SANEM
Thinking Aloud

Editor's Desk

SANEM is happy to present the September 1 issue of Thinking Aloud. This issue focuses on inclusive growth. The first article attempts to generate a conceptual debate on the understanding of quality of employment in Bangladesh, and suggests that, for the promotion of inclusive growth, Bangladesh needs to transit from its current state of 'good-enough' jobs to 'decent' jobs. The second article poses a critical question on the quality of the growth process in South Asia with an analysis on growth elasticity of poverty and growth elasticity of inequality, and shows that current growth processes in the South Asian countries are still far to be inclusive. The short interview of a ready-made garment worker is a manifestation of the 'good-enough' job in the garment sector; and it also shows how this job has changed the life of a poor young village girl in Bangladesh. The short article on a randomized controlled trial (RCT) experiment shows how SANEM is working on different methods related to skill training for the garment job, with the aim of helping poor young people in the villages in Gaibandha to find jobs in the garment industry.

Inside this issue

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From 'Good-enough' Job to 'Decent' Job: Inclusive Growth in Transition in Bangladesh

Selim Raihan

Though there are many views on 'inclusive growth', the key consensus is that 'inclusive growth' is a growth process which reduces poverty and inequality, promotes 'decent' jobs, reduces social exclusion and promotes economic and social cohesion. One of the major pillars of inclusive growth is 'decent job', where 'decent' job is referred to a productive job for women and men in conditions of freedom, equality, security and human dignity. It also involves opportunities for work that deliver a fair income; provides security in the workplace and social protection for workers and their families (ILO, 2011, *Working with the ILO – Decent Work and System Wide Coherence,* Geneva).

Bangladesh economy had been growing at a rate over 5% over the last two decades. There are arguments that such growth in Bangladesh has been largely 'inclusive' in nature and Bangladesh has been successful in generating 'good' jobs by improving farm-nonfarm, rural-urban inter-industry inter-sectoral labor mobility at a relatively low skill level that had poverty reducing and social cohesion enhancing effects (Mahabub Hossain, Binayak Sen and Yasuyuki Sawada, 2012, *Jobs, Growth and Development: Making of the "Other" Bangladesh,* WDR 2013 Background Paper). Such claims demand careful examination as it is not clear how 'good' job is defined in the context of Bangladesh economy. It is equally important to understand what needs to be done in the transition towards a regime of 'decent' jobs, a critical factor for the promotion of 'inclusive growth' in the country.

'Decent' job should be regarded as a dynamic and progressive phenomenon. There could be three stages for moving towards 'decent' job. The first stage is the 'good-enough' job which shows the transition from no job to job or from unpaid family job to a kind of paid-job. The second stage is the 'good' job which shows the transition from 'good-enough' job to job with better return, formal job security and enhanced workers' rights. The third stage is the 'decent' job, which is the transition from 'good' job to a state of productive employment in compliance with agreed international standards of working environment and workers' rights.

The economic growth process in Bangladesh, over the past two decades, has been in a

> *"In the near future, for the promotion of inclusive growth, the challenge of the Bangladesh economy, as far as the quality of employment is concerned, is how to transit from the current state of 'good-enough' jobs to large scale 'good' jobs."*

position to generate employment in agriculture, rural non-farm sector, urban informal sector, and the urban formal sector, mostly in the ready-made garment (RMG). Apart from the RMG, employment in all other sectors has largely been for the male, mostly informal in type. The nature of these jobs has been largely 'good-enough'. Rise in employment in agriculture, both in the crop and non-crop sectors, has been associated with agricultural growth and rise in agricultural real wage, with virtually no progress towards 'good' job. Rises in employment in the rural non-farm and urban informal sectors have also happened without much progress towards the creation of 'good' jobs in these sectors. For the male, such expansion has helped moving out from unemployment or unpaid family labor to 'good-enough' jobs. For the female, employment in the RMG sector, in most cases, is a manifestation of the transition from no labor force participation or unpaid family jobs to paid-jobs. Such paid-jobs in most of the RMG factories are largely 'good-enough' in nature. Thus, the RMG sector has been able to generate very large 'good enough' jobs, which however has also contributed to the reduction in poverty and generating growth in Bangladesh.

