

Editor's Desk

The April 2021 issue of *Thinking Aloud* focuses on "COVID-19 fallout on labour market in Bangladesh". The first page article titled "Strategies to address COVID-19 induced labour market challenges in Bangladesh" highlighted that COVID-19 deeply affected the labour market in Bangladesh. It intensified some of the existing challenges and brought a new set of problems. A large number of people encountered either employment or income losses and are also experiencing intense job insecurity and uncertainty. However, the labour market in Bangladesh has been confronting several challenges even before COVID-19. The article proposes three-prone strategies to counter the COVID-19 induced labour market challenges in Bangladesh - to undertake a comprehensive approach linking policies and programmes for economic and social recoveries, to introduce new social safety net programmes targeting the labour market, and to form a Labour and Employment Commission to assess the current unprecedented situation and suggest necessary measures. The second and third pages of this issue present the article titled "Impact of COVID-19 on Labour Market and Migration: Summary findings of SANEM's Survey in January-February 2021". The article presented the results from SANEM's nationwide household survey which was conducted during January-February 2021, including 2,845 non-migrants, 230 internal migrants and 273 international migrants from 500 Primary Sampling Units (PSUs) distributed across eight divisions. The article draws attention to the fact that, despite signs of recovery of the economy, the pace of recovery has not been uniform across sectors, occupations or even locations and depending on the type of activity, while some have already been recovered, some are still struggling to regain the pre-COVID level of employment and earnings. Therefore, after a year of the pandemic, it is now crucial to re-assess the employment scenario of people at distinctive sectors of the economy and to re-design, if necessary, the incentive programs accordingly. In the medium to long term, the article concluded that a holistic approach towards decentralized job creation while designing large scale employment opportunities at the district level is crucial. The fourth page draws attention to the events that occurred in the month of March along with the upcoming 2nd SANEM International Development Conference (SIDC) 2021 on "Post-COVID Recovery: Contexts and Priorities" to be held on June 17-19, 2021.

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Strategies to address COVID-19 induced labour market challenges in Bangladesh

Selim Raihan

COVID-19 deeply affected the labour market in Bangladesh. It intensified some of the existing challenges and brought a new set of problems. A large number of people encountered either employment or income losses and are also experiencing intense job insecurity and uncertainty.

The labour market in Bangladesh has been confronting several challenges even before COVID-19. Though the Bangladesh economy has undergone significant structural changes over the last five decades, agriculture still holds the largest share in total employment. Despite high economic growth, there has been slow growth in job creation in recent years. With the changing nature of manufacturing and services sectors, leaning towards automation, job creation in these sectors remains a big challenge. Furthermore, the share of informal employment in total employment in Bangladesh remains well above 85%, which is an immense challenge to register a significant headway in ensuring decent jobs.

It is noteworthy that, over the past decade, the labour force participation (LFP) rate of females has remained stagnant at around 35%. Also, though the country is passing through the phase of the demographic dividend, the share of youth 'not in education, economic activities and training (NEET)' is high, and the youth unemployment rate is excessive. There is a vicious cycle of low-wage, low-skill and low productivity in the labour market. While the enhancement of labour productivity critically depends on both quality health and education services, Bangladesh lags significantly in ensuring quality health and education for all. The public expenditures on health and education as percentages of GDP in Bangladesh are very low, which deter enhancing labour productivity.

Other salient employment challenges in Bangladesh include persistence of poor working condition, a high degree of rural-urban migration with an enormous concentration of migrated labour in the urban informal services sectors, skill mismatch in the labour market, and a high concentration of low-skilled labour in the outward migration.

There is no denying that the labour market and employment challenges in Bangladesh are closely linked to the acceleration and sustaining of economic growth, enhancing the quality of economic growth and economic diversification. Though the country experienced robust economic growth over the last decade, there has not been substantial economic diversification. However, economic diversification is one of the most critical facets for job creation and provision of quality employment. The failure of a necessary and productive economic diversification has persisted in several labour market challenges in Bangladesh. Even though the private sector plays the most pivotal role in job creation, the private sector investment-to-GDP ratio has remained stagnant over the last decade. Energizing private sector investment thus remains a precondition for addressing many labour market challenges, as discussed above, in Bangladesh.

