



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

It is our pleasure to share with you the fourth 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



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

First Meeting of the Policy Working Group on Trade Effects on Labour Market

The first meeting of the Policy Working Group on Assessing and Addressing the Effects of Trade on Employment (ETE) was held on 13 October at Ruposhi Bangla Hotel, Dhaka. The meeting was co-chaired by Mr. Ghulam Hossain, Secretary, Ministry of Commerce and Mr. Shafique Alam Mehdi, Secretary, Ministry of Labour and Employment. Mr André Bogui, Director, ILO Country Office, Bangladesh delivered the welcome speech.

Mr Bogui, during his welcome remarks emphasized on trade and labour policy coherence which, he said, is essential to establish a clear and strong linkage between existing and potential tradable sectors and employment. He congratulated the PWG members for initiating the policy discussion and thanked the co-chairs for their tremendous support in this regard

Mr. Ghulam Hossain, Co chair of the PWG and the Secretary, Commerce said that the country needs to create a trade regime conducive to employment. For this, he mentioned, import and export policy and others monetary and fiscal policies should be harmonized. In the present world having comparative advantage in one or products is not enough instead economy should have competitive advantage to reap the benefits from globalization- he mentioned.

Mr. Shafique Alam Mehdi Co chair of the PWG and the Secretary of Ministry of Labour and Employment discussed different aspects of employment and trade related challenges faced by the country such as unemployment, underemployment, skill mismatch, narrow export baskets, limited linkage between trade and labour market policies, inadequate infrastructure etc. He hoped that The PWG would be a good opportunity to discuss about all the challenges and to find out possible policy solutions to reap the benefits of trade liberalization.



Snapshots from the meeting

Ms Hasina Begum, National Project Coordinator of the ETE Project shared the updates of the project while Mr. Khondaker Mostan Hossain, Deputy Secretary, Ministry of Labour and Employment spoke about the significance and relevance of the PWG in formulating coherent policy recommendations. Besides, Dr Mahfuz Kabir, Research Fellow, Bangladesh Institute of International and Strategic Studies (BISS) and Dr Selim Raihan, Associate Professor, Dhaka University presented findings from two ETE researches titled 'Effects of International Trade and Foreign Direct Investment on Employment in Bangladesh: A Survey of Literature and 'Employment Effects of FTA Agreements: The Perspectives from Bangladesh' respectively.

Some key policies issues identified by ETE research and were shared in the meeting include:

- FTA negotiation is needed to pursue liberal and simplified RoO (Rules of Origin) to have a meaningful market access in India, in other BIMSTEC region and in Malaysia for Bangladesh's export products;
- minimized Non Tariff Barriers (NTBs) harmonization of TBT and SPS measures may make Bangladesh-India bilateral FTA, Bangladesh-Malaysia bilateral FTA and BIMSTEC more effective;
- setting up accreditation centers in Bangladesh in collaboration with the designated national agencies may facilitate mutual cooperation with necessary capacity building under technical and financial assistance;
- Non-acceptability of conformity assessment certificates of any particular product, if and when arise, should be resolved by mutual cooperation programmes without restricting its trade;

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**

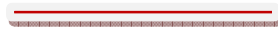
How PWG Works: Sharing and analyzing ETE research findings

- Identifying country priorities and facilitating social dialogue
- Guiding and recommending policy formulation

- In order to reap the maximum benefit out the bilateral and regional FTA agreements, there is a need to improve the supply side capacity of the Bangladesh economy, which will require significant improvement of the physical infrastructure, reduction in cost of doing business, rise in labour productivity and improvement in economic governance.

The meeting gathered representatives from Ministry of Commerce, Ministry of Labour and Employment, General Economics Division, Bangladesh Bank, Export Promotion Bureau, Ministry of Industry, EC Delegation in Bangladesh, Bangladesh Employers' Federation (BEF) and National Coordination Council for Workers' Education (NCCWE) to speak on different aspects of trade liberalization and its effects in labour market.

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. 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.



Tripartite Workshop on Skills for Trade and Economic Diversification (STED) Research Findings: Agro-Processing sector and Pharmaceutical Sector

International Labour Organization (ILO) and Bangladesh Employers' Federation (BEF) jointly organized a technical workshop on the research findings of a study on the agro-processing sector and the pharmaceuticals sector. The workshop was held on 7 and 8 December 2011 at the BEF Conference Hall in Dhaka. The workshop, which was organized in the context of the ETE project and in collaboration with the TVET Reform project was intended to share the preliminary findings on skill demands for current and future needs of two important export sectors: agro-processing and pharmaceuticals industry.