While discussing 'inclusive growth', it is equally important to understand the quality of structural transformation that has happened in the process of economic growth in Bangladesh. Though the share of industrial sector in GDP has increased from around 20% in the early 1990s to around 30% by late 2000s, with a simultaneous reduction in the share of agricultural sector, there is still a long way to go for the creation of large scale 'good' jobs in the urban sectors. This will require both quantitative and qualitative changes in the current pattern of structural transformation of the economy. The economy is yet to have a strong and diversified manufacturing base, which requires supporting macroeconomic, trade and industrial policies and removal of policy-induced and supply-side constraints.

In the near future, for the promotion of inclusive growth, the challenge of the Bangladesh economy, as far as the quality of employment is concerned, is how to transit from the current state of 'good-enough' jobs to large scale 'good' jobs. In the medium to long term, the prospect of inclusive growth in Bangladesh would depend on how the growth momentum would be able to generate successful transition towards a state of 'decent' job.

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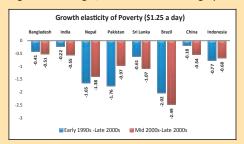
South Asian Network on Economic Modeling

Is Growth in South Asia Inclusive?

Selim Raihan and Ganga Tilakaratna

In recent time, inclusive growth has become a much debated issue in South Asia. There are two critical questions, whether the growth processes in the South Asian countries have been inclusive in nature, and what needs to be done to make the future growth processes of these countries more inclusive.

We have calculated the growth elasticity of poverty (GEP) and growth elasticity of inequality (GEI) for Bangladesh, India, Nepal, Pakistan and Sri Lanka. We have used data of per capita GDP at constant 2005 prices, poverty head-count ratio at $1.25 and $2 a day (PPP) and Gini index from the World Development Indicators of World Bank. For comparisons we have also calculated these elasticities for Brazil, China and Indonesia.

In the case of $1.25 a day, for the period early 1990s- late 2000s, among the five South Asian countries, Pakistan had the highest GEP followed by Nepal; and India's GEP was the lowest (though higher than that of China). For the period mid 2000s- late 2000s, Nepal had the highest GEP followed by Sri Lanka, and Bangladesh's GEP was the lowest. Brazil's GEP for both these periods had been much higher than those of the countries under consideration. China's GEP for both the periods had been low and similar to those of India's. China's low GEP shouldn't undermine its achievements in reducing extreme poverty by a significant margin; as its low GEP is largely due

Growth elasticity of Poverty ($1.25 a day)

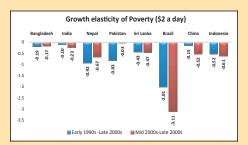| | Bangladesh | India | Nepal | Pakistan | Sri Lanka | Brazil | China | Indonesia |
| Early 1990s -Late 2000s | -0.41 | -0.22 | -1.65 | -1.76 | -0.61 | -2.02 | -0.18 | -0.77 |
| Mid 2000s-Late 2000s | -0.51 | -0.55 | -1.38 | -0.97 | -1.07 | -2.49 | -0.54 | -0.68 |

to its phenomenal growth performance during the period under consideration. Indonesia's GEP had been higher than those of Bangladesh, India and Sri Lanka for the period early 1990s- late 2000s.

In the case of $2 a day, for the period early 1990s – late 2000s, Nepal had the highest GEP followed by Pakistan; and again, India's GEP was the lowest. Also, for the period mid 2000s- late 2000s, Nepal had the highest GEP followed by Sri Lanka, and Pakistan's GEP was the lowest. Again, Brazil had much higher GEP for both these periods than those of the countries under consideration. China's GEP for both the periods had been higher than those of India. Indonesia's GEP had been higher than those of Bangladesh, India and Sri Lanka for both the periods.

In the case of GEI, for the period early 1990s-late 2000s, Bangladesh, Sri Lanka and India had positive GEI, meaning rise in inequality despite economic growth, whereas Nepal and Pakistan had negative GEI. In recent years, except India,

all other four South Asian countries had negative GEI. Brazil's negative GEI had been much higher than those of Bangladesh, India and Sri Lanka. However, China had positive GEI for the period early 1990s – late 2000s and very low negative GEI for the period mid 2000s- late 2000s, and Indonesia's GEI had been positive for both these periods.