The levels and magnitudes of the uncertainty brought by COVID-19 in the labour market in Bangladesh are enormous. COVID-19 has also led to high adjustment

costs both at the household and firm levels. In pre-pandemic time, with the mobility of labour, job losses in one sector were compensated by job gains in other sectors; for example, either through the movements from agriculture to industry and services or through movements within the sub-sectors of agriculture, industry and services. But, during the pandemic, options for such adjustments and relocation of labour are limited and uncertain.

There are grave future implications of the current labour market challenges. The recovery in the labour market is dependent on the recovery of the overall economy. However, the economic recovery process has remained slow and disrupted. The economic recovery is also happening at the cost of inter-generational trade-off with high adjustment costs. The pandemic forced many people, with uncertain prospects of jobs and earnings, to stress on their current survival rather than on their human capital development for the future. Also, when schools and educational facilities have remained closed for months, there is a high risk that students from distressed families will be out of the education system permanently. Also, while the micro, small and medium enterprises (MSMEs) are the prime victims of the pandemic, their recoveries have remained highly uncertain. Many self-employed in the MSMEs perhaps permanently lost their capital. Also, wage employment is suffering as economic activities are yet to recover.

All these may increase the existing high levels of youth unemployment and youth NEET. Also, as shreds of evidence are unfolding, females are more likely to be affected than their male counterparts.

What to do? There is a need for three-prone strategies to counter the COVID-19 induced labour market challenges in Bangladesh.

First, acknowledging and understanding the labour market challenges is a precondition to take any counter-measures. The Eighth Five Year Plan and the government's other policy documents barely address the existing and COVID-19 induced labour market challenges in Bangladesh. However, there is a need to undertake a comprehensive approach linking policies and programmes for economic and social recoveries. Critical emphasis should be on the recovery of the MSMEs. Action plans need to be developed and implemented through the relevant ministries.

Second, acknowledging that the government's existing policies and programmes are inadequate to address the COVID-19 induced labour market challenges in Bangladesh. The government's actions related to the current labour market challenges have remained slow and insufficient. In particular, the new-poor, experiencing highly disrupted engagements in the labour market, are not covered in the existing social safety net programmes. Therefore, the government should introduce new social safety net programmes targeting the labour market. In this context, the government can undertake the programmes of employment guarantee schemes for the vulnerable population.

Third, the government should form a Labour and Employment Commission to assess the current unprecedented situation and suggest necessary measures.

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Impact of COVID-19 on labour market and migration: Summary findings of SANEM's survey in January-February 2021

Sayema Haque Bidisha and Selim Raihan

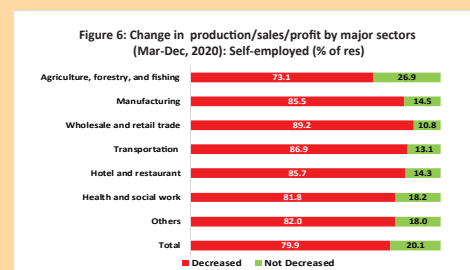
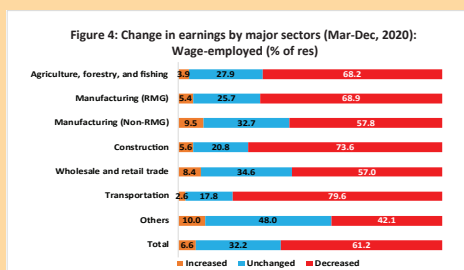
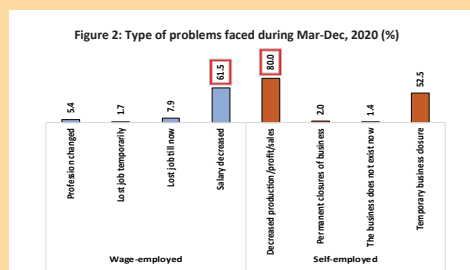
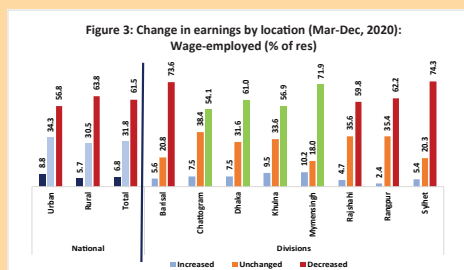
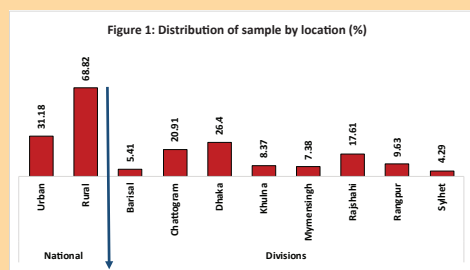
There is no denying that, despite signs of recovery of the economy, the impact of COVID-19 on the labour market can be far-reaching. With as high as 85% of the employed labour force in the informal sector, slower pace of economic activities and demand crisis at both local, as well as global level, have resulted in a loss in income and employment of millions of people. The gradual opening of the economy along with timely disbursement of the Government's incentive packages have helped people to resume their employment and income to a certain extent. However, the pace of recovery has not been uniform across sectors, occupations or even locations and depending on the type of activity, while some have already been recovered, some are still struggling to regain pre COVID level of employment and earnings. It should however be noted that, before the pandemic, there have been