Representatives from the Ministry of Labour and Employment, Ministry of Commerce, Export Promotion Bureau and the ILO officials were present at the event. The workshop was also attended by a number of representatives from key agro-processing and pharmaceuticals industries and also by the different trade bodies, workers organizations and research institutes.

Mr. Arthur E. Shears, Chief Technical Adviser of the Technical and Vocational Training Education (TVET) Reform Project of Bangladesh welcomed the participants while Mr Erik von Uexkull, of ILO Trade and Employment Programme presented the initial findings of the skill scenario of the agro- processing and pharmaceuticals sector of Bangladesh. The survey findings were presented by the national consultants Mr. Pradip Bhowmik (agro-processing sector) and Mr Mridul Biswas (pharmaceuticals sector).



A snapshot from the workshop on the survey findings on pharmaceutical sector



Participants during the sharing of the findings on agro-processing sector

The workshop discussed the findings of the baseline survey which was conducted in November this year. The objective of this baseline survey was to use the information from the survey findings to formulate guidelines for developing strategic skills and policies for the agro-processing and pharmaceutical sectors, and to assess the training needs of the anticipated areas of skills development in these sectors.

On 7 December the participants and the stakeholders discussed various issues regarding the skill challenges and future skill needs for agro-processing industry. After discussions, the participants unanimously agreed that (i) enhanced capacity for improved regulatory compliance, (ii) safe food handling and cold chain management, (iii) sourcing high-quality agricultural inputs, (iv) quality inspection, and (v) international marketing were the most important priority areas where Bangladeshi agro-processing sector needed to improve capability and skills development.



Workshop on the survey findings on agro-processing sector

Skills development needs and bottlenecks of the pharmaceutical industry were discussed on 8 December. The participants agreed that (i) enhanced capacity for improved regulatory compliance, (ii) setting up the specialized industrial park for Active Pharmaceutical Ingredients, (iii) linkages between the industry needs and academia and training institutions, (iv) international marketing, and (v) more effective regulations were the most important priority areas where Bangladeshi pharmaceutical sector needed to improve capability and skills development.

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 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. In Bangladesh STED activities consist of identification and conduct research on two sectors: agro-processing and pharmaceutical industry which have the potential to contribute significantly towards economic diversification and employment creation.

Research Objectives

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;

Effects on Domestic Output and Employment due to Tariff Reduction to zero for all Imported Commodities into OECD countries from Bangladesh

During a six weeks long ETE training, which was conducted from February-April this year, a simulation exercise was done by the participants using Bangladesh SAM 2007 to investigate the impact of tariff reduction to zero in OECD countries. Participants have also looked into the employment scenario in Bangladesh and the impact of tariff reduction to zero on employment by gender and skill. The simulations were undertaken under the guidance of Dr Selim Raihan, Associate Professor, Department of Economics Dhaka University. Here we are presenting some key findings of the simulation for our readers

- If tariff is reduced to zero, the export of paper industry saw and plane commodity, petroleum related commodity, electricity and water generation commodity, and bidi industry commodity will increase comparatively in higher value respectively in lower amount.
 - Production will be increased for the commodities like transport equipments, paper industry, yarn industry, bidi industry, and RMG by 27.11%, 26.24%, 15.01%, 14.17% and 13.91% respectively.
 - Skilled labor's value addition will increase by the highest 4.25%. The income level of rural non-farmer non-poor, high education, and landless households will increase respectively by 3.84%,
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- Comparatively higher employment coefficient of skilled male employees' is found in printing and publishing, baling, professional service, education service and fertilizer industry activities while for female employment the sectors are education service, baling, health service, bank insurance and real estate, and professional service.

Participants concluded that considering the backward linkages of activities, for robust growth and for rapid expansion of the economy government should take proper steps to solve potential bottlenecks in respective sectors. Government should also augment their trade diplomacy and bilateral as well as multilateral discussion so that as a least developed country Bangladesh can get benefit from trade negotiations. Participants of the training include representatives of the Ministry of Labour and Employment, Ministry of Commerce, Export Promotion Bureau, Board of Investment, Bangladesh Bureau of Statistics, General Economics Division, Bangladesh Employers' Federation and National Coordination Council for Workers' Education (NCCWE).

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.

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