

Dynamism and Sclerosis in Bangladesh Labour Market

ASHRAF UDDIN CHOWDHURY¹

Abstract

There is lack of serious studies on employment situation of Bangladesh at the aggregate level. This study partially fulfills this gap. Some sclerotic aspects of the labor market – high level of unemployment, underemployment and low level of industrial employment etc. are well known. But some emerging dynamic characteristics of the labor market – not known or poorly understood – are brought to light in this study besides setting the records of unemployment and underemployment etc. straight.

1. Introduction

Development implies improvement of the quality of people's lives and expansion of their ability in shaping their futures. In common parlance the route to development is referred to raising per capita income but opportunities to equitable education and jobs and better health and nutrition etc. also play important role. Since income from work offers the main ingredients and respectable means of living condition and wellbeing of the people, it is the expansion of employment, particularly regular wage employment, for women and men in conditions of freedom, equality, security and human dignity that break the cycle of poverty. It can be mentioned that although economic growth has been a vehicle for poverty reduction in many countries, it has not been instrumental to lift many others to break their cycles of poverty.

¹. Professor of Economics, University of Dhaka

The labour market of Bangladesh at the aggregate level has been a surprisingly less researched area. Due to the lack of serious studies, some dynamic changes that have been taking place are either not known or poorly understood. As such much of our perceptions about the labour market are based on micro level studies and sketchy information that often stand at odds with the overall economic development obtaining in the country. Although labour market conditions are not monitored continuously, Labour Force Survey (LFS) and Household Income and Expenditure Survey (HIES) are conducted intermittently, albeit not at regular intervals. It is possible to bring to light some important characteristics of the labour market and their trends from these surveys which the present study aims at.

2. The Issues

2.1 Unemployment

A central issue of the labour market is the unemployment rate about which misgivings abound. The ludicrous rate of about 4.0 percent unemployment estimated by the Bangladesh Bureau of Statistics (BBS) following the ILO-method does not convey the labour market slack in Bangladesh. In the absence of serious macro level studies of the issue people make various conjectures. At one end, applying the text book notion of frictional unemployment on BBS's 4 percent unemployment estimate a former finance minister remarked that Bangladesh was experiencing more than full employment. At the other end, fantastically high unemployment rates are imagined on the basis of extreme cases of some micro level condition. Against this backdrop the study aims at setting the much needed record straight.

2.2 Underemployment

As much as open unemployment, underemployment is an issue needing correction of record. The labour force surveys of the Bangladesh Bureau of Statistics estimate underemployment rate by considering all people who work less than 35 hours per week including people working less than 15 hours per week. It will be argued later that people working less than 15 hours per week are virtually unemployed. This means that the study also needs to set this record straight.

2.3 Fulltime Employment

Labour force net of open unemployment and underemployment is but fulltime employment. Although this is the predominant category of the labour force, we

are not much aware of what is happening to this important source of livelihood. In fact, most of our talking about changes of economic landscape ignores the changes taking place in this aspect of the labor market.

2.4. Transformative growth and employment

Another important issue is transformative growth of the economy and the associated employment scenario. Much dynamism has been experienced by the manufacturing sector in recent years with its increased contribution to incremental GDP. Understanding of associated growth of employment is of critical importance from long run consideration of employment potentiality of industrialization. The services sector which has emerged as the largest contributor to GDP should also be watched out to see its employment generating role. And agriculture—once the largest provider of GDP and employment is of much interest to see its transformative stage from the point of view of the Lewis model of unlimited supply of labour.

2. The Record

3.1 Employment—Underemployment situation

Table-1 provide facts for the review of the issues raised above for the 10 years from 1995-96 to 2005-06 sub-divided by a half decade. First of all, we consider unemployment in view of the prominence it gets in discussions at all levels. We take the extended definition of ILO for consideration of unemployment.

According to this definition unemployed people are those who had no work at all during the reference period plus the people who worked less than 15 hours per week. In a country like Bangladesh with more available hands for work than the requirements, people who work less than 15 hours per week get payments, if paid at all, which is of little or no consequences. But these are most likely to be unpaid casual family helping hands and can be deemed unemployed.

