, one could assume that the target should be to absorb about a quarter of those by 2025 and half by 2030. That would mean an additional 67,000 has to be added to the yearly target for employment up to 2025.

Given the fact that international migration of workers is an important source of employment for the labour force of Bangladesh, it would be appropriate to take that into account in estimating the number of jobs that would be required in the domestic labour market. Given the recent as well as long terms trends in the outflow of workers, it may be realistic to assume that about 500,000 people would find employment abroad every year. Although the gross actual outflow has been much higher in recent years, in view of the substantial numbers that return every year, the above figure has been taken as rough indicator of the net outflow per year.

Thus, taking into account the addition to labour force, the need to absorb some of the unemployed, and the possibility of international migration for employment, it would be appropriate to take 1.15 million per year as the minimum quantitative target for employment during the period up to 2030.

In order to make a real dent on underemployment and the number of working poor, the number of additional employment per year will have to be substantially higher than the 1.15 million mentioned above so that the available surplus labour can gradually move to new jobs with higher productivity. A question that may be asked in this regard is: what level of economic growth would be required for the economy to be able to absorb its surplus labour by 2030?

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

One approach (albeit rather crude) would be to apply the current rate of underemployment in agriculture (25 per cent<sup>42</sup>) to the employed labour force in that sector (24.7 million) and arrive at an estimate of surplus labour in that sector. This gives one a figure 6.18 million. Assuming the rate of underemployment to be 10 per cent for the rest of the rural labour force (19.1 million) as well as for the urban labour force, one gets 1.91 million and 1.69 million respectively. So, the total number of surplus labour would work out to be 9.78 million<sup>43</sup>. If half of this surplus labour is to be absorbed by 2025, the number of additional jobs that would be required per year works out to be a little over 610,000.

Hence for period up to 2024-25, the number of additional jobs required would be: (i) 5.75 million to absorb the new additions to the labour force (at the rate of 1.15 million per year as explained earlier), and (ii) 3.06 million as contribution to absorbing the existing surplus labour. Thus, a total of 8.81 million jobs would be required over this period – which implies 1.76 million annually.

#### *Labour force: an alternative projection*

Population and labour force projections made (for the period 2011-2061) by the Bangladesh Bureau of Statistics (BBS, 2015) provide an alternative source of labour force projections. Use of projections of population and labour force participation rates made by the BBS yield a labour force growth of 2.06 per cent per annum during 2016 to 2031. That, in turn, would imply an annual addition of 1.41 million to the labour force. Taking into consideration the need for additional employment for absorbing the surplus labour that currently exists and the possibility of overseas employment (as elaborated above), the total number of new jobs that would be required works out to be 1.59 million per year.

In another set of labour force projections, made available by the ILO, growth of labour force is shown to be much lower than the above two – 1.75 per cent in 2019, declining to 1.03 per cent in 2030. As these figures are very much out of line with those from the labour force surveys and the projections (mentioned above) made by the BBS, they have not been used in the present exercise.

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<sup>42</sup> In 2016-17, it was about 25 per cent.

<sup>43</sup> Another way of estimating surplus labour could be to use the idea of working poor. Given the facts that open unemployment rate is only 4 per cent of the labour force and the incidence of poverty is about 23 per cent of the population, it is clear that a large proportion of those who are employed are poor despite being employed. Clearly, their income needs to increase either through improvement in productivity and returns within their existing work or move to new work with higher productivity and returns. Applying the same percentage of poverty to the employed labour force (62.1 million), one gets 14.3 million as an estimate of working poor. Clearly this is much higher than the estimate obtained by using the underemployment rate, and it may not be realistic to use this for purposes of estimating surplus labour in the economy.

### **Box 5.1: Estimation of Jobs Required Per Year**

1. Projected labour force in 2025 (using labour force growth of 2.28% per annum which is the growth rate during 2002-03 to 2015-16): 76.1 million
2. Addition to labour force during 2016-17 to 2024-25:  $(76.1 - 63.5) = 12.6$  million (or 1.58 million per year)
3. Backlog of unemployed in 2016-17: 2.67 million
4. If one-fourth of the backlog of unemployed is to be employed by 2025, additional job requirement per year would be 67,000
5. Likely number to get employment abroad per year (net outflow): 500,000
6. New jobs required per year without taking into account “surplus labour”:  $1.58 + 0.067 - 0.50 = 1.15$  (million)
7. Surplus labour (2016-17):
  - (i) Agriculture total labour force: 24.7 million
  - (ii) Time-related underemployment in the sector (25% of 24.7million): 6.18 million
  - (iii) Rural non-agricultural labour force: 19.1 million
  - (iv) Surplus labour in the non-agricultural sector (10%): 1.91 million
  - (v) Surplus labour in urban areas (10% of urban employment): 1.69 million
  - (vi) Total surplus labour (total of ii, iv, and v): 9.78 million
  - (vii) If half the surplus labour is to be absorbed by 2024-25, annual additional employment required would be 611,250.
8. Total number of jobs required annually during 2020-21 to 2024-25 (taking into account “surplus labour”:  $1.15 + 0.61 = 1.76$  million.
9. Using an alternative projection of the growth of labour force of 2.06 per cent per annum (made by using the BBS projections of population and labour force), one gets a figure of 74.75 million for 2024-25. Taking into account the other consideration mentioned above, the required employment per year works out to 1.59 million per year.

#### *Employment projection for the 8<sup>th</sup> Plan period*

Projections of employment have been made by assuming GDP growth of 8.5% per annum during 2020-21 to 2024-25 and three alternative estimates of employment elasticity, viz. 0.1765, 0.27 and 0.30 (explained above). The results are presented in Table 5.1. Several points emerge from the projections.

First, if the pattern of jobless growth continues (as indicated by the low employment elasticity of 0.1765), even a high GDP growth of 8.5 per cent per annum will not be adequate to absorb the new addition to the labour force, not to speak of absorbing surplus labour. In

**Table 5.1: Employment Projections under Alternative Assumptions about Employment Elasticity (With GDP growth assumed to be 8.5% p.a. between 2021 and 2025)**

	Alternative assumptions regarding employment elasticity		
	0.1765	0.2755	0.30
Total employment in 2024-25 (million)	70.02	72.98	73.72
Additional employment during 2020-21 to 2024-25 (million)	5.02	7.98	8.72
Additional employment per year (million)	1.004	1.60	1.74

Note: For the period of 2016-17 to 2019-20, GDP growth is assumed to be 8.2% p.a.

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

order for the latter to happen, either GDP growth has to be higher than that or the pattern of growth has to be more employment intensive – at least similar to what was attained up to 2013<sup>44</sup>.

Second, even if the elasticity of employment remains at the level observed between 2010 and 2016-17 (i.e., at 0.2755), additional employment will not be adequate to absorb surplus labour at the rate that is desirable, although it will be over what is needed to absorb the new addition to the labour force.

Third, with GDP growth at 8.5 per cent per annum, if the labour absorptive capacity of the economy can be raised a bit to have employment elasticity of 0.3, it will be possible to absorb half the estimated surplus labour by 2024-25.

#### *Employment Projection for the Period 2025-26 to 2029-30*

Projection of employment for the period 2025-26 to 2029-30 - uses GDP growth rate of 9% and two alternative assumptions for employment elasticity. The first assumption is that it will remain at the same level as observed for the period 2010 to 2016-17. The second is an alternative assumption based on the argument that employment elasticity is likely decline because of the adoption of more labour-saving technology and improvement in productivity.

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<sup>44</sup> It may be noted that the projections made in the ADB-ILO employment diagnostic study (ADB-ILO, 2016), uses higher estimates of employment elasticity and lower GDP growth projections. But the basic conclusion was similar to the conclusions of the present exercise, viz., high GDP growth alone would not be sufficient for absorbing the new addition to the labour force and the available surplus labour. Unless the pattern of growth remains employment intensive (with employment elasticity of around 0.35 to 0.45) for some more time, even with very high GDP growth, the economy will not be able to attain the goal of full and productive employment in the foreseeable future.

Based on this argument, a lower figure of 0.25 (compared to the observed figure of 0.2755) has been used for the alternative projection<sup>45</sup>. The results are presented in Table 5.2.

**Table 5.2: Employment Projections for the Period 2026-2030 (with GDP growth of 9% per annum and employment elasticity of 0.25)**

	Employment elasticity	
	0.2755	0.25
Total employment in 2029-30 (million)	82.49	81.57
Additional employment during 2025-26 to 2029-30 (million)	9.51	8.59
Additional employment per year (million)	1.90	1.72

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

A couple of points may be made on the basis of the projections presented in Table 5.2. First, if the employment elasticity observed during 2010-2016 can be maintained, and GDP growth can be raised to 9 per cent per annum, the additional employment that will be generated will exceed what is required to absorb the new addition to the labour force and the surplus labour that will still remain in the economy. But if labour-saving technological change continues to make inroads – as is likely in agriculture and manufacturing – the employment-output relationship is likely to change, and the elasticity of employment is likely to be lower. However, if it can be kept at 0.25, the amount of additional employment generated will be close to what is required, and the economy will be able to absorb its surplus labour by about 2030. The critical factor for attaining that would be a GDP growth of 9 per cent per annum on a sustained basis.

