Impact of the Global Financial and Economic Crisis on Bangladesh

A RAPID ASSESSMENT

Prepared for the ILO

by

Centre for Policy Dialogue (CPD)
Bangladesh

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Impact of the Global Economic Crisis on the Employment and Labour Market of Bangladesh

A Rapid Assessment

A Report Prepared by the CPD in Collaboration with the International Labour Organisation (ILO)

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I. INTRODUCTION AND OBJECTIVES

The global financial crisis that started to unravel since mid-2007, has already turned into recession in most of the developed countries. The contagion affects of the crisis, carried by the second wave, have now become significantly visible in most of the developing and least developed countries. In this prolonged recession and economic down turn, employment and labour market of most of the economies have faced considerable damages. It is apprehended that even though most of the developed and developing countries may start to recover from the crisis by the end of 2010, it would take another two to five years or even more to recover from the damages caused in the employment and labour market by the crisis (ILO, 2009). In all recent global fora (ILO Summit on 'Global Job Crisis' held in Geneva in 15-17 June, 2009, 98th Session of the International Labour Conference, 3-19 June 2009, G-20 Summit held in London in April, 2009 and ILO's Tripartite Meeting held in Bangkok), protection of jobs and workers' interests by restoring the financial system and boosting of domestic demand have become the top agenda.

According to Global Employment Trends Report, published by the ILO, an additional 21 million to 31 million workers would be unemployed in 2009 and, if the situation worsens, this number could increase to even 50 million. In South Asia, the number of unemployed workers would increase within a range of 0.4 million to 4.9 million (adverse impact scenario), while the rate of poverty could increase by -1.3 to 5.7 per cent (as per the possible two scenarios projected by the ILO). This, undoubtedly, will further slow down the process of poverty reduction and, thereby, hindering achievement of the millennium development goals (MDGs), particularly by the low income countries.

In view of this, ILO's initiative to assess the impact of the financial crisis on employment and labour market of South Asian economies and develop alternative policy responses to mitigate the adverse social effects of the crisis on the world of work, especially the vulnerable groups, is timely and addresses a key emerging concern. The Bangladesh country study is part of this South Asia wide study. The *Centre for Policy Dialogue* (CPD) was entrusted with carrying out this part of the regional study.

The overall objectives of the CPD country study are threefold:

(a) To assess the likely impact of the global economic crisis on the Bangladesh economy, particularly its social impacts in terms of employment, labour market, and social protection, with a focus on export sectors and overseas migrant workers.
(b) To develop policy responses to mitigate the adverse social effects of the crisis on the world of work, especially the vulnerable groups.
(c) To identify areas of assistance that may be provided by ILO within its DWCP for Bangladesh.

II. METHODOLOGY OF THE STUDY

The impact assessment of global financial crisis on Bangladesh Economy has been designed to be carried out in two stages: (a) an initial review that will lay down some basic issues based on preliminary findings collated from secondary sources, and (b) a detailed assessment of the crisis over a longer period based on interviews, sample surveys, and consultations with government officials and other stake holders. As part of requirement of the first stage, a report on preliminary assessment of the crisis on employment and labour market was prepared and submitted to ILO in February, 2009. The present report is the output of the second stage, which explains the linkages of the Bangladesh economy with the crisis and its impact on employment and labour market, analyses labour rights and social protection issues and preparedness of the government to support poor and vulnerable groups. Finally, the report provides suggestive measures both for government and international organisations such as the ILO.

Various methods were followed in preparing this report, which include perception survey among entrepreneurs, focus group discussions (FGDs), debriefings and collection of secondary information. *Firstly*, CPD carried out a rapid perception survey during February-April, 2009 to appreciate possible impact of global financial crisis on Bangladesh economy particularly on production, export and employment of sample enterprises. A total of 90 leading entrepreneurs from different sectors (RMG, textile, leather, frozen foods, pharmaceuticals, real estate and construction, banking, and ICT) participated in the survey. *Secondly*, three FGDs were organised with three different groups (i.e. employers, worker leaders and returned migrants) with a view to appreciating the impact of the crisis on these particular groups. The first FGD was organised at the ILO office in Dhaka on 13 April, 2009 with worker leaders who represented different sectors. The second one was held in the office of the Employers' Association on 30 April, 2009 with the participation of entrepreneurs representing different sectors such as RMG, pharmaceuticals, tea, jute goods and tobacco. The third FGD was held in Gazipur on 4 May, 2009 with returnee migrants with the cooperation of the Welfare Association of Repatriated Bangladeshi Employees (WARBE), Bangladesh. A total of seven returnee migrant workers took part in the FGD who returned to Bangladesh between January to April, 2009. Besides, representatives of several key sectors affected by the crisis participated in the debriefing sessions conducted prior to completion of this report.

Based on the secondary information several analyses have been carried out as regards impact on employment and labour market of Bangladesh in view of the crisis. Firstly, an exercise on possible changes in employment, labour market and consequently underemployment has been carried out in FY2008-09 and FY2009-10 based on the Labour Force Survey (LFS) 2005-06 data. Estimation on employment and labour force of FY2008-09 and projection on employment and labour force show possible changes in the labour market, incremental growth of labour in different sectors and consequences on unemployment situation of the country. Secondly, an analysis on structure and composition of labor force based on the LFS 2005-06 in terms of mode of operation, involvement in formal and informal job contract will delineate possible consequences at the time of any crisis in the labour market. Thirdly, an analysis on labour laws and labour rights in Bangladesh and state of enforcement of these laws and regulations portrays level of advancement of Bangladesh as per global standard.