sign of any systematic bias. A careful checking was conducted by comparing the households who were in the final set of sample of the 2021 survey with the households who were not. Such a comparison was done based on several observable characteristics of the households such as sample distribution by divisions and regions, sex of the household head, household head's main occupation, household's main income sources, distribution of the households by income deciles, and education level of the household head. The covered households' attributes and those of the non-covered households' are found to be significantly different, indicating no systematic bias. The non-migrant sample of the survey utilized information of 2,845 individuals (belonging to households with no migrant member), where 68.82% of the sample was rural-based with Dhaka and Chattogram divisions comprising almost half of the respondents (Figure 1). In terms of labour market status, around 6.9% are found to be unemployed with 51.6% being involved in wage-employment.

When asked about the type of problems the

that, while 63.8% of the wage-employed in rural areas have experienced a decrease in wages/salary, this percentage was only 56.8 for their urban counterparts (Figure 3).

There is no denying that COVID-19 has disproportionately affected different sectors of the economy and based on the sector of employment the impact can differ substantially across individuals. Based on our survey, 61.2% of the wage-employed have experienced loss in salary/wages during the first nine months of the COVID crisis (March-December 2020) with 32.2% reporting that their wages/salary remained unchanged while around 7% have instead experienced a rise in their salary/wages (Figure 4). Based on the sector of operation, the worst affected sector was that of transportation and as high as 79.6% of respondents of this sector reported to have experienced a reduction in their wages/salary, followed by those in the construction sector (73.6%). In addition to the loss in earnings, Figure 5 portrays that during March-December 2020 a larger percentage of the wage-employed from urban areas (8.86%) have lost their jobs (and



several challenges in the labour market including those of youth unemployment, quality of jobs, low level of participation of women in the labour market, mismatch in skill in the demand and supply side etc.

Against such backdrop of the labour market, SANEM conducted a household level primary survey in January-February 2021, aiming at understanding the impact of COVID-19 on the labour market and migration. Due to the pandemic, the survey was conducted over the phone and is based on the sample of a nationwide survey of 10,500 households conducted in 2018 by SANEM in collaboration with the General Economic Division (GED), Planning Commission. As part of the 2021 household survey, SANEM successfully interviewed 2,845 non-migrants, 230 internal migrants and 273 international migrants from 500 Primary Sampling Units (PSUs) distributed across eight divisions. The survey non-response rate was 19% and the decline rate was 5% as the team could not reach some of the households due to network condition, language barrier, out of service/changed mobile number and lack of interest to participate.

Despite attrition, a careful examination revealed no

respondents encountered during the March-December 2020 period, around 62% of wage-employed reported a decrease in earnings with around 8% experiencing job loss, while around 5% have reported having changed their profession (Figure 2). As for the self-employed, almost 80% registered a decrease in production/sales/profit with 2% experiencing permanent closure of business during the first nine months of the pandemic. Gendered segregation of such information though reflects more or less similar scenario, it is worth noting that, around 16% of wage-employed females became unemployed during March-December 2020 where the corresponding figure for males was much lower at 7.1%. On the other hand, greater percentages of males reported decreased salary (62.5%) than their female counterparts (49.1%) - which might be related to a greater concentration of wage-employed females in the relatively organized sector like that of ready-made garments.

A location-based distribution of the wage-employed who experienced a change in earnings during March-December 2020 reflects

reported to be unemployed even at the time of the survey) compared to their rural counterparts (7.39%). While looking at the divisional distribution, we observe that a substantial percentage of the wage-employed from the Barisal division have lost their jobs (12.94%) followed by 10.21% of those from Chattogram.