These results demand careful examination. During 1990 and 2010, Pakistan's GDP growth rates had been erratic and Nepal's growth rates had been low and stagnant. However, these two countries had the highest GEP and GEI. Also, despite India's and Bangladesh's impressive growth performance, their achievements in reducing poverty and inequality had been rather unimpressive. Especially, given the fact that India is the home of more than 1.2 billion people with over 400 million people living below $1.25 a day, questions remain on the quality of economic growth process which has not been able to reduce poverty significantly, and increased inequality instead, over the past two decades. Sri Lanka's performances in GEP and GEI in recent years are somehow consistent with its growth performance.

These results are also interesting when we look at the differences in the GEP for $1.25 a day and $2 a day poverty lines. As one would expect, for all the South Asian countries, the magnitudes of the GEP are notably higher in the case of $1.25 a day compared to those of $ 2 a day. This seems to be more significant for countries like Nepal, Pakistan and Sri Lanka, for

Growth elasticity of Poverty ($2 a day)

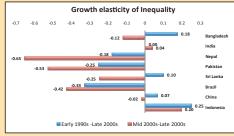| | Bangladesh | India | Nepal | Pakistan | Sri Lanka | Brazil | China | Indonesia |
| Early 1990s -Late 2000s | -0.19 | -0.10 | -0.92 | -0.83 | -0.43 | -2.01 | -0.15 | -0.52 |
| Mid 2000s-Late 2000s | -0.17 | -0.23 | -0.67 | -0.03 | -0.47 | -3.11 | -0.52 | -0.61 |

mid-2000s-late 2000s, where the GEP for $1.25 is more than 1 (negative), implying that an increase in growth by 1% leads to a more than 1% reduction is extreme poverty; however, for the $2 a day poverty line, this reduction is only less than proportional change (less than 1%). This shows a high concentration of head-count poverty between $1.25 a day and $2 a day poverty lines. In the case of Pakistan, the striking result is that for the period mid 2000s-late 2000s, while moving from $1.25 a day to $2 a day poverty line, GEP declines from -0.97 (nearly elastic) to -0.03!

Interestingly, for the three countries used for comparison (Brazil, Indonesia and China), the differences in the magnitudes of GEP for $1.25 a day and $2 a day are relatively low (marginal in the case of Indonesia and China for the period mid 2000s-late 2000s). This suggests that the patterns of poverty in these countries are not so different whether we consider $1.25 a day or $2 a day poverty line. In this context, the experiences of the South Asian countries are quite different.

Few cautionary notes are to be considered. The progress in reduction in head-count poverty in South Asia remains fragile, since many households remain clustered near the poverty line. Therefore, a large portion of the population remains vulnerable to falling back into poverty. There are equally serious concerns and disagreements with regard to the measurement of poverty in many of the South Asian countries as head-count poverty rates are regarded as largely underestimated. Furthermore, the factors which have been instrumental in the reduction of poverty in recent decade, i.e., rise in remittance flow or growth in narrowly based exports, remain to be susceptible to external shocks. Poverty in South Asia is multifaceted. Though growth has a positive impact in reducing income poverty, other aspects of poverty in the form of access to health, education, basic infrastructure are still seriously lacking for most of the people in this region and these sectors demand considerable attention. There are issues of disparities among different regions within the countries. Similarly, gender disparity has remained a matter of grave concern. All these suggest that the current growth process in the South Asian countries are still far to be inclusive.

