How can Bangladesh avoid ‘jobless growth’?

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According to the official statistics, between 2013 and 2016-17, on average, gross domestic product (GDP) in Bangladesh grew annually by 6.6%, and there has been a net increase of 2.8 million new jobs on top of the 60.7 million jobs that existed in the economy in 2013. This suggests, the number of jobs grew by only 0.9% per annum or less than one-eighth of the rate at which the economy grew during those five years. ‘Jobless growth’ is a phenomenon when an economy experiences growth without an expansion of jobs. Understanding the ‘jobless growth’ experience entails a closer look at the job statistics. According to the Labor Force Surveys, over the past 5 years, in the face of a decline in jobs by 1.5 million in the agriculture, out of the new jobs created in the economy, the services sector accounted for the bulk - 3.9 million - of these, and industry contributed only 0.3 million jobs. Between 2013 and 2016-17, annually, jobs in agriculture declined by 1.1%, against output growth of 3.2%; jobs in the industry grew by only 0.5% even as output grew by a robust 9.8%, while services sector jobs grew by around 4% against output growth of around 6%.

One of the most alarming features is that the manufacturing jobs declined by 0.77 million - from 9.53 million in 2013 to 8.76 million in 2016-17 - an annual average decline by 1.6%, despite a strong output growth of 10.4%. While male manufacturing jobs increased by only 0.17 million (from 5.73 million to 5.9 million), female manufacturing jobs saw a big drop by 0.92 million (from 3.78 million to 2.86 million). This suggests that much of the pride of generating female employment in the manufacturing sector over the past few decades in Bangladesh is at stake now. Keeping aside the debate on the validity of such a claim of a robust manufacturing output growth of over 10% throughout those years regardless of the sluggish private sector investment and depressed export growth, one can interpret the aforementioned trends as both good news and bad news. On the positive note, one might justify these patterns by emphasizing that labor productivity seems to have gone up through technological advancement. According to this argument, over the past five years, it didn’t take as much increase in the number of workers to generate eight times more growth in GDP in the economy. However, such argument does not provide any comfort to those who see these numbers as bad news. Keeping aside the questionable claim of such a large increase in labor productivity within a short time span, it is obvious that the economy’s rapid growth, which is one of the fastest in the world in recent years, just has failed to generate jobs at large scale, and thus has not been able to translate into the desired reduction in poverty. Consequently, the economy’s growth is far from becoming the ‘inclusive growth’ as is aspirated by the government in its national development plans. This has contributed to widening income inequality too in recent years as is evident from the growing Gini index.

There is even more reason for concern. The quality of the new jobs generated is also problematic. A worrying picture is that more than 85% of the jobs in 2016-17 were informal which can’t be considered as any good quality jobs. Also, while male jobs increased by one million (from 41.2 million in 2013 to 42.2 million in 2016-17), female jobs increased by 1.8 million (from 16.8 million to 18.6 million), and the rise in female jobs has been heavily concentrated in the informal sector. Female jobs in the informal sector increased by 1.9 million, which suggests a drop in female jobs in the formal sector by 0.1 million.

Another big concern is the rise in the share of youth (aged between 15 and 29) ‘not in employment and not in education or training (NEET)’ in the total youth population, which increased from 25.4% in 2013 to 29.8% in 2016-17. It is important to note here that, around one-third of the labor force in Bangladesh comprises of youth, and the unemployment rate among the youth is much higher than the national unemployment rate of around 4.2%. In 2013, youth unemployment rate was 8.1%, which increased to 10.6% in 2016-17. All these indicate to the fact that the country is far from taking the advantage of the phase of demographic dividend the country is passing through.

The aforementioned analysis points to the fact that achieving a high rate of economic growth alone, in terms of a mere increase in the GDP growth rate, should not be treated as a panacea. The quality of growth is important, and in particular, growth must be able to produce jobs and livelihoods for as many people as possible. In order to avoid the ‘jobless growth’, the pattern, structure, and strategies of growth have to be revisited. The economic growth momentum needs to be tuned for ‘meaningful’ diversification and structural transformation of the economy where promotion of labor-intensive and high productivity sectors, both in the farm and non-farm sectors, would be fundamental. This should be coupled with interventions to enhance productivity, jobs, and incomes in traditional and informal activities where there are large pools of surplus labor.

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The ready-made garment (RMG) industry has been Bangladesh’s key export industry and one of the main job creation sectors for the last three decades. Minimum wage for RMG workers in Bangladesh is Tk 5,300, which was set by the government in December 2013. However, there is a widespread concern among the workers relating to that minimum wage not meeting their basic needs, barring the ease, comfort, and decency of leading a respected and dignified life. An ILO study shows that in 2015, among the top 20 RMG-exporting middle and low income countries, Bangladesh was among the countries with the lowest wage for the unskilled labor.

