



E-Newsletter

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

It is our pleasure to share with you the fifth 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

Policy Working Group Meeting on Trade and Employment in Agriculture

The second meeting of the Policy Working Group of Assessing and Addressing the Effects of Trade on Employment (ETE) project was held on 24 June 2012. The theme of the meeting was *Trade and Employment in Agriculture*. The meeting was co-chaired by Mr. Md Ghulam Hossain, Secretary, Ministry of Commerce and Mr. Mikail Shipar, Secretary, Ministry of Labour and Employment.



Mr. Gagan Rajbhandari, Deputy Country Director, ILO Office for Bangladesh delivered the welcome remarks.

Two recent ETE studies were presented and discussed in the meeting: (a) Skills for trade and economic diversification in Bangladesh (agro-processing sector) jointly by Ms. Hasina Begum, ILO and Mr. Shaquib Quoreshi, Bangladesh Employers' Federation; and (b) Economic reforms and agriculture in Bangladesh: assessments of impacts using economy wide simulation model by Mr. Helal Uddin, researcher, South Asian Network for Economic Modelling (SANEM).

Emphasising the role of the policy working group in facilitating policy dialogue, Mr. Rajbhandari, during his welcome remarks said that the PWG is a forum for dialogue to build consensus on the treatment of labour market, employment and trade issues, to identify priority areas and to guide the development of policy recommendations. He hoped that the PWG members would discuss the issues and challenges in relation to the multi and bi-lateral trade agreements, and in particular, ways to create policy space to devise national measures to reap benefits from bilateral and multilateral agreements.

Mr. Md. Ghulam Hussain, Co chair of the PWG and the Secretary, Commerce said that one of the big challenges for the country is generating employment for the 1.8 million young people who enter into the job market every year. The agricultural sector alone cannot absorb this huge labour force. Hence it is important to strengthen other manufacturing and service sectors as well for creating job opportunities for the new entrants. We should also address other investment-related challenges such as poor infrastructure, marketing, product development, cold storage etc, he mentioned.

Emphasizing on land use and land management, Mr. Mikail Shipar, Co-chair of the PWG and the Secretary, Ministry of Labour and Employment said that as Bangladesh is a land scarce country therefore while discussing on economic reforms in agricultural sector we should focus on efficient land management and land use issue.

The PWG discussed the opportunities and challenges for Bangladesh with regard to Trade and Employment in Agriculture and pointed out that the country should harmonize its trade, employment and skill policies to reap the employment opportunities created from increased trade liberalization. Key policy issues identified and discussed in the meeting include:

- Changes in agricultural policy and subsidization or reform in agricultural sector have important implications for rural-urban migration thus on the rural-urban composition of the labour force ;
- Bangladesh being more of an importer of food products, might suffer in case of an increase in food prices if there is global agricultural trade liberalization. Therefore, the issue of food security should remain in focus while discussing the trade liberalization;
- Agricultural production is being adversely affected by the increased use of agricultural land for non-agricultural purposes. As a result, in the future, the employment opportunities in this sector will reduce to a great extent. This issue deserves adequate attention in the field of policy formulation. Also, it is important to implement the agricultural land use policy to prevent the use of agricultural land for non-agricultural purposes;
- To make SAFTA more effective, non-tariff and para-tariff barriers of member countries must be minimized, bilateral disputes between member countries should be solved and sensitive list should be shorten;
- Sector specific skill policies should be developed based on the specific skill requirement per sector.



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

Representatives from development partners namely Swedish Development Cooperation (SDC), USAID, GIZ, UNIDO, EU Bangladesh Trade Policy Support Programme and EU delegation in Bangladesh also attended the meeting. Ms. Hasina Begum, National Coordinator of the ETE Project facilitated the meeting.

How PWG Works:

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

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

ETE RESEARCH

Research Objectives

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 a rise in the 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 liberalization 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;

Research Findings

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

This study is an attempt to look at the links between major economic policy reforms and growth in the agricultural sector in Bangladesh. The overall objective of this study is to explore how economic policy reforms affect the agricultural sector in Bangladesh in terms of output, import, export and employment. The study explores three trade liberalization scenarios (a global agricultural trade liberalization scenario under WTO-Doha agreement, Bangladesh – India bilateral FTA, and domestic agricultural trade liberalization), one fiscal policy scenario (rise in agricultural subsidy) and one technological change scenario (rise in agricultural productivity). Dr. Selim Raihan, Associate Professor, Department of Economics, Dhaka University has conducted the study.

The major results of this study are as follows:

1. Global agricultural trade liberalisation under WTO-Doha agreement will lead to a rise in prices of agricultural products in the global market as well as in the domestic market. Taking the benefit of rise in the prices of agricultural products, there will be some positive effects on the sectoral production and employment in agricultural sector in Bangladesh. However, this could also have some concerns for the households who are net consumers and therefore would likely be negatively affected because of the rise in food prices.
2. Bangladesh – India bilateral FTA would result in limited expansion of the agricultural sector and some export-oriented sectors, though most of the import competing sectors would contract. However, the expansion of the agricultural and export-oriented sectors would be larger enough to result in a net employment generation.
3. The domestic agricultural trade liberalisation would lead to increased imports of agricultural products and this would result in the contraction of the agricultural sectors. Overall industrial and services sectors would contract. There would be a large employment loss for unskilled labour.
4. Rise in subsidies in agricultural sectors would lead to a rise in the production in the agricultural sectors and some of the industrial and services sectors would contract. There would be a rise in overall employment of unskilled labour because of larger employment generation in the agricultural sectors and lesser loss in employment in the industrial and services sectors. The effect on the employment of skilled labour would however be negative.
5. Rise in total factor productivity in the cereal crop sector would lead to a large expansion of the cereal crop sector. Also, rice milling and grain milling would experience expansion. Imports will fall in all these sectors. The industrial and services sectors would experience some expansion. Overall agricultural sector would experience a large fall in employment of unskilled labour because of the rise in productivity in the cereal crop sector. Therefore, despite the result that employment would increase in the overall industrial and services sectors, the net employment effect for unskilled labour would be negative.

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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