



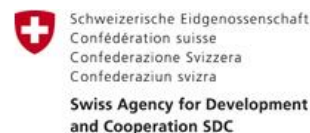
Policy Brief for Bangladesh

by *Selim Raihan*

The developments in labor market lie at the heart of Bangladesh's on-going structural transformation processes having significant bearings on agricultural productivity, and farm and non-farm sectoral linkages and thus eventually overall growth and poverty alleviation prospects. The involved issues require comprehensive empirical analyses for generating informed inputs that can be used in the development of relevant policies and their implementation. Salient features of Bangladesh labor market includes surplus labor, low wages and salaries, low participation of women in remunerative jobs, lack of technical and professional knowledge and efficiency, etc. Bangladesh has its basic comparative advantage in terms of large supply of unskilled cheap labor, but it failed to ensure sufficient remunerative employment generation. Traditional sectors can't provide good remunerative employment to the new entrants in the labor force. Besides, modern industrial sectors are flourishing slowly and should be designed in a pro-poor labor intensive nature.

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 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 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.

This research received financial support from the **Swiss Agency for Development and Cooperation** and the **Swiss National Science Foundation** under the **Swiss Programme for Research on Global Issues for Development**. The project “*Employment Effects of Different Development Policy Instruments*” is based at the World Trade Institute of the University of Bern, Switzerland.





**Swiss Programme for Research
on Global Issues for Development**