In recent time, there is also a growing demand for moving towards a living wage in the RMG sector in the major RMG exporting countries. The definition of the living wage constitutes the idea that workers and their families should be able to afford a basic, but decent life style that is considered acceptable by society at its current level of economic development. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.

There are notable differences between living wage and minimum wage (Table 1). The scope of living wage goes beyond subsistence living, incorporating a larger array of amenities far beyond subsistence living. On the other hand, minimum wage is set within the needs of subsistence living only. Minimum wage is regulated by law while living wage is yet to fall within such regulatory framework. Another key aspect is that living wage is set within the parameters of negotiation between the industry owners and their workers. Living wage is a consensus and understanding based wage equilibrium. The focus of the minimum wage is about setting the lowest remuneration floor, while the focus of the living wage is to move toward a decent livelihood. While the minimum wage is the outcome or result of the union organization working together to ensure a bare minimum, the living wage arose in the socio-economic scene as a reaction to neoliberalism, Reaganism, and Thatcherism. The obvious downside of imposing minimum wage or living wage is that the wage would clear above the equilibrium thus leading to unemployment, whereas the argument in favor of minimum wage or living wage is that these are Keynesian and post-Keynesian in nature, relating to stimulating demand to improve the state of the economy.

The Asia Floor Wage Alliance (AFWA) has developed a definition and methodology that operationalizes a minimum living wage demand. The AFWA research estimates a minimum living wage floor across the RMG industry in Asia, and is evidently one of the first efforts to establish an industry-wide living wage across national borders. The standardized floor wage is not about setting the same wage in US$ terms, considering variable exchange rates, the diversity of currencies and standards of living across Asian economies. Rather, a common formula has been devised based on consumption needs. The Asia Floor Wage is calculated in PPP$ (Purchasing Power Parity US$), which is an imaginary currency built on the consumption of goods and services by people, allowing standard of living between countries to be compared regardless of the national currency.

The estimation of living wage for Bangladesh, as per the Asia Floor Wage in terms of the need of food, housing, healthcare, and children’s education.

Second, the idea of the pension scheme needs to be included when determining the living wage for the RMG industry of Bangladesh. Due to the high mobility of garment workers from one factory to another, many workers remain outside the scope of pension funds.

Third, the government can design a healthcare scheme attuned to the needs of the RMG workers. This healthcare service can employ private-public partnership, including health insurance, employee health funds, and savings scheme to address emergency health needs.

Fourth, the RMG industry should identify which small investors may face difficult consequences due to the introduction of living wage. To help those businesses, a time-bound support scheme can be devised for these small industries, helping them to cope with the new wage laws. Also as the support structure can incorporate incentive pool comprising tax break, low interest loans and less regulatory requirement for the struggling small industries.

Fifth, improving workers’ skill and productivity is important for implementing living wage. Improving workers’ skills through trainings will contribute to transit production of high-end product. Such initiatives will help the RMG sector to increase its export earnings and improve the sectoral profit bottom line, thus improving the sectoral wage overall.

Sixth, providing non-monetary benefits like rationing, housing facility, and education may prove to be cost-effective in the long run. Such initiatives of non-monetary benefits will reduce the burden on wage negotiation and may prove to be a scalable solution faster than relying on only wage to take care of all the needs.

Seventh, negotiations with buyers and brands are also considered very important as buyers are key players in the RMG sector. If the buyers recognize the cost of labor within the framework of living wage, then the negotiation between buyers and sellers relating to living wage should be more cooperative and fruitful to agree on a fair and just living wage.

Therefore, moving from ‘minimum wage’ to ‘living wage’ in the RMG sector requires a major change in the policy discourse and clearly a challenge in Bangladesh as well as in other countries. Moving to the living wage also requires improvement in the business environment of the country; especially coordination between sectors is paramount as it involves a multi-patriate dialogue, cooperation, and improvement of business environment. In that regard, the path towards a living wage, respecting the workers’ basic livelihood demands and considering the competitiveness of business environment, underscores an evolving and improving process, projected towards equality, fairness, and competitiveness.

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Bangladesh’s migration challenges: In pursuit of a better complaint mechanism

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Although international labor migration, along remittances out of it, has been a major pillar for the economy of Bangladesh for the last couple of decades, the country is yet set behind in terms of accruing the maximum benefits of it. A large number of departing migrant workers go through higher migration costs, and fraudulent and exploitative recruitment practices. On top of these, the migrant workers lack knowledge regarding filing complaints or seeking legal actions when they face any problems regarding their recruitment mechanism or overseas employment. They are even unaware of the existence of any complaint system.