**Box 5.2 Key Messages Emerging from the Employment Projections**

In order to absorb the new additions to the labour force and also to exhaust the surplus labour that is still available in the economy by around 2030, it would be important to attain an annual GDP growth of 9 per cent and maintain the employment elasticity that has been observed during the period 2010 to 2017. The recent pattern of economic growth with low employment growth will have to be changed.

**5.2. Going Beyond Numbers: Addressing Key Challenges**

Generating the required number of jobs is only part of the challenge faced by an economy like that of Bangladesh. A strategy for jobs will have to address a number of other challenges ranging from those related to the quality of jobs that are created, the environment in which

<sup>45</sup> As it is difficult to predict the degree of change that will take place in employment elasticity, this figure has been selected rather arbitrarily.

economic activities take place, the quality (in terms of education and skills) of the labour force, and adoption of advanced technologies – to mention only a few.

The qualitative aspects of include informality, productivity, wages, working conditions, social protection and workers' rights. While all of these are relevant and important, in order to keep the scope of the present work manageable, the major focus of this report will be on (i) informality, productivity and wages, and (ii) the possibility of addressing the environment issues in jobs (i.e., “greening of jobs”).

As for other challenges, the quality of human capital (in terms of education and skills) and the issue of technology will also be addressed.

### *Informality*

It has already been mentioned in Chapter 2 that despite respectable economic growth attained on a sustained basis for nearly two decades, the economy of Bangladesh is characterized by a stubborn persistence of informal sector employment at a very high level. The simple reason is that while employment has grown, much of that growth has taken place in the informal segments of the economy. Moreover, employment in some of the formal segments is being generated with an informal character (viz., without any social protection against ill health, old age, unemployment and accidents at the place of work).

One may of course argue that all informal sector jobs are not necessarily bad jobs, those engaged in the informal economy may be earning a decent income. Data presented in Chapter 2 showed that while this may be true of a small proportion of those employed in the sector, for a vast proportion, the reality is hard work with long working hours, poor working conditions, low income, and absence of social protection. And this has continued despite impressive growth attained by the economy.

In such a situation, the only way the share of the informal sector can decline substantially is through a successful pursuit of an employment strategy that would result in a quantum jump in the growth of formal sector employment. Even in such an optimistic scenario, the share of employment in the informal economy is likely to remain quite high during the medium-term future. As that would be an anathema to the rising average income of the country, a strategy for dealing with this phenomenon has to be formulated right from now.

There are three aspects that need attention: (i) productivity, wages and earnings, (ii) obstacles and barriers faced by the informal sector enterprises, and (iii) conditions of work and social protection.

During the current phase of development of the country, more emphasis will have to be given to the first two issues, though the third should not be neglected altogether. As the economy attains the upper middle-income status, the quality of jobs with respect to conditions in which work is carried out and social protection of workers will have to reach a level that is commensurate with its income status. But in order to reach there, steps will need to be taken now.

### *Development of human capital*

While labour is an important factor of production, it becomes more effective when converted into human capital. Education and skills play an important role in that context. To recapitulate



briefly about the level of education, there has been some improvement in that the proportion of the labour force with no education has declined considerably and that with primary education has increased. However, primary or secondary education would not be adequate to match the needs of a growing economy, especially when it moves to the next stage of development. And that's where the real challenge lies. The proportion of the labour force with tertiary education is very low and has not increased much. There is substantial variation in the figure between divisions – with Chittagong and Sylhet at the low end and Dhaka and Barisal at the high end (Table 5.3). Enrolment at the tertiary level education was 13 per cent in 2015<sup>46</sup>.

**Table 5.3: Tertiary Education in the Labour Force (by division), 2016-17**

<b>Division</b>	<b>Percentage of labour force 15 years and above with tertiary education</b>
Barisal	6.13
Chittagong	3.76
Dhaka	7.60
Khulna	5.15
Rajshahi	5.27
Rangpur	4.90
Sylhet	3.55
Total	5.69

Source: Calculated from primary data of the LFS 2016-17.

The picture about trained labour force is also not encouraging, with only 1.44 per cent of the labour force reporting to have had some training during the 12 months prior to the survey. Although there is some regional variation in the figure, it did not exceed 2 per cent in any division. Even for this small proportion of the labour force, a question can be raised about what kind of training was received. One can get some idea on this from the duration of

**Table 5.4: Training Received during the Previous 12 Months**

<b>Division</b>	<b>Percentage of the employed population who received training</b>
<b>Barisal</b>	1.64
<b>Chittagong</b>	1.14
<b>Dhaka</b>	1.94
<b>Khulna</b>	1.63

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<sup>46</sup> For purposes of comparison with a country that has been more successful in development, the enrolment rate at the tertiary level in Malaysia was 36 per cent in 2011.

<b>Division</b>	<b>Percentage of the employed population who received training</b>
<b>Rajshahi</b>	0.6
<b>Rangpur</b>	1.56
<b>Sylhet</b>	0.79
<b>All</b>	1.44

Source: Same as in Table 5.3

**Table 5.5: Length of Training Received during the Previous 12 Months (2016-17)**

<b>Duration</b>	<b>Percentage who received training</b>
<b>Less than 1 week</b>	10.52
<b>1-2 weeks</b>	45.39
<b>3-4 weeks</b>	27.26
<b>1-3 months</b>	14.97
<b>4-6 months</b>	0.97
<b>More than 6 months</b>	0.89
<b>All</b>	100.00

Source: Same as in Table 5.3.

training received; it was over one month for less than 20 per cent of the labour force and over three months for less than 2 per cent (Table 5.5).

Of course, the above figures refer to training received during the year prior to the survey, and does not say much about the actual proportion of the labour force who had any training before joining the labour force. But if one notes the enrolment in technical and vocational education as percentage of secondary education - 3 per cent in 2015 – the picture does not appear to be encouraging<sup>47</sup>.

Mention of the small proportions of the labour force with tertiary education and training should not be taken to imply that higher education and technical training by themselves will provide a solution to the employment problem. Without employment growth, a simplistic supply side approach will not be adequate. In this context, one simply has to recall (from Chapter 2) that the relationship between education and unemployment has been found positive, implying that

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<sup>47</sup> The corresponding figure for the Republic of Korea was 12 per cent in 2008.

the quantitative approach of providing more education and training cannot be the solution to the issue of human resource development. In this regard, it would be worth noting a few points:

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

Issues of quality and relevance to the labour market may be raised about general education as well. Hence, rather than talking generally about raising the level of education of the labour force, it is important to look at ways and means of providing not only more education but also education that is useful for the world of work. On all these matters (*viz.* quantity and quality of employment and human capital), a long-term approach should be taken, and successive Five-Year Plans should be regarded as vehicles for pursuing the goals that the nation might set for itself<sup>48</sup>.

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

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

The world is currently witnessing the fourth industrial revolution, the basic characteristics of which include the use of robots, artificial intelligence, nano technology, and biotechnology. A common perception in that respect is that this is going to threaten employment of human beings. Even in Bangladesh, where the economy is still characterized by the existence of surplus labour, labour-saving technology (including robots in some industries) are making

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<sup>48</sup> A more detailed analysis of issues relating to skills development is available in ADB-ILO (2016).

inroads. And if one takes a longer term perspective of several decades from now, one could imagine an acceleration in the adoption of modern technology. While technological progress is essential for attaining increases in productivity, the challenge for policy making in this regard would be to keep a balance between the needs of raising productivity and of employment growth at the required rate.

The question posed above is not new to human society; it dates back to the early 19th century when the so-called Luddites (in Britain) had attacked weaving machines because they were thought to be causing destruction of jobs in textile factories. And the question has resurfaced in the wake of several reports published in 2017 by influential institutions including renowned private companies like McKinsey (2017), PWC (2017), and international agencies like the United Nations (UN-DESA, 2017) and the World Bank (Raja and Christiaensien, 2017). In the context of the Fourth Industrial Revolution currently under way, these reports analyse activities and occupations that are “automatable” and develop scenarios of job losses if such automation does indeed take place. While most of these reports focus mainly on developed countries, the analysis is not limited to them<sup>49</sup>. As if to repeat the attack of Luddites to destroy weaving machines, measures like taxing robots are being proposed in developed countries<sup>50</sup>.

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

If one looks at the history of technological change and automation, one would note that while the initial impact of some changes may have been negative on employment, the longer term and overall effect has not been so. Technological progress leads to changes that may have a positive effect on employment as well. For example, one positive impact is often a rise in productivity leading to a decline in prices and a rise in the demand for products. That, in turn, leads to growth of output and employment.

Second, technology replaces certain tasks rather than complete occupations. Of course, new jobs that are created are likely to require different types and levels of education and skills compared to the jobs that may have been lost.

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

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<sup>49</sup> For example, the McKinsey report divides the countries covered by it into three categories: (i) advanced economies, (ii) emerging economies with ageing populations, and (iii) emerging economies with younger populations. The countries in the last category includes India, but Bangladesh is not included.

<sup>50</sup> No other than Bill Gates has proposed this.

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

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

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

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

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

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

While predicting the future is a tricky business, it may be worth noting a few points. First, even for developed countries, reports like the ones mentioned above express considerable degree of uncertainty. For example, the time frame in the McKinsey report is 2055; and it concedes that the kind of automation it is looking at could happen a decade earlier or a decade later than

predicted by them. In fact, automation depends on a variety of factors – technical, economic and social; and it is difficult to predict how the relevant factors will unfold in a particular country. But the past experience and the present situation of a country can provide useful insights.