As for the self-employed, the negative consequences of the pandemic appear to be even stronger, with as high as 79.9% of the self-employed experiencing a reduction in production/sales/profit with those in wholesale and retail trade reporting to be the worst sufferers and as high as 89.2% self-employed of this sector informed to have experienced such a reduction with the relevant figure being 86.9% for the transportation sector (Figure 6).

To get better insights about the extent of fall in salary/wages by major sectors, in Figure 7, we have compared earnings of those who have experienced a decrease in wages/salary at three different points in time: in December 2019, in the lowest salaried month between March and December 2020 and in December 2020. Our survey indicates that those

who have experienced a decrease in wages/salary compared to their income in December 2019, on average their earnings were 84% lower in the lowest salaried month. The average decline in salary/wages in the construction and transportation sector was as high as 87% where the corresponding figure for the agriculture sector was 85%.

Despite severe consequences of COVID-19 on the economy, with the gradual speeding up of economic activities, there are signs of recovery in many of the sectors. According to our survey, around 38% of the wage-employed have reported no reduction (either a rise or unchanged) in their salary/wages between March to December 2020. The remaining 62%, on the other hand, have experienced a decline in salary/wages and despite such a decline, 27.8% have been able to reach their pre-COVID level earnings (here earnings in December 2019)- so we can consider the latter group being the one who has been able to 'recover'. The remaining 34.2% of the wage-employed have reported a fall in salary/wages between March-December 2020, but

(48.6%) have not been able to reach to December 2019 level of earnings.

The problems that the self-employed, as well as, the wage-employed suffered during March-December 2020 in Dhaka, portray a scenario similar to the country as a whole. Among the wage-employed, around 61% have reported that their salary/wages declined between the first nine months of the pandemic, with around 8% losing their jobs and being still unemployed while around 4% reporting that they have changed their profession. Among the self-employed, around 84.2% have reported having faced a reduction in production/profit/sales while 3.2% had to close their production units permanently. The recovery scenario shows that, while 30.1% of the Dhaka based wage-employed have been able to 'recover' their earnings, the corresponding figure for the self-employed was 42.5% with 31.1% of wage-employed and 41.8% of self-employed not being able to 'recover' their earnings to pre-COVID level. Therefore, probably due to greater flexibility of the labour market and availability of alternative employment opportunities, the scenario of Dhaka

According to our household survey, around 20% of the international migrants have lost their job due to COVID-19 and 5% have returned to Bangladesh. A detailed destination country-wise analysis reflects that around 31.4% of the migrants working in Malaysia have reported having lost their job during the pandemic, while the percentages were 28.6% for Kuwait and 25% for Oman (Figure 12). However, in addition to the problem of loss in the employment of the migrants, COVID-19 has also obstructed the process of migration. A substantial percentage (28.6%) of 'aspiring' migrants (those who have taken preparations for migration) have claimed that they were not able to migrate because the visa processing has stopped (28.6%), with around 23% encountering the problem of increased fees of the recruiting agencies and 12.5% have attributed increased travelling expenses as the main obstructing factors (some reported multiple reasons).

Despite the adverse effect of the pandemic on employment, over time people have adopted several coping mechanisms, which along with the measures taken by the government and gradual fall

Figure 7: Dynamics of earnings (Dec 2019, lowest salaried month in Mar-Dec, 2020, Dec 2020): Wage-employed

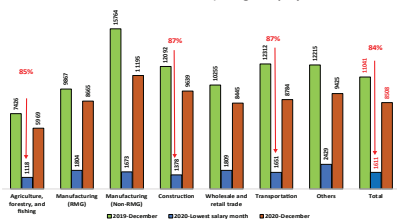


Figure 9: Recovery by major sectors: Self-employed (% of res)

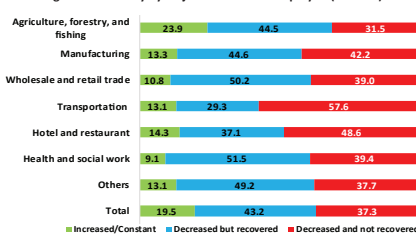


Figure 11: Reasons for urban to rural migration

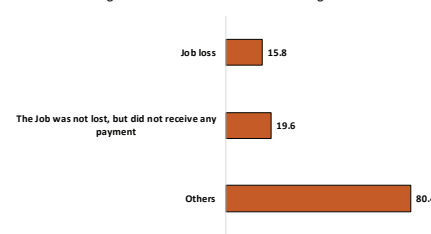


Figure 8: Recovery by major sectors: Wage-employed (% of res)