A recent study by SANEM shows that many Bangladeshi migrant workers in the Middle Eastern countries faced unsatisfactory services from the Bangladesh Missions or Labour Wings in those countries in cases of grievances. In some cases, the process is delayed, or in some cases complaints are taken into note but no further action is seen. Also, inadequate literacy level of the migrant workers, lack of supporting documents, lack of technological knowledge among workers, and dearth of infrastructural support inhibit workers to lodge complaints. Even if complaints are lodged, workers are unable to track complaints due to the absence of an effective tracking mechanism as well as lack of required knowledge of workers. Complaints also take a lot of time to be resolved as the number of officers assigned to this service is not adequate.

Migrant workers face many problems in their workplaces which include monetary fraud, excessive workload, physical torture, mental torture, food problems, sexual abuse, wrong work permit and passport confiscation. There are allegations that many migrant workers do not get their salaries for the initial 3 to 7 months. Besides, many of them get only a small portion of their salary but work around 14-16 hours a day and do not get overtime payments. There are complaints that instead of taking female workers to the proposed company or job, “dalal” or employer manipulates female workers into entering illicit sexual activities. If she does not agree, she is physically abused and not given food. The complaint mechanism currently in place in Bangladesh is not perceived to be an effective one by migrant workers and as a result, workers do not want to file complaints. In most of the cases migrant workers face several challenges but do not resort to the formal complaint mechanism. They do not want to get involved in legal complications as seeking legal help might lead to further delay in migration and cause more financial losses. There is a common belief that reporting to police would lead to further harassment. Also, most of the migrant workers are not aware of how and where to file complaints. Therefore, they usually try to solve the problem through informal ways with the help of friends and family members. The migrant workers are also afraid to complain because of free visa. With a free visa there is no formal work contract. They are beaten by the police and have to serve jail time for up to a year before they are allowed to return to Bangladesh if they are caught carrying free visa. There are allegations that, if they complain, employers increase their workload or give them tougher jobs and do not pay them. Some of the migrant workers try to take litigations for the aforementioned problems through other Bangladeshi migrant workers abroad or through seeking advice from friends and family members in the country. It appears that though, generally, Bangladesh embassy helps them to return home, they return home with a huge debt burden.

There are reasons to believe that a better complaint mechanism system for the migrant workers of Bangladesh will allow workers to seek justice and ensure better functioning of the labor market. The timely resolution of a grievance can make a huge difference between a worker returning back home knowing he/she will receive compensation and a worker coming back home with a huge burden of debt on his/her shoulders which would result in further delay in migration and cause more complications as seeking legal help might lead to a foreigner being arrested. Therefore, in order to improve the scenario cannot be expected. Unless the government needs to sign effective MoUs with countries where a large number of Bangladeshi workers migrate. A 24-hour service at the airport can be introduced in Bangladesh, where returnee migrant workers can lodge complaints. Near the airport a shelter may be offered to returnees who need care and support. At the shelter returnees can lodge complaints and they can be assisted with transport to return to their homes.

Although an increasing number of workers are migrating overseas in search of employment, there continues to be cases of fraud and migrant workers are cheated and deprived. The migration procedures are still long and complex and prone to corruption. Therefore, in order to improve the lives of aggrieved migrant workers, and implement the decent work framework, a proper complaint mechanism is essential. However, the government cannot solve this problem alone. Unless the workers become more aware about their rights and their access to those rights, a proper improvement of the scenario cannot be expected. Therefore, a multipartite initiative is essential for implementing a proper complaint mechanism in the country where the government, private stakeholders (like employers and migrant workers), international organizations will actively participate and act together. Without proper collaboration among different partners, a proper implementation of the initiative will not be an effective one.

This write up is based on SANEM’s recent work on “Application of Migration Policy for Decent Work for Migrant Workers”. Sunera Saba Khan, Senior Research Associate, SANEM. Email: sunerasesan@gmail.com
SANEM is a non-profit research organization registered with the Registrar of Joint Stock Companies and Firms in Bangladesh. Launched in January 2007 in Dhaka, it is a network of economists and policy makers in South Asia with a special emphasis on economic modeling. The organization seeks to produce objective, high quality country- and South Asian region-specific policy and thematic research. SANEM contributes in governments’ policy-making by providing research supports both at individual and organizational capacities. SANEM has maintained strong research collaboration with global, regional and local think-tanks, research and development organizations, universities and individual researchers.