A number of questions would be important. How feasible would automation be in the various sectors of the economy – present as well as those that are likely to grow? If technically feasible, would it be economically viable – especially in the context of the relative prices of the important factors of production? How would the acquisition of new technology be financed? What proportion of enterprises would have access to necessary finance? And more importantly, what role would policy making have in this field? Should policies be adopted to facilitate and encourage automation irrespective of their desirability and impact, or the matter should be left to the operation of market forces and let relative factor prices remain undistorted?

Considering factors and questions mentioned above, it is possible to identify opportunities that a country like Bangladesh could have as well as concerns, threats, and challenges it could face. They are outlined in Table 5.6.

**Table 5.6: Impact of Automation on Employment: Opportunities, Concerns and Challenges for Bangladesh**

Opportunities	Dangers/Concerns	Challenges
<ul style="list-style-type: none"> <li>• When surplus unskilled labour is exhausted, selective automation can help overcome the constraint created by shortage of labour.</li> <li>• New jobs, e.g., in supervision, repairs and maintenance, can be associated with automation.</li> <li>• New technology, by raising overall productivity and efficiency, may make it possible to lower prices of products. That could result in a rise in demand and hence in output and employment.</li> <li>• Increase in labour productivity can create a necessary condition for a rise in wages, which in turn could augment demand, output and employment.</li> </ul>	<ul style="list-style-type: none"> <li>• Ill-conceived policies like artificially lowering prices of machines through fiscal measures may lead to premature automation and thus to job losses even before surplus labour is exhausted.</li> <li>• By reducing costs, automation may give competitive edge to countries at higher levels of development – thus jeopardising the export-led development efforts of Bangladesh.</li> <li>• Competition in the international market may tempt the government to adopt such policies mentioned above.</li> <li>• Competition may also lead enterprises who are capable of adopting automation to go</li> </ul>	<ul style="list-style-type: none"> <li>• Designing appropriate macroeconomic policies taking due account of the country’s economic and labour market situation.</li> <li>• Designing policies to ensure that automation does not lead to exclusion of certain enterprises.</li> <li>• Designing policies for education and skill development in a way that the country can adjust smoothly to new technologies.</li> </ul>

Opportunities	Dangers/Concerns	Challenges
<ul style="list-style-type: none"> <li>• Automation can reduce drudgery of work in certain lines.</li> <li>• Automation can bring about positive change in the structure of the economy towards sectors and activities characterized by higher productivity and incomes.</li> </ul>	<p>for it – resulting in adverse effect on employment.</p> <ul style="list-style-type: none"> <li>• While demand for skilled workers increases, unskilled workers may face problems. This may lead to faster increases in wages of workers in the former category and accentuate the trend of rising income inequality.</li> </ul>	

What could be said by way of conclusion? Although it is difficult to say anything firmly about a distant future, it would not be unrealistic to conclude that the concern about large scale job losses arising out of automation is probably overblown. A good deal will depend on how policies are geared and the process is managed – an issue to which this report will get back in Chapter 6.

#### *Jobs Creation and Environmental Sustainability*

Creation of productive employment in an economy like that of Bangladesh involves structural transformation of the economy and growth of modern sectors like manufacturing and services. One associated feature of such growth is urbanization. But these processes may create adverse effects on the environment through a variety of channels including polluting water bodies, creating pressure on facilities like sanitation, producing wastes, etc. It may thus appear that there is a trade-off between productive employment and environmental sustainability. But careful investigation would indicate that such trade-off need not be inevitable or can at least be minimized if attention is given to the issues involved. In developing a Jobs Strategy for Bangladesh, these issues should be kept in perspective and the potential for “green jobs” examined.

In 2018, Bangladesh ranked 179 (out of 180 countries) in the Environmental Performance Index<sup>51</sup>. If one looks at various aspects of environmental sustainability of the country, one notices mixed performance. For example, the proportion of people using basic sanitation services increased from about 20 per cent in 2000 to about 35 per cent in 2015. On the other hand, the area under forest declined from 11.5 per cent in 1990 to about 11 per cent in 2015.

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<sup>51</sup> The index – prepared by Yale Center for Environmental Law and Policy - includes air quality, water and sanitation, heavy metal and ecosystem vitality. Its score ranges from zero to 100 – higher value indicating better performance. The score of Bangladesh was 29.5. See ILO (2018) which reports the result for Bangladesh.

And the share of renewable energy in total energy consumption declined between 2000 and 2015. In fact, generation of such energy also declined.

Growth of the urban population in Bangladesh has resulted in an increase in solid waste. According to the World Bank, municipal solid waste generation in Bangladesh in 2004 was 0.43 kg per capita per day and is expected to increase to 0.75 kg per capita per day by 2025. However, the majority of the waste in 2014 was organic (at about 77 per cent), followed by inorganic material (at 7.5 per cent). A waste management system for collection and safe and sustainable disposal, coupled with recycling and composting practices, could help create more green jobs with positive impact on environment and health.

A number of sectors of the economy of Bangladesh has potential for creating productive employment that can be regarded as green jobs<sup>52</sup>. Agriculture still accounts for 40 per cent of the total employment of the country; and there are several avenues of creating green jobs in the sector. Organic farming in crop production, afforestation, and adoption of environment-friendly techniques in fish production are examples. Greater use of clean fuel at the household level, increased investment in renewable energy generation and consumption, better and more environment-friendly techniques of waste management are other ways of fostering a green economy.

Industrialization does not necessarily have to create adverse effects on environment. Factories can be made energy-efficient (measured, for example, by energy used per unit of production), use structures and construction materials that are sustainable, and introduce sustainable procedures for production that balance environment considerations with business interests. There a number of factories in the RMG industry of Bangladesh that meet international standards in these areas (see Box 5.4). Other industries can be encouraged to follow suit; and fiscal policies can play an important role in encouraging them to be more sensitive to the environment and sustainability.

### **Box 5.3: Green Jobs and Jobs in the Environmental Goods and Services**

Green jobs may be defined as those that reduce consumption of energy and raw materials, limit greenhouse gas emissions, minimize waste and pollution, protect and restore ecosystems, and enables enterprises and communities to adapt to climate change. In 2013, the 19<sup>th</sup> International Conference of Labour Statisticians adopted statistical guidelines on “Employment in the environmental sector and green jobs”. Subsequently, the ILO developed survey instruments for the implementation of those guidelines. Pilot surveys have been conducted in Albania and Mongolia to demonstrate the use of the guidelines.

Environmental goods and services are those that directly benefit the environment or conserve natural resources. They include environmental services (like waste and wastewater management and treatment, energy and water saving activities, conservation and protection), environmental sole-purpose goods which have no use except for environmental protection

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<sup>52</sup> For a definition of “green jobs”, see Box 5.3.



or resource management, or adapted goods that have been modified to be cleaner or more resource efficient (e.g., buses with lower emissions).

Source: (ILO 2018 a)

#### **Box 5.4: Green Factories in the Ready-Made Garment Industry**

In May 2019, ten more garment factories of Bangladesh received platinum rating from the United States Green Building Council (USGBC), taking the total to 24, the highest in the world. Overall, there are 90 garment factories in the country that have received the Leadership in Energy and Environmental Design (LEED) certificate. “In every consideration, Bangladesh has the highest number of green garment factories in the world,” said the USGBC.

The Government of Bangladesh provides tax incentives to factories that comply with internationally recognized green building certification. The budget of 2017-18 introduced a reduction in taxes for enterprises with such factories.

Source: *The Daily Star*, May 26, 2019 and June 1, 2017.

#### *Jobs and disability*

Persons with disabilities of various types face additional difficulties in accessing jobs that may be available in the labour market; and a Jobs Strategy will have to address the issue. In order to do so, it is essential to understand the magnitude and nature of the challenge. As for magnitude, the first important point is the proportion of the country’s population that is characterized by some form of disability. According to the Household Income and Expenditure Survey of Bangladesh 2016, 6.94 per cent of the country’s population suffered from some type of disability. Although this figure is lower than that for 2010 (9.07 per cent), it is not clear whether one should interpret it as representing a decline in the extent of disability. Eye sight, hearing and walking climbing are three major forms of disability that are reported. It is not just numbers but also the forms of disability that should be taken into account in developing a strategy for jobs for the disabled.

The “National Strategy for Inclusion of Persons of Disability in Skills Development 2013” formulated by the National Skills Development Council outlines a national-level framework for enabling better work opportunities for persons with disabilities. It includes measures for including them in skill development programmes, providing support for business development, creating a disability-friendly work environment and support in accessing salaried jobs.

Like other government policies, the policy mentioned above is also well formulated. However, developing a mechanism for its implementation and monitoring of the progress made in implementing the various recommendations would be important if real progress is to be made.

## Chapter 6: Strategic Approach to Employment

### 6.1. The Context and Framework

A strategy for job creation in Bangladesh should take into account the basic characteristics of the economy and its current stage of development. In that respect, the following may be noted:

- The economy exhibits the characteristics of a dual economy in which the modern/formal segment – though growing – is small, the traditional segment is large, and informal employment predominates;
- The economy is still characterized by the existence of surplus labour, and the traditional segment remains the source of such labour; and
- The major challenge is not just to create more jobs but to create productive and remunerative jobs where workers from the traditional segment can move and which can be taken up by new members of the labour force.