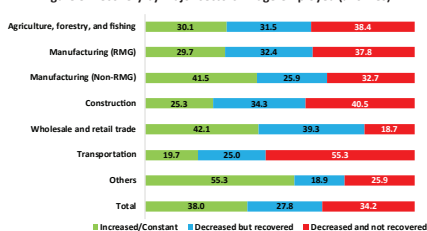


Figure 10: Recovery (%) by broad employment category (Dhaka)

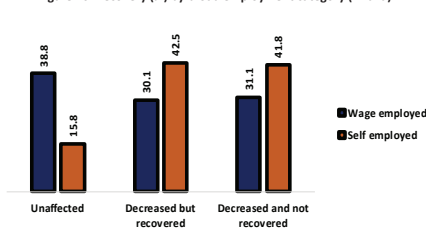
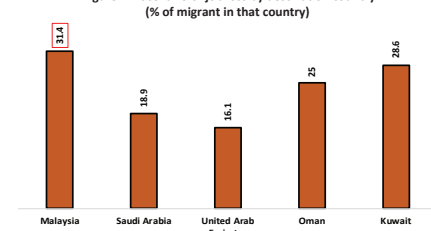


Figure 12: Scenario of job loss by destination country (% of migrant in that country)



even in the last month of 2020 they have not been able to reach their pre-COVID level earnings - they could be referred to as those who still have not been able to 'recover' (Figure 8). While comparing the sectors in terms of 'recovery' status, it can be observed that, as high as 55.3% of those in the transportation sector have not yet been able to get back to December 2019 level of earnings, while a larger percentage of those in wholesale and retail trade (39.3%) have reported having attained pre-COVID (here December 2019) level of earnings. Recovery of earnings for the self-employed reflects that 19.5% have experienced either a rise or an unchanged pattern in production/sales/profit during March-December 2020, whereas despite a fall, 43.2% have reported having attained December 2019 level of earnings, and the remaining 37.3% have reported that after a fall in earnings during March-December 2020, they have not been able to reach to December 2019 level (Figure 9). We also observe that after experiencing a fall in production/sales/profit, greater percentages of the self-employed in the transportation (58%) and hotel and restaurant

based wage-employed are found to be slightly better in comparison to the overall sample. On the other hand, it is probably due to a greater degree of involvement of the Dhaka based self-employed into small scale informal activities, we find them worse off than the overall sample (Figure 10).

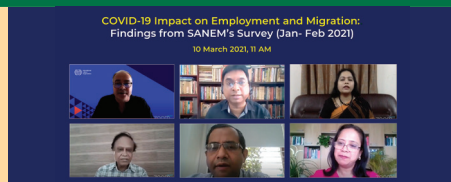
Based on our survey, around 14% of the internal migrants have lost their job during March-December 2020 and around 49% of the internal migrants have returned to their village home during that period. As shown in Figure 11, around 16% of the migrant workers have unveiled that they have returned home due to job loss, while around 20% of them have reported that the job was not lost but they have not received any payment and some others have left the city due to high living costs. It is however important to note that almost all of those who migrated to villages have returned by the time of the survey.

Since the pandemic has hit the global economies as well, many of the migrant workers of Bangladesh have lost their job, some of them even returned to Bangladesh while another group of individuals who 'aspired' to migrate had to postpone their decision.

in the rate of infection in the later part of 2020 have aided to recover the livelihoods of millions. After a year of the pandemic, it is now crucial to re-assess the employment scenario of people at distinctive sectors of the economy and to re-design (if needed) the incentive programs accordingly. With the pace of recovery being ununiform across sectors, Government policy focus should be directed towards those who are lagging and take into consideration separate incentive schemes with greater flexibility for them. Besides, given the self-employed on average experiencing relatively slower recovery than the wage-employed, they should be prioritized in the policy agenda. On the other hand, regaining business confidence and thereby stimulating large scale investment for generating employment requires effective policy direction towards that end. In the medium to long term, a holistic approach towards decentralized job creation while designing large scale employment opportunities at the district level is crucial.