Economic diversification is a major challenge for the South Asian countries. There are convincing reasons to argue that productive diversification, through structural transformations, of these economies is necessary for their growth processes to be more inclusive. Productive diversification ensures growth to transit from a

Growth elasticity of Inequality

	Early 1990s -Late 2000s	Mid 2000s-Late 2000s
Bangladesh	0.18	
India	0.04	0.00
Nepal	-0.18	-0.12
Pakistan	-0.53	-0.65
Sri Lanka	0.10	-0.25
Brazil	-0.42	-0.33
China	0.07	-0.02
Indonesia	0.25	0.20

narrow base to a broader base through generation of productive employment in the dynamic and growth generating sectors. The South Asian countries need to carry out this transition through well devised policies and programs. Productive employment and 'decent' job are interlinked. Most of the jobs in South Asian countries are still very far to be 'decent'. Growths in the formal sector employment in these countries have been rather slow, and informal sector employment for most of the countries is more than 80% of total employment (for Sri Lanka and Maldives the figures are around 60%). The prospect of inclusive growth in South Asia also hinges on the challenges of generating more employment which are 'decent', and at the same time productive.

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"I want to be independent.."

SANEM interviews Shopna Begum to talk about her transitions to a RMG worker. Shopna Begum is an 18 year old girl from a village in Gaibandha, a northern district in Bangladesh. She works in a RMG factory, located in Dhaka.

SANEM: How did you know about working in the RMG factory?

SB: Before taking some training in an NGO in Gaibandha, I didn't have any skill, and also didn't have any idea about the job opportunities in the RMG. I had the perception that this job would be very tough. I had my cousin and his wife working in a garment factory in Dhaka, and they helped me getting my current job.

SANEM: When did you leave school?

SB: I studied up to class VII. Before the first term of class VIII, I left school, as I fell sick. More importantly, my family couldn't afford to buy my study materials and also could not manage private tuition for me.

SANEM: How do you feel about your job and working conditions?

SB: My factory is just a typical one. I don't have any formal contract with my employer. My employer can fire me anytime without any notice. Though quite a number of people work in my room, it is not so cramped. Our factory has fire-escapes, but I haven't experienced any fire-drill yet. We don't get any annual leave. In the case of maternity leave, a worker can get at best 10 days, but the factory doesn't bear any medical cost. I know there are some factories with better working conditions, and workers in my category get Tk 5300 per month while I get only Tk 3700. My factory doesn't provide any overtime facility though I have to work for 12 hours a day, from 8 am to 8 pm. I tried in some better factories, but getting a job there is highly competitive. In other factories, where payment is very low, getting a job is easy.

SANEM: What are the major differences you can see in your life after you've been employed?

SB: We used to take two meals a day. Now in Dhaka and Gaibandha, we can have three meals a day. Sometimes, we can have eggs in the morning. But in meals we usually have rice, lentils and vegetables, and sometimes, we can have fish or meat. I brought my brother and mother to stay with me. My brother is doing a small job and my mother helps me in household works. I can manage sending Tk 1000 every month to my family living in Gaibandha. I wish I could send more, but life is expensive here. I also sent some money when my little brother was unwell few months back. I can now afford better clothes and cosmetics. I think, I can now face any challenges if I have to. Also, previously none listened to my opinion, but now people do. I have learned a lot about life since I have been working here.

SANEM: Do you see any change in the perception of the people of your village?

SB: Now girls, from my village and surroundings, are getting more interested to come to Dhaka to find jobs, and their families are positive about it. When people call from the village, I tell them about the job opportunities here and our lives in Dhaka.

SANEM: What is your plan for the future?

SB: I wanted to pass the S.S.C, but I couldn't. I want to study again, but I know it may not be possible. Though girls at my age in my village get married early, I want to delay my marriage for a few more years. I want to be independent and want to help my family as long as I can.

SANEM: Thank you so much for your time.

SB: You are welcome.

The interview was conducted by Israt Jahan, Research Associate at SANEM. Photo courtesy: Dhaka Courier.

