Labour market and employment challenges in Bangladesh in the context of SDGs

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There are six major labour market and employment challenges in Bangladesh in the context of achieving SDGs by 2030. These are the creation of jobs (the quantity), ensuring decent jobs (the quality), acceleration of economic growth and economic diversification, increasing female labour force participation, enhancing youth employment, and raising the productivity of labour.

In terms of the number of new jobs, there has been slower growth in job creation in recent years in Bangladesh. Between 2013 and 2016-17, while the average annual GDP growth was 6.6%, the average annual growth of jobs was only 0.9%. The number of manufacturing jobs declined by 0.77 million, and more importantly, female manufacturing jobs declined by 0.92 million. Also, manufacturing’s employment share declined in recent years: from 16.4% in 2013 to 14.4% in 2016-17. The slow growth in job creation is also reflected in the declining employment elasticity over the last decade. The overall employment elasticity with respect to GDP growth declined from 0.54 during 1995-2000 to 0.25 in 2010-2018. While the SDG 9.2 highlights the target of doubling industry’s (primarily manufacturing) share of GDP in the LDCs by 2030, with the changing nature of manufacturing, leaning towards automation, increasing the number of new jobs, especially in this sector, will remain a big challenge.

In case of ensuring decent jobs, there are concerns about a high degree of informal employment in Bangladesh. The share of informal employment in total employment in Bangladesh remains well above 85%. A study by SANEM, using the Labour Force Survey data and a recent household survey conducted by SANEM, classified jobs into three different categories: ‘good enough’ jobs, ‘good jobs’ and ‘decent jobs’. The analysis of this study shows that the share of decent jobs in total jobs in Bangladesh increased from 10% in 2010 to only 12% in 2018. Therefore, there is an immense challenge to register a significant headway from such slow progress in ensuring decent jobs. In this case, both the government and the private sector have important roles to play.

Further acceleration of economic growth, enhancing the quality of economic growth, sustaining economic growth and economic diversification all have important implications for the labour market and employment challenges in Bangladesh. Though Bangladesh has been able to maintain an annual average real GDP growth rate of over 6% during the past decade, there are concerns with respect to the quality of growth. One of the major aspects of job creation and ensuring decent jobs is the need for economic diversification. However, economic growth, so far, has not been associated with significant economic diversification. Though the private sector has the dominant role to play, the private investment-GDP ratio has remained stagnant over the past decade. Therefore, energising private sector investment for achieving the aforesaid objectives remains a critical challenge for Bangladesh. For this, the effective remedy of both the policy-induced and supply-side constraints will be imperative.

Over the past three decades, labour force participation (LFP) rate of females has increased. Nevertheless, the LFP rate of female remained stagnant between 33% and 36% during 2010 and 2016-17. We explored both the supply and demand side factors affecting female labour force participation in Bangladesh. Our analysis suggests that issues such as child marriage, early pregnancy, coupled with reproductive and domestic responsibilities have not changed much with the economic progress of the country, and these factors constrain female LFP. To explore the demand side factors, especially the role of innovation and technology, affecting firms’ demand for female labour, we used firm-level data from the World Bank’s Enterprise Survey of 2007 and 2013. Female employment intensity, defined as the ratio of the number of female labour to male labour, declined in major manufacturing and services sectors during 2007 and 2013. The overall female employment intensity declined from an average of 20.35% in 2007 to 17.67% in 2013. The econometric estimation suggests a negative impact of innovation and technological upgradation on firms’ female employment intensity. In these contexts, there is a need to provide incentives and remove barriers to the creation of new and higher productivity jobs in the sectors which can generate large-scale employment for females.

Youth employment is a major challenge in Bangladesh. The country is passing through the phase of the demographic dividend, and estimates by SANEM suggest that the country will continue to enjoy this dividend until 2030. However, two critical areas of concerns are there with respect to youth employment. The share of youth not in education, economic activities and training (NEET) increased from 25.4% in 2013 to 29.8% in 2016-17, and 87% of the youth NEET are female. Also, the youth unemployment rate increased from 8.1% to 10.6% during this period. In order to address these challenges, there should be targeted programs for the specific disadvantaged segments of the youth population through skill-development and appropriate labour-market policies. In case of raising the productivity of labour, it is important to note that the productivity of labour critically depends on both quality health and education services. However, Bangladesh lags behind significantly in ensuring quality health and education for all. The public expenditures on both health and education as percentages of GDP in Bangladesh are among the lowest in the world. There is a need for a substantial rise in the ratios of public spending on both health and education in GDP in the coming years, and make such spending more efficient.