Dr Sayema Haque Bidisha and Dr Selim Raihan are Professor of Economics at Dhaka University and Research Director and Executive Director respectively of SANEM

SANEM webinar on COVID-19 impact on employment and migration



In order to provide insights into the labor market impacts of the ongoing pandemic, SANEM hosted a webinar titled "COVID-19 Impact on Employment and Migration: Findings from SANEM's Survey" on 10 March 2021. Dr Sayema Haque Bidisha, Professor, Department of Economics, University of Dhaka and Research Director of SANEM, presented the findings of the survey. Mr Tuomo Poutiainen, Country Director, ILO Bangladesh, was present as the Special Guest and Dr Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director of SANEM, moderated the webinar. Among the panelists were present: Dr Ahsan H. Mansur, Executive Director, Policy Research Institute of Bangladesh (PRI); Dr Tasneem Siddiqui, Professor of Political Science, University of Dhaka and Founding Chair, Refugee and Migratory Movements Research Unit (RMMRU); and Dr Khondaker Golam Moazzem, Research Director, Centre for Policy Dialogue (CPD). Researchers, economists, academicians, development practitioners, journalists and students from various backgrounds also joined the discussion.

Dr Sayema Haque Bidisha addressed ECA webinar



Dr Sayema Haque Bidisha spoke at a webinar titled "50 years of Bangladesh and the perspective of women empowerment" on 9 March 2021. The webinar was organized by Economic Career Alliance, a student organization of Department of Economics, University of Dhaka. The webinar was also attended by Dr Fahmida Khatun, Executive Director, Center for Policy Dialogue and Farhana Rahman, Senior Vice President at Bangladesh Association of Software and Information Services (BASIS) and CEO, UY Systems Ltd.

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2nd SANEM International Development Conference (SIDC) 2021

Post-COVID Recovery: Contexts and Priorities

June 17-19, 2021

CALL FOR PAPERS AND PARTICIPATION

Dr Selim Raihan spoke at IUB regional conference



Dr. Selim Raihan
Professor, Department of Economics, Dhaka University
and Executive Director, South Asian Network on Economic Modeling

Dr Selim Raihan was a panelist in the third working session and concluding session titled "The Bay of Bengal as Gateway to the East" in the regional conference on 'Bay of Bengal as Connectivity Hub in Indo-Pacific Oceans' organized by the Independent University of Bangladesh. The conference was inaugurated on 14 March 2021. The chief guest of the conference was the honorable Foreign Minister of Bangladesh, Dr A.K. Abdul Momen, MP. The conference was also attended by H.E. Ito Naoki, Ambassador of Japan to Bangladesh; H.E. Vikram Doraiswami, High Commissioner of India to Bangladesh; H.E. Ambassador Tenzin Lekphell, Secretary General of BIMSTEC, Dhaka; Ms Mercy Tembon, Country Director, The World Bank, Dhaka; Mr Manmohan Parkash, Country Director, Asian Development Bank, Dhaka; and Professor Tanweer Hasan, Vice Chancellor, IUB.; Professor Milan Pagon, Pro Vice Chancellor, IUB and Ambassador (Retd.) Tariq Karim, Director, Center for Bay of Bengal Studies at IUB. The two-day conference brought together policymakers, researchers and academicians from the countries in the Bay of Bengal region who engaged in dialogues and discussions on the issues pertaining to regional collaboration for achieving sustainable development and stronger regional integration.

Dr Sayema Haque Bidisha was a panelist at DataSense webinar



Dr Sayema Haque Bidisha spoke at a webinar titled "Emergence and Key Aspects of the Platform Economy in Bangladesh". The webinar, held on 16 March 2021 was organized by research consultancy firm DataSense in association with Oxford Internet Institute and The Business Standard. The webinar was also attended by Hussain M Elius, Pathao's Co-founder and Chief Executive Officer; Maliha Quadir, Shohoz Founder and Managing Director; Dr Murali Shanmugavelan, Research Lead at DataSense; Inam Ahmed, Editor of The Business Standard and Dr Ananya Raihan, Founder and CEO of iSocial (DataSense). The webinar was presided over by Barrister Anita Ghazi, Chairperson of iSocial and Founder and Managing Partner at The Legal Circle.

Dr Sayema Haque Bidisha attended UN Women webinar

Dr Sayema Haque Bidisha spoke at a webinar titled "Bangladesh's National Action Plan on Women, Peace and Security", on 18 March 2021. The webinar was jointly organized by The Daily Star, Bangladesh Nari Pragati Sangha (BNPS), and UN Women. The webinar was moderated by Rokeya Kabir, Member Secretary, Bangladesh Nari Pragati Sangha (BNPS).

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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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