In economies of the type mentioned above, employment growth can continue without confronting a rise in real wages until surplus labour is exhausted. Once surplus labour is exhausted, wages start rising. Following the analysis of W. Arthur Lewis (1954), the point at which surplus labour is exhausted and wages start rising is termed the “Lewis turning point”. The main goal of employment policy at the present stage of development of Bangladesh should be to fully utilize its surplus labour and attain that turning point. That is how the goal of full and productive employment stipulated in the SDG framework (goal 8) should be interpreted. Since the year 2030 is the terminal year for attaining the SDGs, it is assumed that the country will aim at attaining such a point by that year.

It may be recalled that in Chapter 5, employment projections were made for two periods – for the period of the Eighth Plan (i.e., FY 21 to FY 25) and for the period up to 2030. The two together, i.e., the period of 2021 to 2030 should be a critical period of transition for the economy of Bangladesh. By the end of that period, surplus labour in the traditional segments of the economy should be exhausted and labour shortage should emerge.

If one looks beyond 2030 into the longer-term future, it would be important to consider a second transition when the economy is expected to move from middle income to the higher income status. The paths of both output and employment growth for that period will need to be charted carefully, and the present exercise has kept that outside its purview. However, a few observations may nevertheless be made.

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

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

It needs to be noted at this stage that demand for labour is not limited by the domestic market. For Bangladesh, overseas employment is an important source of jobs; and an exercise on Jobs Strategy has to devote attention to that element. But in that respect also, it would be realistic to expect changes – especially if a long-term perspective is adopted.

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

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

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

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

Fifth, at a higher level of development - when the labour market will have utilized the available surplus labour - the nature of the employment challenge is going to change. At that stage, matching of available jobs with those seeking jobs will become more important, and a large part of unemployment will be due to churning in the labour market (what is typically known as “frictional unemployment”). In such a situation, institutional arrangement for employment services will become more important than at present. But that arrangement has to be put in place now.

## **6.2. Structural Transformation and Growth of Productive Employment**

### *Structural transformation: from agriculture to non-agriculture*

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

Bangladesh has already attained an acceleration in GDP growth in recent years – from around six per cent to seven and eight per cent. This can be raised further to over nine per cent; and the growth of manufacturing industries has to be of the order of 14-15 per cent per annum with an employment elasticity of 0.6 to 0,7 or so<sup>53</sup>. In that kind of a scenario, employment in manufacturing will grow at a rate of 9 to 10 per cent per annum. The sector will have to draw labour from the pool of underemployed labour in the traditional sectors like agriculture and low-productivity non-farm activities. If the jobs are sufficiently attractive, they may be able to encourage more women to enter the labour force and those women who are currently in unpaid family work to move to the formal manufacturing sector. This process should lower (and eventually eliminate) underemployment in the traditional sectors of the economy and also raise the share of the formal sector in total employment.

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<sup>53</sup> Employment elasticity of that magnitude should leave scope for a decent growth of labour productivity as well.

The question is how the process of growth envisaged above can be engendered. Bangladesh has already seen the beginning of the process of such growth where the RMG industry has been the driver. This needs to be made more broad-based, with a few other labour-intensive industries like footwear (both leather and non-leather), electronics, furniture, etc. joining the process. If the experience of countries like Republic of Korea and Malaysia is any guide, a strategy for a broad-based growth of export oriented labour intensive industries has to be a major element of the employment strategy.

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

The service sector has the potential to grow and absorb labour at higher rates. In fact, the standard pattern of structural transformation in growing economies shows that at some point of economic development, the share of manufacturing employment stops growing and then starts declining. At what point it will plateau out in Bangladesh is difficult to predict. However, if premature de-industrialization can be avoided, the share could go up to 25 to 30 per cent, as was in the case of Korea and Taiwan<sup>54</sup>. The service sector will continue its growth, albeit with changes in character. During the phase of labour absorption and move towards the Lewis turning point, much of the service sector employment may be in the informal sector. But simultaneously with such activities (e.g., in transport, retail trade, hotels and restaurants, etc.), formal service sector should also grow, and eventually, the components that are now in the informal sector should gradually transform themselves into formal sector employment (more on this below).

#### *Structural transformation within agriculture*

In a growing and maturing economy like that of Bangladesh, structural transformation does not have to remain limited to a change in structure between agriculture and non-agriculture; transformation within agriculture can also be important. In fact, a degree of transformation within agriculture has already been taking place (mentioned in Chapter 2), although it may not get fully reflected in the available data. The transformation that has already been taking place and should gather more pace include the following: (i) from food grain to vegetables and fruits, and (ii) growth of fishery, poultry and livestock. While the employment implications of such transformation need to be studied carefully<sup>55</sup>, it is quite possible that employment in some such sub-sectors (e.g., growing of fruits and vegetables, poultry, etc.) may be more suitable to the new (and young) entrants to the labour force with some level of education. Hence, such transformation would be useful from the point of employment of the youth.

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<sup>54</sup> In Korea and Taiwan, the share of manufacturing employment had risen to 23 and 32 per cent respectively before it started to decline.

<sup>55</sup> Implication of the shift away from food grains for food security also needs to be looked into.

### 6.3. Employment in the Informal Economy

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

There are three aspects that need attention: (i) productivity, wages and earnings, (ii) obstacles and barriers faced by the informal sector enterprises, and (iii) conditions of work and social protection<sup>56</sup>. During the phase of labour absorption for utilizing all the surplus labour, more emphasis will have to be given to the first two issues, though the third should not be neglected altogether. However, as the economy attains the upper middle-income status, the quality of jobs with respect to conditions in which work is carried out and social protection of workers will have to reach a level that is commensurate with its income status. But in order to reach there, steps will need to be taken now. Given the unorthodox nature of the challenge, the response will also have to be innovative<sup>57</sup>. Even though both employers and workers will have to be involved in any effort to deal with the issue, the basic initiative has to come from the government.

### 6.4. Employment of Women and the Youth

#### *Women*<sup>58</sup>

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

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<sup>56</sup> For a detailed discussion of these issues, see Islam (2015) (in Bengali).

<sup>57</sup> A good example of an innovative initiative to improve the quality of informal sector jobs through social protection is India's Unorganized Workers' Social Security Bill adopted by the country's parliament in 2008. Under the Act, provision was made to bring 340 million workers (out of a total labour force of 458 million) under the cover of pension, and basic health, life and disability insurance as well as group accident insurance within a span of five years. While passing of this Act has not been easy and implementation has faced obstacles, useful lessons can be learnt from the thinking and effort that have gone behind it.

<sup>58</sup> For a detailed analysis of women's employment and policies needed to address the key issues, see ADB-ILO (2016).

that would need attention include the status at the place of work, wages and salaries, and opportunities for mobility.

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

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

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

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

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

## *Youth*

Unemployment of the youth is a problem that affects developed and developing countries alike, and a good deal of research and policy oriented work has gone into it. A variety of measures aimed at addressing the issue have been tried in different countries. Based on available evidence and analysis<sup>59</sup>, the following strategic direction may be provided.

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

Second, even with high rates of economic and employment growth, the youth may continue to face challenges in getting access to employment for a variety of reasons, e.g., lack of previous experience, a mismatch between the qualifications sought and attained, etc. One way of smoothening school-to-work transition is apprenticeship during and immediately after the end of one's education<sup>60</sup>. The critical question in this regard is how to encourage enterprises to adopt such a system. In developed countries, various modalities including subsidy on the number of apprentices employed have been tried. As such measures may not be realistic for a developing country like Bangladesh, some degree of innovation (for example, tax credit to enterprises that would train and employ the youth) may be helpful. Moreover, when the country attains the upper middle-income status and moves towards the high-income level, standard measures may also become more relevant.

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

Fourth, a special employment programme for the youth with low levels of education (e.g., primary and secondary) could be conceived along the lines of public works programme<sup>61</sup>. However, instead of physical infrastructure like construction of roads, etc., the programme could be built around works for repair and maintenance of public institutions (e.g., educational

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<sup>59</sup> There is a large body of literature on the subject. A synthetic analysis can be found in Islam and Islam (2015).

<sup>60</sup> The experience of developed countries shows that this can make substantial difference in the rates of youth unemployment. For example, the rates in countries with good apprenticeship systems, e.g., Austria, Denmark, Germany and Switzerland, are much lower than other countries like France, Italy and Spain.

<sup>61</sup> A separate programme for the youth with low education is needed because their problem is different from the problem of employment of the youth with higher education. The existing programmes of wage employment through infrastructure construction are not always suitable for the youth with some education.



institutions, health facilities, etc.), and service for the community (e.g., care and help for the aged).

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

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

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

Many of the measures outlined above (e.g., transfer payments to boost youth employment, special employment programmes, entrepreneurship development, skill training, and employment services) belong to the category of what is known as “active labour market policies” (ALMPs)<sup>62</sup>. Empirical evidence shows that countries with more effective ALMPs fare better in addressing the challenge of unemployment (Auer, et al., 2008). Many of the

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<sup>62</sup> ALMP may be formally defined as policies that facilitate labour market integration through purposive and selective interventions to create demand for labour, enhance employability of the workforce through training and re-training, and contribute to matching supply and demand. The measures include employment creation programmes like public works, promotion of self-employment, subsidies for providing incentives to employ special categories of workers (e.g., the youth, long-term unemployed), training and re-training, job search assistance and employment services.

elements of ALMPs are already in operation in Bangladesh. It may, however, be useful to bring them within a framework and strengthen the institutional mechanism for implementing them. Moreover, if priority is attached to youth employment, there could be a programme of ALMPs targeted at the youth, with government providing a comprehensive package of services, tailored to the needs of the target population.