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Structural change, employment and occupational diversification in India's labor market

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There is a debate about whether structural changes in production and trade towards services on employment and on decent work using occupational mobility as an indicator. India’s significant changes are observed in the structure of production, trade and employment along with GDP growth in India. Services growth is found to have picked up since 1978/79, and continued GDP growth in India. Services growth is found to have picked up since 1978/79, and continued growth in services has emerged as the largest sector in India accounting for more than 50% of GDP in the 2000s. Among many other factors such growth performance of the Indian services sector has accounted to the phenomenal growth in services trade. Services are traditionally classified as non-tradeables. However, a large number of services has emerged to be tradable services over the years. Services exports are growing at a rapid rate of 16.09 per cent per annum and accounted for 9.9% of India’s GDP in 2012-13. Services exports from India grew at a CAGR of 12.98% during 2009-2010 to 2017-2018. A large array of services tradable across borders, telecommunication technologies that have made a CAGR of 12.98% during the past one decade was marketing growth, and despite services sector growth, the role of services in employment remains low. Demographic patterns are closely in line with trends in GDP growth. Some countries like China and South Korea, and is primarily a result of China’s lifting up of both birth rate and working age population. GDP growth in India. Studies have shown that while between 2010-11 and 2012-13, export-supported jobs increased by 13.3 million, the manufacturing sector contributed 75% of it while agriculture contributed 4.4%. Export supported jobs in services sector declined to 12 million in 2012-13 after increasing from 9.2 million in 1999-2000 to 21 million in 2007-08. In total services sector employment, the share of jobs attributable to exports increased from less than 10% in 2005-06 to 19.7% in 2012-13. The two challenges imply that a considerable share of the country’s population is without access to social security systems, and has inadequate savings for old age. In this background, elderly GDP can serve as a source of easing the burden of the working-age population. It can also help in vulnerability of the elderly while also increasing the country’s overall productivity. In this context, the study examines the factors that contributed to the elderly GDP, employing an econometric analysis based on the Sri Lanka Household Income and Expenditure Survey (HIES) 2012/13. It further examines whether the elderly GDP varies across age and gender categories of the elderly. The study has great relevance to the SDGs, particularly the SDG 1 (poverty eradication and growth) and SDG 1 on ‘no poverty’. A descriptive analysis was carried out to provide a detailed profile of elderly. It revealed that over 55% of the elderly are female and the majority are heads of households. About 50% of the elderly are heads household while the figure was only 35.5% for females. In terms of education, nearly 20% of the elderly have attained no primary level or below with some gender disparities. Overall, the elderly GDP (factor of GDP) but the gender disparities are stark. Only 13.2% of female elderly are engaged in the labor force compared to 45.8% of male elderly. Interestingly, a majority of those elderly employers are own-account workers (58%), followed by private sector employee (35%). Elderly GDP, especially elderly LFP based on a combination of individual, household, and demographic characteristics. The probability of being employed was determined of LFP among various subgroups of elderly, six initial profit models as well as six alternative specifications of the elderly LFP were estimated. The results show that a male elderly GDP is more likely to participate in the labor force if the elderly household also significantly increases the female GDP probability of LFP. However, in the likelihood of participating in the LFP. Being disabled or chronically ill also decreases the likelihood of elderly GDP’s probability of LFP and do not significantly affect the LFP decision of the elderly. It is important to note that receiving pensions and social transfers does not play a significant role in determining elderly GDP. This could be a reflection of the inadequacy of coverage and benefits of current programmes. On the other hand, being a recipient of pensions seems to have a significant negative effect on elderly GDP for both men and women. This can be attributed to the generosity of the current pension scheme for Public Servants in Sri Lanka. The study concludes that there is a significant negative effect on LFP of both male and female elderly GDP for both men and women. The study further finds that the female elderly GDP is the most significant negative impact on elderly LFP, for both male and female elderly GDP, which is attributed to the care role played by elderly as grandparents. The most active and productive active people in the household decreases the probability of LFP among elderly males. Interestingly, higher the income of the household, the likelihood of participating in the elderly GDP, while the level of income is not a significant consideration. In examining spatial characteristics of LFP, the study finds that elderly GDP in some provinces in Sri Lanka are noticeably engaged in the labour force compared to the others. The study brings out several important policy implications. The increased longevity has implications on the discourse on rapid aging and the need for pension and sustainability of pension schemes needs to be ensured in the face of a rapidly aging population and rising cost of the pension schemes. There is a need to improve the quality and coverage of the existing social security systems, and increase the level of vulnerability of the elderly. The Job Creation Challenge in Nepal

