



## **Assessing and Addressing the Effects of Trade on Employment (ETE) Project**

It is our pleasure to share with you the third issue of the e-newsletter of the ETE project in Bangladesh. This newsletter is a forum for information about the issues related to the effects of trade on employment in Bangladesh and the activities of the ETE Project. Our aspiration is to reach a large number of readers and to further engage and enhance cooperation with our stakeholders, constituents and key partners. This issue gives highlights of the recent events and activities of the ETE Project, a summary of the ETE research findings and information about ongoing research. We hope you enjoy the contents in this issue of the newsletter. As always, we look forward to your suggestions and thoughts on trade and employment issues. Please feel free to e-mail us at [ete\\_dac@ilo.org](mailto:ete_dac@ilo.org)



### **EC/ILO Project -Assessing and Addressing the Effects of Trade on Employment**

#### **Objective**

Analyzing and supporting formulation of effective and coherent trade and labour market policies to address the effects of trade on employment and expand creation of decent work

**Duration:** 4 Years (February 2009-June 2013)

#### **Expected results:**

- Have a better understanding of the link between trade and employment in Bangladesh;
- Have the capacity to assess the impact of trade on employment in all tripartite group members;
- Support the design of coherent trade and labour market policies

## **Policy Working Group on Trade Effects on Labour Market Agenda Formed**

An interagency Policy Working Group (PWG) was formed by the Government of Bangladesh in June this year to initiate and facilitate the policy dialogue among the policy makers and social partners on issues linked to trade and employment. The PWG which was formed in the context of the ETE project aims to discuss substantial issues linked to coherent trade and labour market policies, identify priority areas and guide the development of corresponding policy recommendations.

The Secretary, Ministry of Commerce and the Secretary, Ministry of Labour and Employment are co-chairs of this group while the others members are from Ministry of Finance, General Economics Division of Planning Commission, Ministry of Industries and Export Promotion Bureau, Bangladesh Bank, Bangladesh Employers' Federation, the Delegation from the European Union, National Coordination Council for Workers' Education (NCCWE) as well as other senior officials of the Ministry of Labour and Ministry of Commerce. Ministry of Labour and Employment acts as the secretariat of the PWG.

### ***How PWG Works:***

- Sharing and analyzing ETE research findings
- Identifying country priorities and facilitating social dialogue
- Guiding and recommending policy formulation

### **Major objectives of the PWG include:**

- **identify the country specific issues and needs in relation to trade and employment;**
- **facilitate social dialogue on substantial issues on trade and employment in Bangladesh based on the analysis;**
- **Identify priority areas that address trade related adjustment costs and promote decent employment;**
- **Guide the formulation of policy recommendations regarding coherent trade and labour market policies.**

It is expected that the group will meet regularly to brainstorm and to have an exchange of ideas which will support the formulation of effective and coherent trade and labour market policies that address trade related adjustment challenges and expand opportunities for creation of decent employment in Bangladesh.

## RECENT ETE EVENTS

### **Tripartite Technical Workshop on Skills for Trade and Economic Diversification (STED)**

A tripartite workshop on Skills for Trade and Economic Diversification (STED) was held on 8 September 2011 in Dhaka. The workshop, which was organized in the context of the ETE project, was intended to share preliminary research findings on skill demands for current and future needs of two important export sectors: agro-processing and pharmaceuticals industry.

Representatives from different government ministries and agencies namely Ministry of Labour and Employment, Ministry of Commerce, General Economics Division of Planning Commission, Export Promotion Bureau, Ministry of Industry, Bureau of Manpower, Education and Training (BMET) were present in the workshop. The event was also attended by the representatives of the Bangladesh Employers' Federation, National Coordination Council for Workers' Education (NCCWE) and the representatives from the agro-processing and pharmaceutical industries.

Following the welcome speech by Mr Gagan Rajbhandari Director a.i., ILO Country Office for Bangladesh, Mr Erik Von Uexkull, from ILO's Trade and Employment Programme explained the background and context of the STED approach briefly. Later, Mr Uexkull, jointly with Mr Con Gregg from ILO's Skill Department presented the initial findings of the skill scenarios of the agro- processing and Pharmaceuticals sector of Bangladesh. Mr. Arthur Shears, CTA and Mr Francis De Silva, Advisor, TVET project presented aspects of the TVET project the Industry Skill Councils that were set up in different sectors. Ms Hasina Begum, ETE national Project Coordinator, presented a brief overview of the ETE Project.