SANEM's Randomized Controlled Trial (RCT) Experiment

Muhammad Moshiur Rahman

As employment generation and poverty alleviation dominate policy discussion, the role of interventions in facilitating labor market transitions (e.g. from rural sectors to urban formal enterprises) is often given serious consideration. Particularly to what extent targeted labor market interventions can help mitigate regional disparities and improved well-being of certain communities has been a recent policy consideration and would be of great interest in promoting initiatives for pro-poor productive employment generation. In this context, SANEM has undertaken a three-year research project, commissioned by Institute for the Study of Labor, Germany and DFID, on "Reducing extreme poverty through skill training for industry job placement: the case of RMG in Bangladesh" which is based on Randomized Controlled Trial (RCT) experiment. This experiment started in July, 2013. Gana Unnayan Kendra (GUK), a local NGO working at Gaibandha, is the implementation partner of the project. The project covers 6 Upazilas, 53 unions and 255 villages of Gaibandha. A research team of SANEM, led by Dr. Abu Shonchoy and supported by four research associates and ten assistants (working as enumerators and data entry persons), is working with the GUK. At the beginning, households from the villages have been identified who are eligible based on a selection criterion and village census. Once identified, 1600 trainees have been randomly selected for one of the following groups: Information only (control group), training only, training and stipend, and full treatment with training, stipend and internship in a garments factory. This innovative research design will help us understand whether just providing the training is sufficient to enable the workers to secure a job in the ready-made garments (RMG) sector or whether there is a need for some extra components like confirmed accommodation or a group internship program to allow the trainees to cope well with the urban setup. Also the education level of the trainees is quite important given that the RMG sector is mostly export-oriented and thus requires some knowledge of English and adequate numeracy. The evaluation will seek to answer whether the intervention impacts: (i) trainees' earnings 18 months after the completion of the training program; (ii) trainees' probability of employment; (iii) trainees' probability of continuing to be employed for a certain amount of time (survival rate) in the RMG industry; (iv) trainees' especially women's health and behavioral outcomes (life expectancy, pregnancy, fertility and marital status, among others); (v) level of satisfaction with the project among graduates of the training program; and (vi) the living standards of dependents of the trainees.

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SANEM Updates

SANEM's research team is currently working on the following issues:

- Preparing technical papers on labor market, growth and poverty in Bangladesh: For IDRC-Canada
- Preparing technical papers on dynamics of labor market in Bangladesh: For Swiss National Foundation and World Trade Institute
- Facilitating Entrepreneurs to Harness Export Potential through Policy Support in the Leather Sector: For Asia Foundation
- Preparing technical papers for "Deltas, vulnerability and Climate Change; Migration and Adaptation (DECCMA) Project, Collaborative Adaptation Research Initiative in Africa and Asia (CARIAA) programme": For Institute of Water and Flood Management (IWFM), Bangladesh University of Engineering and Technology (BUET) and IDRC, Canada

Review

Kar, S., L. Pritchet, S. Raihan and K. Sen (2013). *The Dynamics of Economic Growth: A Visual Handbook of Growth Rates, Regimes, Transitions and Volatility*, University of Manchester, UK

Why there are such significant and persistent differences in living standards across countries is one of the most important and challenging areas of development policy. In spite of a voluminous literature on the causes of economic growth, we still have a long way to go in understanding why the growth experiences of countries differ so much, why growth changes so much (for good and ill) over time, and why only a handful of developing countries have seen their incomes converge to the levels observed in developed countries. Much of the focus in the academic and policy literature on "growth" has been on steady-state or long-run average rates of growth of output per capita, or equivalently, comparing levels of income. But the focus on one single growth rate for a particular country misses the point that most countries observe dramatic changes in their growth of per capita income. This book presents visually the dynamics of the growth experiences of 125 countries. The graphs themselves (and embedded numeric information) highlight the key point that economic growth is dynamic and episodic and that many countries have gone through very different growth phases. This book identifies the timing and magnitude of "breaks" or "episodes" or "regime transitions" for these 125 countries from the application of a standard statistical procedure.

Launching event of the book "NTMs in South Asia: Assessment and Analysis", Thimphu, Bhutan

On July 20, 2014, the launching event of the book "NTMs in South Asia: Assessment and Analysis" took place in Thimphu, Bhutan, with the presence of the Honorable Minister of Economic Affairs of Bhutan His Excellency Lyonpo Norbu Wangchuk. During the official launching, His Excellency addressed stakeholder dialogue on "Trade Facilitation in South Asia". This launching event was organized by SAARC Chamber of Commerce & Industry (SCCI) in collaboration with Bhutan Chamber of Commerce and Industry (BCCI) with support from SAARC Trade Promotion Network (SAARC-TPN). The event was hosted on the eve of the South Asian Free Trade Association (SAFTA) Committee of Experts where the recommendation on reducing non-tariffs measures (NTMs) will be forwarded to SAFTA Committees of Experts (CoEs) for

further action.