### **6.5. A Jobs Strategy Based on Three Pillars**

The Jobs Strategy proposed here is based on two broad pillars for domestic employment and one for overseas employment. The pillars for domestic jobs include policies (at the macroeconomic and sector levels) for accelerating economic growth and boosting the growth of jobs that result from output growth, and active labour market policies (ALMPs). While the former is expected to address the demand side of the equation by working on job creation through output growth, the latter will consist of a mix of measures working on both demand and supply sides. The expected contents of the two pillars mentioned above as well as the third pillar for overseas jobs are outlined below.

#### **Pillar 1 (domestic): Boosting jobs that result from output growth (or making growth jobs-rich)**

The basic element of the Jobs Strategy that is being proposed is to boost employment that is created through the normal process of economic growth. The starting point of this element is to address why job growth has not kept pace with output growth and what are the ways to make growth more job rich.

Analysis of the employment situation presented in chapter 2 indicates that although the manufacturing sector is expected to be a major driver of both growth and jobs in Bangladesh, its performance in recent years with respect to job creation has been disappointing. There has not been much research on the factors that may have been responsible for this; but a few points that have emerged quite clearly are:

- Growth of manufacturing jobs has depended very much on growth in the RMG sector;
- Although there has been growth of output and exports in the RMG sector, employment growth has stalled in recent years for a variety of reasons ranging from structural change within the sector to the adoption of labour-saving technology;
- Growth of employment has been disappointing in a few other major sectors like food processing and textiles – either because of low output growth or other reasons.

In order to address these issues, it is essential to focus on the pattern of growth in the economy as a whole and ask why the economy hasn't been able to embark on a path of export-oriented industrialization as has been the case with a number of economies of East and South East Asia. In doing so, it is necessary to address the whole gamut of macroeconomic and sectoral policies including monetary and fiscal policies, trade and industrialization policies, and policies for investment – especially in the private sector. Policy actions in this broad area should include the following:

- Although management of macroeconomic policy has, on the whole, been satisfactory in terms of maintaining price stability and containing budgetary deficits, concerns regarding the growth of private sector investment and jobs have to be reflected more closely in policymaking.

- Whether continuation of tight (or “cautious”) monetary policy is appropriate when inflation remains under control needs to be looked at. Continuous decline in the growth of private sector credit may be reflective of both the monetary policy stance and other factors like the business environment. Both issues will have to be addressed.
- As small enterprises often cite finance as a major constraint, monetary policy should be made more inclusive (e.g. by making it easier to access credit from formal institutions) to facilitate the growth of small businesses.
- It is necessary to examine the effectiveness of the current system of discriminatory fiscal incentives in order to identify the factors that act as constraints on the growth of a broader range of export-oriented industries than has been the case. A level-playing field in this respect would be the basic pre-requisite for engendering the desired growth path for the economy.
- Trade and industrialization policy will have to focus on promoting the growth of export-oriented labour-intensive industries. Even if labour-saving technology has to be used in the interest of improving productivity and maintaining competitiveness, there are industries that are, by nature, more labour-intensive than others; and Bangladesh will continue to have comparative advantage in the production and export of such products. Appropriate policies in the area of trade and industrialization would be critical in order to capitalize on that and use that route for creating productive employment.
- Greater fiscal space needs to be created in order to increase the capacity of the economy to fund various employment-related policies and programmes (which will be mentioned below). Efforts at augmenting the revenue generating capacity of the economy is critical in this regard.
- In the area of trade policies also, creation of a level-playing field is of critical importance from the point of view creating the necessary condition for a broad-based growth of export-oriented industries. Reforms are needed in policies that discriminate against exports and favour import substitution.
- As the private sector is the main source of jobs, it would be important to continue with (and accelerate the pace of) policy reforms that are currently under way for removing bottlenecks in the area of private investment. In that context, special attention should be given to difficulties faced by small and medium scale investors. A time-bound plan may be prepared specifying areas in which reforms will be undertaken, and a system of monitoring its implementation may be put in place.
- Since the industrial policy adopted in 2016 is oriented towards attaining specific and well-defined goals and targets and makes detailed recommendations, it would be important to periodically monitor their effectiveness and progress being made in attaining the targets. Based on such monitoring and evaluation, the policy may be revisited and necessary adjustments made.
- As diversification of agriculture can be a means of raising growth of output and employment in the sector, strategies and policies for attaining the twin goal should be an important aspect of the Jobs Strategy.
- Strategies for boosting jobs-rich growth in agriculture and manufacturing will need to address the issue of spatial differences in the employment situation. As the problem is more serious in certain regions like Rangpur, Rajshahi and Barisal divisions, policies

need to be aimed at encouraging job creating investment in those regions. The industrial policy of 2016 already addresses this spatial dimension; but it would be necessary to monitor the implementation and effectiveness of the policies outlined. Policies addressing the structural transformation of agriculture and promoting diversification should take into account the spatial factor.

- Given the importance of and need for mechanization/automation in agriculture and industries, adoption of appropriate technology policies would be of great importance. However, such a policy should avoid measures that may distort relative factor prices and create artificial incentives for mechanization or automation.

*Primary responsibility for this pillar:* Ministries of Finance, Agriculture, Commerce, Industry, Planning, and Bangladesh Bank in consultation with think-tanks, and other partners, viz., the employers' and workers' organizations.

### **Pillar 2 (domestic): Active labour market policies (ALMPs) for boosting job growth**

Even with policy interventions at various levels (outlined above), growth of employment may fall short of what is required in order to match the growth of labour force and the need to transfer labour from low productivity sectors to those with higher productivity. Hence, active labour market policies (through programme interventions of various types) will be needed to boost the growth of jobs and facilitate the functioning of the labour market<sup>63</sup>. Following are broad areas of such programmes:

- Entrepreneurship development and self-employment;
- Wage employment programmes;
- Training and retraining – with attention to market demand, changes in economic structure; and
- Matching of workers with jobs

Several cross-cutting issues will have to be incorporated in such programmes. They include:

- Gender: programmes with focus on women
- Age: Programmes with focus on the youth
- Environment: Programmes taking into account the impact on environment – using the concept of green jobs

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<sup>63</sup> A couple of points may be noted at this point. First, ALMPs are not only about strengthening the supply side of the labour market; they include measures to boost employment as well. Second, employment policy is often equated to labour market policies and programmes for job creation. Unless such programmes are implemented on a nationwide basis, they cannot be major sources of jobs in a country. And hence, measures of job creation mentioned under Pillar 2 should be looked at as complementing measures under Pillar 1. Third, some of the measures suggested here are already in operation in Bangladesh with varying degrees of effectiveness. The idea being presented here is to make the programmes more comprehensive and effective based on the experience gained so far.

- Disability: People with disability will receive special consideration in various programmes as appropriate

*Entrepreneurship development and self-employment: Be your employer*

This will be a pilot programme focusing on self-employment through entrepreneurship development. Bangladesh already has a plethora of self-employment programmes, mostly based on micro-credit - and in some cases, with skill training alongside micro-credit. Experience shows that the probability of success with such programmes is higher when a package approach is adopted combining training in entrepreneurship, skills, market research and business plan, marketing, and credit. Access to internet and training in business planning and implementation by using information available through internet will be an important aspect of this programme. Training in ICT and assistance in linking up with internet-based services would also be an important component of this programme. A programme using such a comprehensive approach can be formulated and implemented on a pilot basis in selected regions of the country.

The programme mentioned above will be a general programme where all those interested in being one's own employer will be eligible. However, special consideration may be given on the basis of age (for the young as well as seniors), gender, and different types of ability that may characterize an individual.

Consideration of environmental sustainability may be built into the programme mentioned here. For example, initiatives that are focused on the creation of green jobs through afforestation, waste recycling, etc. could be given priority.

Primary responsibility for the programme: PKSf, Department of Technical Education, BMET (in collaboration with selected NGOs)

*A national employment guarantee programme using labour-based approaches in infrastructure*

In countries with problems of structural unemployment or underemployment and where growth of employment falls below the growth of labour force, governments may come forward and act as the employer of last resort. And in such cases, investment in infrastructure and the adoption of labour-based approaches in implementing such programmes is used as a means for job creation. Bangladesh has a long history and experience in this regard, and the programme of job creation through labour-intensive infrastructure has evolved over time. The current programme aims basically at creating jobs for the poor. Furthermore, although it is not possible to provide a clear picture about the trend in allocations for this programme, data presented and analysed in Chapter 3 appears to indicate a decline in jobs created through the programme in recent years. This trend can be reversed and the government could renew its commitment towards employment generation by starting a more general programme rather than for the poor only. Moreover, if the programme guarantees employment for a certain number of days per worker (or per household) at a given minimum wage, that can have multiple benefits including increases in incomes (especially of the poor), and improvement in the supply price of the

workers (and hence in their bargaining position) in the labour market<sup>64</sup>. It is therefore proposed to broaden the present employment programme for the poor into a general programme for employment creation with labour-intensive infrastructure as the means.