*Speakers at the inauguration*



*Mr Arthur Shears, CTA, TVET presenting different aspects of the TVET Project*



***Skills for Trade and Economic Diversification (STED)*** is an analytical tool developed by the ILO. Its purpose is to provide guidance for the design of strategic education and training policies that contribute to trade development and economic diversification and foster the creation of decent employment. STED methodology is meant to assist the governments and the constituents in anticipating skill demands for current and future and future labour market needs and the need to diversify domestic economic structure. This methodology was applied for the first time in Ukraine and is planned to apply in Macedonia and in Bangladesh. To know more on STED please visit [www.ilo.org/trade](http://www.ilo.org/trade)

STED activities, which is being implemented in Bangladesh in the context of the ETE project and in collaboration with the TEVET reform Project, consist of identification of and research on suitable sectors that have the potential to contribute significantly towards economic diversification and employment creation. Primarily, in Bangladesh STED has identified two priority sectors namely; agro-processing and pharmaceuticals for which sector specific analysis will be undertaken.



## Research Findings

### **National Study on Economy wide Effects of Trade on Employment in Bangladesh**

This study is an attempt to look at economy-wide impacts of three different FTA agreements on the Bangladesh economy and investigate the policy implications of the FTAs. The study uses several models such as WITS/SMART global partial equilibrium model, SAM multiplier model, CGE model and an employment satellite matrix to explore the employment effects in Bangladesh. Dr Selim Raihan, Associate Professor, Department of Economics, Dhaka University has conducted the study. Initial findings of the study were presented in an international conference on trade and employment in April 2011 in Manila.

Bangladesh has entered into several regional FTA agreements and is in the process of signing bilateral FTA agreements with a number of countries. Any FTA deal has two important aspects: the market access aspect (the export side) and the trade liberalisation aspect (the import side). The employment effects of these two aspects might be in different directions. While increased exports may create new employment in the export oriented sectors, increased import through liberalisation of trade may contract employment in the import competing sectors. The net effect may depend on the relative strength of the aforementioned two effects. Against this backdrop, this paper investigates the economy-wide impacts of three different FTA agreements on the Bangladesh economy. These FTA agreements are Bangladesh-India bilateral FTA, Bangladesh-Malaysia bilateral FTA and BIMSTEC. The analysis of the macro impacts of the FTA scenarios suggest that such bilateral and regional FTAs would be beneficial for Bangladesh in terms of impact on consumer prices, exports, real wages and employment. At the sectoral level, a number of export oriented sectors would gain from such FTAs. However, the sectoral level impacts also suggest that a large number of sectors would experience fall in production because of large inflow of imports, which would result in loss in employment in these sectors. Therefore, these FTAs have important sectoral implications in terms of production, exports, import and employment. It however appears that at the aggregate level employment would rise which would mean that the loss in employment in some sectors will be more than compensated by rise in employment in other sectors. Therefore, the net effect on employment is likely to be positive. It should however be mentioned that there might be some important costs for such adjustments of employment at the sectoral level. Therefore, the policy makers should be aware of such adjustment costs and find ways to mitigate them.

### **The Impact of Trade in Agriculture on Employment in Bangladesh**

This study, in general, will explore the impact of trade and trade liberalization on employment in the agricultural sector in Bangladesh. Specifically, the study will investigate the following issues:

- importance of the agriculture sector in the Bangladesh economy in terms of its linkages with other sectors, job creation and quality of work in the sector;
- current state of Bangladesh's international trade in agriculture and its prospects;
- effects of trade policy changes on the distribution of employment and/or wages as well as on the quantity and quality of national employment;
- effects of trade policy changes outside of Bangladesh (i.e., liberalization or FTA's of other countries) on employment in agriculture;
- Recommendations for policy reforms to maximize the benefits of agricultural trade in terms of food security, income distribution, addressing the problems of the informal sector, and productivity growth and increased employment.

### **The Impact of Trade in Services on Employment in Bangladesh with an Especial Reference to the IT Sector**

This study will explore the impact of rise in export of services on employment in Bangladesh with an especial reference to the IT sector. In doing so, the study will look at the following:

- overview of the employment and trade situation in the services sector in terms of number of jobs and quality of work;
- link between trade and/or trade liberalisation and employment in the IT sector in Bangladesh and the effects of trade policy changes in and outside of Bangladesh on employment and / or wage changes and quantity and quality of employment in the services sector;
- the issue of services as an important input for other sectors on one hand and employment creation in the services sector itself and the potential for employment in the service sector;
- importance of the regulatory issues in IT services and its link to trade and employment in this sector;
- recommending policies concerning the service sector that promote coherence between trade and labour market policies.

We hope you have enjoyed reading the newsletter. Please feel free to forward it to anyone who you think would be interested to learn about the ETE project in Bangladesh.

To know more about the ETE project activities in Bangladesh please contact:

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