Paras Kharel

Poor economic growth performance and a dearth of employment opportunities in the country have turned Nepal into a nation that specializes in external remittances. The average per capita GDP growth over the past one decade was only 3.2%. Per capita GDP growth was 1% in 2013/14, 1.7% in 2015/16, and 2.2% in 2017/18. Export performance has been lacklustre: exports of goods and services in 2017/18 were 28.8% lower than imports in 2016/17, while imports amounted to 45.5% of GDP. About a quarter of households have at least one member abroad and also receive remittances from the absent member(s). Absentees abroad are largely male, and young—some 75% of males being aged below 35. Nearly a third of male youths aged 16-34 are abroad. About 3.6 million labour permits were issued in the nine-year period 2008/09-2016/17, averaging 394,964 per year, and compared with the average annual increase in the labour force estimated by the ILO. There is massive underemployment in the domestic market. The job creation challenge in Nepali economy is to convert foreign remittances into “productive use” and harnessing the resources of returnees, the narrative on job creation and employment opportunities in the largely micro-level aspect: the economic activities of left-behind family members, especially their involvement in day-to-day employment activities, helping people, particularly the youths, in self-employment activities is a policy priority, but there is not much evidence that such remittances at the household level have not been able to create new jobs in the domestic economy. Operating non-farm enterprises increased from 24.2% in 1996 to 34.6% in 2012. The operation of a small business and remittances to the left-behind family members and the degree of success in doing so has implications for the domestic employment prospects of foreign remittance workers. Some 14.5% of men aged 16-34 are remittance workers, which implies that the employment prospects of migrant children, who face the same scarcity of decent off-farm jobs as their parents will be compelled to migrate, and (ii) in the long term, these remittances are a viable and sustainable strategy.

Remittances, currently 24% of GDP, is the most important source of foreign exchange and has contributed to economic development in Nepal. However, the problem with outward remittances is that they cannot be a viable and sustainable strategy.
The World Bank was the Conference President. Former Chief Economist and Senior Vice President, conference and organized a panel discussion in SANEM team took part in different sessions of the 60th Labour Economics Conference held in Mumbai during December 19-21, 2018. The Labour Economics Conference organized by The University of Dhaka participated in the 60th Labour Economics Conference held in Mumbai during December 19-21, 2018. The conference was chaired by Dr. Hossain Zillur Rahman, Executive Chairman of Power and Participation Research Centre (PPRC).

South Asian Network on Economic Modeling (SANEM) organized a three-stage training program for Bangladesh Tariff Commission titled ‘Trade Policy, Research Techniques and Analysis: Gravity and CGE Modeling’. The training program was designed to equip the participants with a compact knowledge on international trade and research techniques to formulate trade policies and empirical trade policy analysis. In that regard, recent trade issues and modern theoretical frameworks were discussed accompanied by gravity model analysis, SMART and CGE modeling. All the participants were introduced to statistical software which included STATA, GAMS, etc. through hands-on exercise sessions. The final module of the training program was conducted by Dr. Selim Raihan, Executive Director of SANEM and Professor of Economics at the University of Dhaka. Upon successful completion of the program on December 10, 2018, the participants were awarded with certificates by Dr. Raihan.

SANEM participated at the 60th Labour Economics Conference held in Mumbai.

Dr. Selim Raihan, Executive Director of South Asian Network on Economic Modeling (SANEM) and Professor of Economics at the University of Dhaka participated in the 300th Weekly Public Lecture titled “History of Economics as Practiced in Bangladesh” organized by Reading Club Trust at Sirajul Islam Lecture Hall, Lecture Theatre, University of Dhaka on December 7, 2018. Dr. Raihan spoke at length not only about the history of economics and economists in Bangladesh, but also about the context which set the ground for such development in the field over the course of time. The event was chaired by Dr. Hossain Zillur Rahman, Executive Chairman of Power and Participation Research Centre (PPRC).

SANEM participated at the 60th Labour Economics Conference held in Mumbai.

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.

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