If the experience of other developing countries at similar levels of development (e.g., India) is any indicator, it should be possible to implement an employment guarantee programme of the kind mentioned above from the government's own resources<sup>65</sup>. However, if the government does not want to make commitment for a nationwide programme, it could implement it in two phases – covering a certain number of districts in the first phase and extending the programme to cover the whole country after a couple of years.

Gender and environment issues can be incorporated into the design of the above programme as cross-cutting issues. For example, environment considerations can be taken into account in designing the elements of the programme and in formulating infrastructure schemes through which jobs would be created. On the other hand, the gender concern can be built into the operational aspects of implementation of the schemes by stipulating a certain percentage of the jobs to be allocated for women<sup>66</sup>.

*Possible responsibility for the programme:* Ministry of Disaster Management and Relief in collaboration with other ministries like the Ministry of Local Government and Rural Development and the Ministry of Food.

#### *National youth employment programme*

As mentioned in the earlier chapters, the young people face a number of problems ranging from shortage of suitable jobs to mismatch between education/training and demand for skills, information about jobs, counselling, etc. A large part of the problem is the shortage of suitable jobs, and that has to be addressed by working on economic growth and its pattern so that growth becomes more jobs-rich than at present. The first pillar of the Jobs Strategy as well as the programmes mentioned above under the second pillar are intended to address the demand side of the problem. But it needs to be noted that the youth face special difficulties during their transition from the world of work to the world of work which need to be addressed. Hence a programme specifically focused on the youth should be an integral part of the Jobs Strategy. Such a programme will include elements to boost the demand side, to strengthen the supply

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<sup>64</sup> The experiences of the earlier employment guarantee programme in the Maharashtra state of India and the current National Rural Employment Guarantee Programme of that country show that the existence of guaranteed employment programmes did have a positive impact on the supply price of workers and the market wage rates. Given the decline in real wages in Bangladesh in recent years, such a programme can be justified not only for job creation but also for improving the bargaining position of the workers in the labour market.

<sup>65</sup> When India's programme was formulated, it was estimated that it would cost about one per cent of the country's GDP. In the implementation also, the cost has been around that magnitude. An estimate for Bangladesh made in 2011 (Islam, et al., 2011) showed that the corresponding figure would be less than 2 per cent of GDP in 2009-10. It is necessary to update that estimate.

<sup>66</sup> In the case of India's National Rural Employment Guarantee Programme, in 2018-19 women accounted for 54 per cent of all jobs created by the programme – far exceeding the target of one-third of jobs for women.

side as well as to institute a mechanism for facilitating the match between the two. Following are some suggested programmes in this area:

- Boosting demand:
  - Self-employment: Entrepreneurship development (this could be a specific component of the general programme outlined above)
  - A programme of apprenticeship and internship covering both policies (e.g., policies for encouraging firms to employ interns/apprentices) and practical trials in selected sectors.
  - Wage-employment: special programmes for employment generation for young people with low and medium levels of education and skills.

This programme – which will be different from the wage employment programme based on infrastructure outlined above - will also cover the youth in the NEET category. The type of works will have to be innovative in character. For example, jobs could be created through maintenance of public infrastructure like educational institutions and public health centres, care services for the elderly, day care for children of working mothers, etc. In formulating and implementing the programme, linkage may be established with the existing National Employment Service Programme.

- Strengthening the supply side and setting up institutional mechanism for matching demand and supply

The first important element for strengthening the supply side is education and skill training, where the critical issue is to enhance both the level and quality. While raising the overall level of education of the labour force is important, equally important is the quality and relevance of education and skill training for the needs of the labour market. Since a good deal of work has been done in this regard both by the government and development partners, there is no need to repeat what has already been said in this regard – including in the ADB-ILO report of 2016 and the government's skill development policy framework. What is necessary is to develop an operational plan for implementing the various recommendations. Such a plan should include evaluations of the effectiveness of various programmes and policies and adjustment of the programmes on the basis of such evaluations.

Apart from education and skill development, there are several aspects of the supply side where work would be necessary. They relate particularly to the strengthening of the link between the worlds of learning and work. First, regular collection, analysis and dissemination of information about the labour market would be important from the point of view of aiding young people in choosing the areas of education and skill training. While the existing labour force surveys collect data on employment, unemployment, underemployment, etc., labour market information (LMI) needed for planning one's areas of education and training would have to go beyond such general aspects. Second, career guidance and counselling for students are important for helping them in selecting their field of studies and future career. Third, measures aimed at smoothening the process of transition from the world of learning to the world of work (including internship and apprenticeship) would need to be institutionalized and encouraged through appropriate policies.

A public employment service is needed to institutionalize the system of matching job seekers with potential employers. As mentioned earlier, this mechanism is useful mainly for formal sector jobs; and given the small size of the formal sector, it may seem to be of limited use. However, if the current rate of growth of the economy can be sustained with higher growth of formal sector jobs, employment service would have a useful role to play. Such employment service centres (can be called “Job Centres” – if a popular type terminology is considered preferable) could be set up on a pilot basis in a few major urban areas where formal sector jobs are more likely to be available. This may be done either by using the government’s existing institutions like the District Employment and Manpower Offices or by creating new structures.

*Primary responsibility for the programmes:* Bangladesh Bureau of Statistics, Ministries of Education, Labour, Youth, Women’s Affairs, and Expatriate Workers in collaboration with NGOs and employers’ and workers’ organizations.

#### *National women’s employment programme*

Given the multiplicity of challenges that exist in the area of women’s employment, efforts aimed at more and better jobs for women would have to cover a broad range of issues that include:

- Low and stagnant participation of women in the labour force;
- Low rate of participation of women with middle level education;
- High rate of unemployment among young and educated women;
- Different types of barriers faced by women in entering the labour force and in achieving upward mobility.

Measures that would be needed to address such a broad range of issues would have to cover areas of policy as well as measures to address specific challenges. An umbrella type *National Women’s Employment Programme* would be helpful in bringing together such diverse measures. It could have two broad components: the first covering policy and regulatory measures and the second covering practical measures/interventions to facilitate women’s participation in the labour market. Some examples are provided below.

- Policy
  - Extension of financial support (especially to those in need) to women in tertiary education and vocational training;
  - Revisit the share of women in government services (overall as well as at different levels) and consider possibility of revising the quota upwards;
  - A specific component for women (especially those with middle and higher level education) in the youth employment programme outlined above;
  - Closer monitoring of the implementation of provisions for maternity leave (including in the private sector);
  - Measures for making work places more women friendly.
- Programmes
  - Pilot programmes for targeted skill development (including soft skills), child care, safe and efficient public transport, and such other supportive measures.

*Primary responsibility:* Ministries of Women, Education, Labour, Expatriate Welfare – in collaboration with NGOs and employers’ and workers’ organizations.



### **Box 6.1: Employment for Women in Social Sectors**

As it has been amply demonstrated, the burden of care activities imposes excessive hours of total work on women. If supplies of paid services in the care sector can be expanded, this may itself have a direct employment creating impact and also set free women with small children so that they may seek paid work or self-employment. This can be especially relevant for child care services. Similar example from health sector can be cited here. The introduction of services of trained mid-wives for attending birth has made a two-fold contribution. It has helped reduce infant and maternal mortality and it has also created jobs for women. Similarly, women may receive training on child care and may be supplied with relevant inputs at low cost and /or credit (as envisaged in the recently adopted SME policy). Various institutional arrangement may be considered to implement this. For example, selected women who are studying at HSC-level who show interest in engaging in self-employment and show traits of entrepreneurship may receive such training. Other relevant sectors of such employment may be specialized aged care etc. However, there should also be choices of training on production activities, for example, baby goods, bakery, food preservation, etc (a demand assessment may be carried out to identify demand from local areas) and training may be imparted to women in groups of 3/4 women rather than to individuals.

### **Pillar 3 (overseas): Strategies for safe migration at low cost and for reintegrating returning workers**

Workers seeking and going for overseas jobs face harassment, abuse and high cost at various stages in both the sending and receiving countries. The problems arise from a variety of factors like lack of education and awareness on the part of job seekers, absence/shortage of necessary information about various aspects of migration and the jobs that are sought, weakness of governance of the migration process, and difficulties in putting in place international and bilateral agreements to govern the process. Another important issue is the unique aspects of sponsorship systems in the Middle East, commonly known as *kafala*, that result in a delegation of responsibility by the State to the private employer to oversee both a migrant worker's immigration and employment status. It is essential to develop a strategy for providing effective protection to migrant workers against abuse arising from different factors and high cost suffered by them at both ends.

While migration for overseas employment is a continuous process, a large number of workers return home every year, and many are still of working age. As there is no official data on the number and characteristics of workers who are returning and what they intend to do upon return, it is difficult to say much on the issue with confidence. However, a strategy for integrating such workers into the domestic labour market can bring a number of potential benefits like supply of new skills and experience acquired abroad and investment of resources brought back by the returnees. Indeed, this could be a vehicle for encouraging private investment by small savers. And if such investment could be channelled to labour-intensive activities like small and cottage industries, trade, transport, etc., there could be positive employment effects on the economy.