Over the whole 10 year period, unemployment—people with absolutely no work and people working less than 15 hours per week - has risen from 3.08 millions to 6.90 millions representing annual growth of 8.40%. Against the labour force growth rate of 3.21% per annum, the unemployment growth rate is a matter of great concern. It is instructive to mention that unemployment declined in absolute number in the sub-divided period i.e from 1995–96 to 1999–00.

In defining underemployment we have considered people who worked 15–35 hours per week during the reference period. People working less than 15 hours per

Table 1: Bangladesh Labor Market Profile

(figures in millions)

Item	1995-96	1999-00	2005-06	1996 -06
Labor force (m)	36.0	40.7	49.4	
		(2.49)	(3.93)	(3.21)
Total employment (m)	33.01	38.2	42.5	
(full time + underemployment)		(2.96)	(2.16)	(2.56)
% of labor force	91.69	93.85	86.00	
Full time employment	22.01	30.61	36.03	(5.05)
		(6.82)	(3.31)	
% total employment	66.67	80.13	84.77	
Underemployment (m)	11.00	7.59	6.47	(-5.44)
		(-7.70)	(-3.23)	
underemployment rate	31.7	18.6	13.1	
Unemployment (m)	3.08	2.51	6.90	(8.40)
		(-4.16)	4.83	
Unemployment rate (%)	9.13	6.16	14.00	
Regular wage employment	3.9	6.48	6.6	(5.41)
		(10.69)	(1.91)	
% of total employment	12.07	10.68	15.29	
Day labour (including others)	5.80	9.04	10.00	(5.60)
		(5.89)	(2.04)	
	17.9	24.36	23.53	
Self-employment	10.43	18.2	19.9	(6.67)
		(11.78)	(1.80)	
Unpaid family worker	12.21	4.70	10.3	-
	2.502	1.547	2.332	
	32.20	12.05	24.23	
Sectoral employment	33.01	38.20	42.5	(2.56)
All sectors		(2.96)	(2.16)	
Agriculture	16.38		18.36	(1.15)
Share in total	49.6		43.2	
Industry	3.51		5.3	(4.20)
Share in total	10.63		12.47	
Services	13.14		18.84	(3.66)
Share in total	39.80		44.33	

Note: All employment is defined as full time plus under-employment, full time employment as number of people working over 35 hours per week, underemployment as number of people working from 15 to 35 hours per week; unemployment as number of people working less than 15 hours per week including those who had no work but looking for job. The blanks in the column indicate non-availability of data. Figures in parentheses in the last column indicate annual compound growth rate for the 10- year period.

week are excluded from underemployment category because they are already included in the unemployed category. Underemployment – once a high scale group of labour market has gone down from about 11 million in 1995-96 to about 6.5 million in 2005-06 representing an annual negative a growth of a little over

5.0 percent. In the same vein, the share of underemployment to total employment has fallen from about 32 percent to about 13 percent during the period. Noteworthy is the fact that the fall of underemployment was dramatic in the first half of the decade. Needless to mention that this is a healthy trend of the labor market.

As regards the location of underemployment, it is highly concentrated in the agricultural sector. About 25 percent of employed people in agriculture were of underemployed category in 2005–06. Industry and services sectors' underemployment are at low levels—about 7 percent of the respective employed people.

Fulltime employment consisting of people who work more than 35 hours per week is the most important means of livelihood for most of the people. It, therefore, constitutes an issue of heightened importance in the discourse relating to labor market. A very dynamic aspect of labour market is that fulltime employment is emerging to take up a very important place in the employment scenario. Over the decade it has grown from 22.01 million to 36.03 million implying an average annual growth of 5.05% which is 53% higher than the growth rate of the labour force. In respect of share to total employment it grew from about 67% in 1995–96 to about 85% in 2005–06. Despite the robust growth of fulltime employment, total employment (fulltime + underemployment) grew at 2.56 percent rate – lower than the growth rate of labour force, the main reason being the persistent decline in the rate of underemployment.