Dr. Selim Raihan (team leader of the study), Mr. Shaquib Quoreshi (co-author) and Dr Mostafa Abid Khan (co-author) presented the major findings of the study. This study on NTMs was initiated by SAARC-TPN Working Group Regional Trade Facilitation (WG-RTF) in 2012 and was conducted by Metropolitan Chamber of Commerce and Industry (MCCI) and South Asian Network on Economic Modeling (SANEM). This extensive study provides a different view of NTMs and how they give rise to non-tariffs barriers (NTBs). The study is an outcome of a far-reaching exercise with private and public sector organizations as well as enterprises that are facing problems arising from NTMs.

The study also provides an inventory of NTMs for each SAARC country at the 6-digit HS code level and specifies country specific lists of products for which the country has export capacity but actual regional export is limited or non-existent. It also identifies the relevant NTMs on those products. Additionally, using the GTAP model, the study presents a simulation of possible gains from reduction in transaction costs in regional trade in South Asia. In a nutshell, the study comes up with a set of recommendations that address the policy making at the functional levels.

SAARC-ADB Workshop on Regional Integration, Thimphu, Bhutan

The SAARC-ADB Workshop on Regional Economic Integration Study (Second Phase) was held in Thimphu, Bhutan on 21 July 2014 with financial and technical assistance of Asian Development Bank in cooperation with the Royal Government of Bhutan. Dr. Selim Raihan, Team Leader of the Study, made a presentation of the Study's major findings, conclusions, and recommendations. The workshop was attended by participants from the ministries of the SAARC member countries, SAARC Secretariat and Asian

Development Bank. It expanded the scope of the first phase of the study that was approved during the 38th session of the SAARC Standing Committee held in February 2011 into a second phase consisting of a full above 600 pages report and a vision document. ADB will submit the updated final draft report to the SAARC Secretariat by September 30, 2014 for circulation among SAARC member countries.

Among others, Ms. L. Savithri (Director, Economic Trade and Finance Division, SAARC Secretariat, Kathmandu) inaugurated the workshop on behalf of SAARC Secretary General H.E. Mr. Arjun Bahadur Thapa. Mr. Sonam Wangchuk (Director, Department of Trade, Royal Government of Bhutan) chaired the session. Mr. Ronald Antonio Q. Buitong (Unit Head, SASEC, Regional Cooperation and Operations Coordination Division, South Asia Department, ADB) conveyed a special opening address on behalf of ADB.

The Counting Women's Work Training Workshop, Hawaii

The Counting Women's Work training workshop for Asian teams was held at the East-West Center in Honolulu, Hawaii, U.S.A. from 14 to 17 July 2014. On behalf of SANEM, Dr. Bazlul Haque Khondker (Chairman, SANEM) and Muhammad Moshiur Rahman (Research Associate, SANEM) attended the workshop. Asian CWW country teams as well as other country teams interested in the CWW research participated in the workshop. There were several teams from Bangladesh, Cambodia, China, India, the Philippines, and Vietnam. The workshop covered National Transfer Account (NTA), gender and time transfers. The focus was also on the time use and gender projects within NTA to count women's work using the time use data which would give a detailed understanding of gender, time transfers and the care economy. Bangladesh has been included in the National Transfer Account (NTA) network as a new member by participating in this training workshop. SANEM is going to take a project related to NTA and NTTA of Bangladesh with the collaboration of the NTA network. Using the HIES-2010, LFS-2010, national accounts of 2010 and Time Use Pilot Survey 2012, SANEM will develop the NTA and NTTA profile of Bangladesh for 2010. Within the network, SANEM team is looking forward to attending the Tenth Meeting of Working Group on Macroeconomic Aspects of Intergenerational Transfer: International Symposium on Demographic Change and Policy Response which will take place in Peking University, Beijing, China on November 10-14, 2014.

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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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