The strategy for safe and abuse-free migration at fair cost and for reintegrating returning workers will cover the following<sup>67</sup>:

- Raising awareness about officially determined costs of migration to different destinations and improving the flow of information about the availability of jobs and risk-free channels of migration;
- Ending abuse of all forms through improved governance of the migration process;
- Establishing labour demand projections in new markets and sectors to enable diversification and limit concentration in a few countries;
- Forging bilateral labour agreements in order to minimize short-term fluctuations in employment of workers as well as to deal with various issues relating to costs, wages/salaries, and overall terms and conditions of employment;
- Supporting outbound migrants through a package of services, including pre-departure orientation; linkage to skills enhancement services, where required, and options for affordable financing;
- Preparing a data base on returning workers; and
- Developing a strategy for their reintegration into the domestic economy.

*Primary responsibility:* Ministry of Overseas Employment and Welfare of Expatriate Workers, Bangladesh Bureau of Statistics – in collaboration with recruiting agencies, governments of destination countries, employers’ organizations, and NGOs.

### **Interlinkage between the three pillars**

Conceptualization of the Jobs Strategy in terms of three pillars should not be taken to imply that the various elements of the strategy under those pillars operate independently of each other. In fact, there is a good degree of interlinkage between these broad pillars and the various elements under them. For example, since the first pillar focuses on policies for making economic growth more jobs-rich, success on that front would reduce the need for interventions for job creation listed under the second pillar and the dependence on overseas employment which constitutes the third pillar. In fact, countries of East and South East Asia that were successful in combining high rate of economic growth with high rate of growth of productive employment (e.g., Republic of Korea and Malaysia) achieved their success mainly through Pillar 1 and had to rely less on Pillar 2 type interventions except during sharp economic downturns. Also, some of the policy measures listed under Pillar 1 may be able to contribute towards making Pillar 2 more effective. Once measures under the first two pillars become effective and growth of good jobs in the domestic labour market start matching the growth of the labour force, the third pillar (overseas employment) is likely to become less important from the point of view of jobs – although that would remain important from the point of view of foreign exchange earnings through remittances.

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<sup>67</sup> The strategy will be guided by the ILO *General Principles and Operational Guidelines on Fair Recruitment*.

**Table 6.1: A Bird’s Eye View of the Key Elements of the National Jobs strategy**

<b>Issues and problems to be addressed</b>	<b>Action suggested</b>
<u>Pillar 1: Jobs through output growth</u>	<u>Policy action for growth in employment (PAGE) – to make economic growth jobs-rich</u>
<ul style="list-style-type: none"> <li>• Higher economic growth</li> <li>• Structural transformation and economic diversification</li> <li>• Upgrading the quality of informal employment, e.g., through social protection measures</li> <li>• Raising productivity of informal employment</li> </ul>	<ul style="list-style-type: none"> <li>• Pro-growth and pro-employment macroeconomic policies</li> <li>• Fiscal policy (e.g., tax advantage for all exports)</li> <li>• Trade policy</li> <li>• Monetary policy</li> <li>• Policies for boosting private investment</li> <li>• Other regulatory policies</li> <li>• Programmes for health care and social protection for workers in the informal economy</li> <li>• Monetary and fiscal policies, e.g., credit and subsidy policy for upgrading technology), trade policy (e.g., tariff reduction on inputs used by micro enterprises)</li> </ul>
<u>Pillar 2: Active labour market policies</u>	<u>Programme interventions for creating employment (PICE)</u>
<ul style="list-style-type: none"> <li>• Shortage of wage employment and the need to create <i>productive self-employment</i></li> <li>• Shortage of <i>wage employment</i> and creation of such employment</li> <li>• <i>Youth</i> facing a range of problems ranging from shortage of suitable jobs to inadequate counselling,</li> </ul>	<p><i>Creation of a National Employment Fund (for funding the programmes mentioned below - building on and rationalizing various ongoing government initiatives)</i></p> <ul style="list-style-type: none"> <li>• <i>Be your employer (BYE) programme</i> combining credit for micro and small enterprises with training in entrepreneurship, market exploration and accounting, ICT-based services, etc.</li> <li>• <i>A national employment guarantee programme</i> using labour-based approaches in infrastructure construction</li> <li>• <i>A national youth employment programme</i> with several components: (i) for young people with low and medium levels of education and skills (in infrastructure</li> </ul>

information, and mismatch between education/training and demand for skills

- Inadequacy in job search mechanism, limited internship opportunities, and limited information about training facilities
- Low *female* labour force participation, especially for those with mid-level education, high unemployment of young and educated *women*, different barriers to women's employment
- Public employment service through the establishment of "job centres" to facilitate information flow and matching of jobs with job-seekers
- A programme for career guidance and counselling (involving educational institutions and employers' organizations)
- Policy for internship and apprenticeship (including fiscal incentives)
- *A women's employment programme* that would include
  - (iii) policy interventions, e.g., revisit the share of women in government service and consider a possible increase in the quota, advocacy for attitudinal changes, better implementation of provisions for maternity leave, and making work places more women-friendly
  - (iv) programmes for institutionalizing expansion of stipend programmes, child care, safe public transport, targeted skill development programmes, etc.

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• Pillar 3: Overseas employment

- Migration process for overseas employment is fraught with abuse and high cost
- Low levels of education and skills of migrating workers is one of the causes of their disadvantage
- A large number of migrant workers return every year and return is a continuous process

maintenance, care work, etc.), and (ii) for the youth in NEET category

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• Programmes for smoother and safer migration and for reintegrating returning workers into the domestic labour market

- Strategy to raise the levels of education and skills of potential migrants and to lower the cost of migration
- A programme for (i) developing an official data base for returning workers, and (ii) extending assistance to them in getting reintegrated into the domestic labour market

## **Chapter 7: Implementation Arrangement for the Jobs strategy**

### **7.1. Operationalizing the National Jobs strategy**

What has been outlined in the earlier chapters (especially in Chapter 6) of the present document is a broad framework of a strategy for job creation in Bangladesh. For purposes of implementation, the strategic elements outlined in Chapter 6 will have to be made operational through a set of initiatives that will include action on policy as well as programmes and projects. For each of these initiatives, the cycle should start from a definition of goals and targets and include outlines of strategic elements and work plans with clear delineation of responsibilities for implementation of the various items of work. The next stage will be to make budgetary allocations for meeting the costs which should also be accompanied by a plan for delivering on the various outputs, and a performance framework with indicators of outcomes. Provision should also be made for (i) collection of necessary data which could be used to evaluate the actual performance against intended outcomes, and (ii) independent evaluation of the performance of the action element – be it policy reforms or programmes. The cycle should be completed by making adjustments, as appropriate, in the action element. Figure 7.1 shows the various tasks of operationalizing the Jobs Strategy in a flow-chart format.

Action on policies and programmes for job creation that will be needed to implement the employment strategy can be given institutional support either through legislation or the adoption of a policy statement. Examples of legislation can be found in all the three countries, viz., China, India and Korea whose experience has been described in Chapter 4.

### **7.2. Financing of the Strategy**

Parts of the Jobs Strategy would involve policy reforms, and as such, may not require additional finance<sup>68</sup>. But even in the area of policy action, some background work – e.g., new studies to analyse possible impact of certain policy reforms on employment – may have to be done. Additional finance may not be needed if such studies are done by government agencies themselves. However, if the services of outside researchers are required, provision for finance will have to be made.

The second pillar of the Jobs Strategy – the part where programme interventions are involved – will require resources for their implementation. However, all the programmes that will be suggested are not entirely new; and in such cases, additional finance will be required mainly

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<sup>68</sup> The government has recently concluded a job focused Development Policy Credit agreement with the World Bank in which credit is linked to policy reforms.

for their expansion and modification, if any. Of course, new programmes have also been suggested; and their implementation will require additional resources.

It would be advisable for the government to set up a National Employment Fund from which various programmes could be funded<sup>69, 70</sup>. That would be one way of making employment an integral part of the overall development strategy and the budgetary mechanism. The location and administration of the Fund will depend on the coordination mechanism that is set up – a matter which will be an important aspect of the implementation arrangement of the Jobs Strategy and is discussed below.

**Figure 7.1: A Framework for Implementing the National Jobs strategy**



<sup>69</sup> Examples of such a mechanism include the National Employment Fund in Argentina, Jobs Fund in South Africa, and the Special Employment Funds, and the Re-Employment Fund in China.

<sup>70</sup> External resources could also be put in such a Fund.

### **7.3. Support system required for implementing the Jobs Strategy**

For effective implementation of the Jobs Strategy, it would be important to mainstream employment into the government's development planning and policy making process. Some specific elements that would be important are mentioned below:

- Technical and financial capacity for policy analysis in different government agencies
- Employment planning and policy cells in different government agencies
- Public employment service to facilitate matching of jobs with job-seekers
- Labour market information system

While a good number of ministries will be involved in implementing the Jobs Strategy, some of them – including the ministries of labour, planning, expatriate workers, women and youth will have major responsibilities. Each of these ministries should create cells that are dedicated to work on employment policies and programmes. Those cells should have staff with competency in analysis and monitoring of employment situations, policies and their impacts. Training and strengthening of capacity of staff should be an important aspect of the work on formulating and implementing the Jobs Strategy. Other ministries like agriculture, industries, commerce, etc. should also have staff dedicated to work on employment issues.