3.2 Wage and non-wage employment

For a better understanding of the state of employment, it is important to qualify fulltime and underemployment conditions in terms of system of payment, and most importantly the type of activities the people are engaged in.

On system of payment, generally the following types are discernible

- regular wage employee in formal and informal sectors
- day laborers
- self-employed persons and
- unpaid family workers

Regular wage employment, a very preferred type of employment, shows up a robust annual growth of 5.41 percent over the decade – a much higher growth rate than that of the labour force. Day laborers on daily wage basis also grew at similar robust growth. It is of interest to note that yearly average wage employment growth was very high—over 9 percent – during 1995–96 to 1999–2000.

Self-employment – now the most important component accounting for about 47 percent of total employment – has demonstrated robust annual growth of 6.6 percent during the decade. In the first half of the decade the annual growth of self-employment was spectacular being nearly 12 percent. Unpaid family workers exhibit a dwindling trend. The number of working people of this category has declined from 12.21 millions in 1995–96 to 10.3 million in 1999-2000 amounting a negative annual growth of 1.71 percent. The decline of this category of employment, needless to mention, is a happy augury.

As regards underemployment relating to wage and non-wage labour, it can be said that underemployment is mostly concentrated in self-employment and unpaid family workers categories. It is unlikely that wage earning people would be underemployed.

3.3 Sectoral Employment

It was argued above that for a better understanding of employment situation knowledge of people working in various activities is important. To this effect, employment in the three broad sectors—agriculture, service and industry – is examined. At the beginning of the decade, agriculture accounted for about 50 percent of total employment. The services and industry sectors' shares were, respectively, about 40 and 10 percent. During the decade the industrial sector grew at an annual rate of about 7.00 percent and the services sector at about 6 percent. Commensurate with this growth performances, employment of industry and services sectors grew, respectively, at 4.2 and 3.6 percent raising their shares in total employment to 12.5 percent for industry sector and 44.3 percent for services sector in 2005-06. Agricultural output grew at an annual rate of about 4.00 percent but its employment grew at a slower rate of 1.15 percent per annum and its share of employment declined to about 43 percent.

4. Strength and Weakness of Employment Scenario

4.1 Weakness

- Bangladesh's labor market is not an active one to have a low rate of unemployment and people do not wait for long time to get a job. Instead there is large pool of unemployed people with not much hope to get employed soon.
- A huge pool of underemployed has long been an unhealthy feature of the labor market. Underemployment exists in all the three broad sectors with heavy concentration in agriculture. It is an important reason of low

labor productivity in agriculture.

- Industrial sector accounts for a very low share of employment. Industrialization needs to gather pace for employment generation.
- Day labor growth has been robust which does not augur well from the point of view of job security.

4.2 Strengths

Fulltime employment has gone up at a robust rate than the rate of growth of the labor force - raising the share of this much-needed employment to about 85 percent of total employment in 2005-06. Concurrently and logically underemployment has declined significantly.

Regular wage employment also demonstrates robust growth; so also is the self-employment growth.

Agriculture continues to expand employment. But the services sector appears to be most promising with as much employment as in agriculture but with low level of underemployment than in agriculture and nearly 4.0 annual growth of employment. The industrial sector is also absorbing labor with an annual growth rate of about 4.0 percent, albeit, the level of employment is very low.

5. Conclusion

Bangladesh labor market is characterized by dynamism as well as sclerosis. On the sclerotic aspect, underemployment is high, industrial employment is low, underemployment is still significant and the proportion of day labor is quite high. On the dynamic side, fulltime employment is increasing at a robust pace and self-employment is also expanding at a high rate. Employment is expanding in all broad sectors with the services sector demonstrating much hope and promise.

Between the formal and informal sectors, the latter provides nearly 80 percent of total employment. This points to the fact that potential drivers of employment growth are the off-farm activities in small and medium sized firms. That is, rural entrepreneurship appears to play a key role in generating employment and overcoming poverty.

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