As mentioned already, labour force surveys provide only the basic data that are required to analyse the situation of the labour market. For monitoring and evaluating the implementation of the Jobs Strategy, a good deal of additional data would be required. Collection and publication of such data should be an integral part of the work on the Jobs Strategy. The Bangladesh Bureau of Statistics (in collaboration with other relevant ministries) will have to play a major role in that respect<sup>71</sup>.

### **7.4. Multiple actors and coordination**

Given the multi-dimensional nature of the Jobs Strategy, its implementation will need the involvement of multiple actors – within as well as outside the government. A number of government ministries and agencies will have to work on implementing the policy action and programme interventions suggested in Chapter 6. However, as mentioned already, bulk of the jobs required will have to be created in the private sector; and hence, its representatives will have to play an important role by interacting with policy makers on issues relating to the growth of investment in lines that will yield a more jobs-rich growth. The employers' organizations

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<sup>71</sup> The data issue will be taken up in further details in the next chapter.

will need to be pro-active in that regard. Workers' organizations can play an important role by voicing issues relating to the quality of jobs. They could also be involved in implementing programmes and policies in several areas. NGOs will have an important role to play in implementing several programmes, especially those in the areas of entrepreneurship development and self-employment.

When a task involves multiple actors in its implementation, coordination becomes an important issue. Given the mandate of the Ministry of Labour and Employment (MOLE), it could be considered for the role of coordination. However, given the complexity and enormity of the task, technical capacity would be an important consideration in selecting the coordinating agency. Whichever agency is assigned with this role, a considerable amount of investment would be needed to strengthen its capacity.

In selecting a mechanism for coordination, alternative approaches could be considered. If the government considers employment to be a critical national issue, this could be given recognition by involving the Prime Minister's (PM's) office in the coordination. However, given the operational nature of the task, a two-tier approach could be adopted (like in Republic of Korea). In that approach, the coordination body set up at the PM's office could take the responsibility for providing broad guidance and direction for monitoring performance through some key indicators. The second tier for coordination could be at the ministerial level (for example, at the MOLE) where an inter-ministerial mechanism could be set up for overseeing the planning and implementation process. The tasks involved in implementing the Jobs Strategy at the ministerial level may be allocated through a consultative process.

If the two-tier approach is considered to be too heavy and complex, a single tier inter-ministerial coordination mechanism could be adopted and one ministry could be assigned with the lead/coordinating role.

NGOs have already been playing an important role in various development efforts, and some of their programmes aim at creating self-employment. A partnership between the government and NGOs will have to be forged to implement selected aspects of the employment strategy. In that respect, specific mention may be made of PKSf which has the experience of working with NGOs on issues like enterprise development and job creation.

As for women's employment, implementing a strategy for raising its growth is not only a matter of strategies on the economic front. It will require awareness raising and motivation on the part of both women and employers, which, in turn, will require social mobilization. Increasing the level of social acceptance, making the job search process easier, bringing about changes in work environment, and creation of appropriate facilities at places of work will require working closely with a number of different actors; and women's organizations can play an important role in catalysing the process.



## **Chapter 8: Outline of a Monitoring and Evaluation System for Job Creation Policies and Programmes**

### **8.1. What needs to be done?**

Any strategy, however well formulated, requires a sound strategy for implementation as well as mechanisms for monitoring the process of implementation. Moreover, a system of evaluation is required for assessing how well the strategy is being implemented, and for bringing about adjustments that are needed to improve the level of efficiency.

The cycle of monitoring and evaluation of job creation policies and programmes should include - but not limited to - the following:

- Key indicators of employment performance;
- Annual work plans;
- Financing of programmes and policy action;
- Supervision, inspection and evaluation;
- Labour market information collection and reporting; and
- Adjustment and improvement.

As for indicators of employment performance, it may be recalled that full and productive employment and decent work for all is included among the goals of the Sustainable Development Goals, and a number of indicators have been suggested under the SDG framework for monitoring the progress in attaining the goal. One of the authors of the present report has argued elsewhere (Islam, 2020) that those indicators do not fully reflect the reality and the true nature of the employment challenge faced by developing countries, and hence, an expanded framework is needed. The indicators suggested are:

- Employed persons who are not underemployed (preferably by a productivity or income measure)
- Persons in regular wage employment as proportion of total employment
- Persons in regular wage employment in non-agricultural sectors as proportion of total employment in those sectors
- The rate of growth and proportion of total employment in manufacturing, construction and modern services
- The rate of decline in unpaid family work
- Proportion of total employment in the informal segment of the economy and the rate at which it declines
- The proportion of the workforce who are below the poverty line

- Labour productivity and real wages

The performance of the Jobs Strategy should be judged against its effectiveness in making positive impact on the indicators mentioned above. But some of these indicators are general in nature and it may not be possible to link them to policies and programmes in specific areas. For such interventions, additional performance indicators would need to be developed. Some examples are provided below just for purposes of illustration<sup>72</sup>.

**Table 8.1: Illustration of Data to be Collected for Monitoring the Performance of Employment Policies and Programmes**

Policies and programmes	Data to be collected
Policies for boosting the growth of jobs in manufacturing through diversification of the sector	Gender disaggregated data on the sector composition of output and employment in the manufacturing sector
Policies for jobs through diversification in agriculture	If policies are adopted with the aim of promoting jobs through the growth of vegetables and fruits, data on output, costs and employment would have to be collected on those specific sectors.
Programme of job creation through labour-based approach in infrastructure	Data on the type and quality of infrastructure created, costs involved, number of jobs created (broken down by gender), wages paid, etc.
National youth employment programme	(i) For entrepreneurship development and self-employment programmes, data should be collected on types of economic activity, costs and returns, number jobs in the enterprises, incomes (of the self-employed) and wages of workers, etc.

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<sup>72</sup> The ILO has developed tools for the purpose of capacity building in the areas of “employment impact assessment” and monitoring and evaluation (ILO, 2017 a and 2017 b).

Policies and programmes	Data to be collected
	(ii) For programmes of wage/salaried employment, data on types of economic activity, financial outlay, wages, etc.
Employment programme for women	Data on type of programme and economic activity, financial outlay, wages, incomes, etc.
Employment programme for returning migrant workers	Number of returning workers by levels of education, skills, work done and skills acquired abroad, employment initiative upon return and income/wages/salary earned

## 8.2. Who and how?

### Collection and analysis of data

Bangladesh Bureau of Statistics has the mandate of collecting data on a wide range of topics, and a good part of the data mentioned above are already collected by them. However, there is scope for improvement – both in terms of coverage, frequency and quality of the data collected and the speed with which they are processed and made available. Some examples of needed improvements are provided below:

- Surveys of manufacturing industries need to be undertaken on a more regular basis – at least once in two or three years, if not on an annual basis;
- Data on output, costs, and employment in sub-sectors of agriculture and components with good employment potential need to be collected;
- There is very little data on employment and incomes in the service sector; this gap needs to be filled urgently;
- Establishment surveys need to be carried out on a regular basis in order to collect data on demand for labour by levels of education and training and to understand what type of education and training is needed in the market.
- The time-lag between surveys and the publication of their results should be reduced and data made available to potential users on a more timely basis.

Data on specific programmes and policies illustrated in Table 8.1 may have to be collected by the relevant ministries that are responsible for implementing the programme. Wherever needed, expertise available in the Bureau of Statistics should be utilised and data collection should be a collaborative effort.

Expertise available in the think-tanks should be utilized for getting advice on data collection and processing. They may also be encouraged to undertake analysis of employment issues on a regular basis so that a knowledge base is created. Formulation of Jobs Strategy should not be looked as a one-off exercise. If the issue of jobs is given priority, policy making and reforms will have to be a continuous process, which, in turn, will need to be guided by research and knowledge base. Think-tanks have an important role in that respect.

#### Programme development (including preparation of work plans), financial allocation and programme implementation

The responsibility for developing programmes along with work plans should be with the relevant line ministries while financial allocation would come from the ministry of finance. Timeliness and clarity in these steps are prerequisites for efficient implementation of programmes.

#### Monitoring and evaluation

The Implementation Monitoring and Evaluation Division (IMED) of the government has the basic responsibility of monitoring and evaluation of project implementation. Although the Jobs Strategy is not simply a matter of formulating and implementing certain projects, one of the pillars of the strategy would consist of programmes with particular focus on employment. So, in principle, it should be possible for IMED to undertake the task of monitoring and evaluating the employment outcome of different programmes that are included in the Jobs Strategy. But it will be necessary to go beyond specific programmes and analyse the employment implications of various policies that will be identified under the first pillar of the Jobs Strategy. Whether the broader task could also be assigned to IMED is a question that needs further thought and discussion. An alternative could be to set up a separate employment planning and policy cell and assign the task of monitoring and evaluation to that cell. Such a cell should be located in the ministry that will have the task of coordinating the Jobs Strategy.

An important consideration in developing an evaluation system is its independence. Whether the evaluation of the effectiveness of the Jobs Strategy is done by IMED or any other structure, the importance of maintaining independence of the process and ensuring objectivity should be kept in view. Even if the task of evaluation is handled by IMED or another government agency, the actual work may be outsourced to independent institutions<sup>73</sup>.

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<sup>73</sup> The example of the Republic of Korea (described briefly in Chapter 4) may be relevant in this context.

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