This discussion is further extended to ratification of ILO conventions which are particularly relevant for workers rights, their social protection, rights to migrant workers, especially at the time of crisis.

III. LITERATURE REVIEW

Economic recession has consequences for the labour market in different ways depending upon the nature and extent of its impact and depth, and the sectors that tend to suffer from its impact. For example, *Betcherman and Islam* (2001) pointed out that during the Asian crisis unemployment increased, earnings of workers fell and workers rights were endangered. Consequently various adjustments took place in the labour market such as internal and international migration and participation in informal sector. *Jones, Hull and Ahlburg (2000)* noted that unemployment rate increased in all the crisis affected-countries, mainly in urban areas and was concentrated in the construction, finance, real estates and manufacturing sectors. *Knowles, Pernia and Racelis (1999)* pointed out that employment in agriculture and services sector has increased in several countries during the financial crisis. *Horton and Mazumdar (2001)* found that labour participation rate decreased more for vulnerable groups, such as young workers, women and older workers compared to that of prime-age males in both absolute and relative terms in the South East Asian region during the time of crisis. *Pernia and Knowles (1998)* identified that female workers were more likely to lose their jobs than their male counterparts as they were mostly the secondary earners and they usually did not belong to labour unions. However, *Moon, Lee and Yoo (1999)* revealed that males were more adversely affected than female in Korea during the crisis in 1990s. *Knowles, Pernia and Racelis (1999)* found that the main form of impact of the crisis in the informal sector was the decline in the real income per worker rather than open unemployment. According to *Betcherman and Islam (2001),* the increased contribution of self-employed and unpaid family workers in the relative shares indicated that many workers move from formal to informal sector.

Overseas migrant workers, working in South East Asia, were seriously affected during the financial crisis. *Manning (2002)* found that three of four crisis affected countries (Malaysia, Korea, Thailand, Hong Kong) which imported workers had curtailed worker intake. *Abubakar (1999)* described that in some cases migrant workers were forced to work longer hours. *Sek-hong and Lee (1998)* stated that local workers were more adversely affected than the guest workers in Hong Kong. According to *Battistella and Asis (1998),* a large number of Bangladeshi workers who worked in the construction and services sector in Malaysia had lost their jobs; as repatriation was not easy, most of them became undocumented migrant workers. Singapore's migrant workers were not severely affected, and *Hui, Weng-Tat (1998)* mentioned that this mainly owed to Singapore's emphasis on workers' performance rather than nationality in case of retaining workers. Owing to the Asian Financial Crisis, there was a substantial decline in outward transfer of remittances from the affected countries (*Ahmed, 1998).*

During times of crises, various measures tend to be undertaken at informal and formal levels as safeguard measures against unemployment, underemployment, low level of income and vulnerability of women and children. Poor people informally take the support of village-based risk-sharing system or search for alternate jobs at a much lower return in urban areas. However, these informal arrangements do not always sufficiently meet the requirement of poor and vulnerable groups since at the time of all-round crisis there may not be adequate scope for risk-sharing in rural and urban areas; sometimes, these informal support arrangements may become costlier compared to those of formal arrangements (such as credit drawn from informal sources at high rate of interest). On the other hand, various mechanisms are practiced as formal arrangement in support of the poor and vulnerable groups; the objective of formal arrangements are to provide insurance to the vulnerable groups who are relatively uninsured or face high costs of self insurance, and such insurance mechanisms assure sustainability beyond the crisis (Ravallion, 2008). Some of these insurance schemes originate through active labour market participations, ensuring minimum wages and better working conditions, maintaining international labour standards at the time of crisis, maintaining social dialogue and industrial relations during the time of economic downturn and ensuring social protection.[1] Although affected countries take proactive role in case of implementing various policy measures, international organisations such as the ILO take the leading role in expediting implementation of these measures. Various measures are implemented in different countries to provide social protection to poor and vulnerable groups, such as relief transfers, workfare, credit disbursement, generalised food and fuel subsidies, safety net programmes, conditional cash transfer programmes, employment guarantee schemes or even national rural employment guarantee act (in India). To support unemployed people, governments take up various measures including unemployment benefits (e.g. Brazil, Costa Rica), cash transfers to vulnerable households (e.g. Brazil, China, El Salvador, India, Singapore) and indirect measures through major public investment programmes (e.g. China, India and South Korea) (ILO, 2009). Health support in the form of cash and kinds is provided to unorganised and rural workers (as in India and China).[2]

A survey of literature pertaining to the East Asian financial crisis of the 1990s indicates that in the context of a global economic crisis the most vulnerable areas of countries such as Bangladesh are likely to be export-oriented sectors, manpower export, remittance and domestic resource mobilisation. Aid inflow could also be hit by the crisis. All such developments were likely to have adverse impact on workforce employed in those sectors and the associated labour market. Different countries tend to undertake various support measures to address the needs and mitigate the adverse impacts of the crisis on the poor and vulnerable groups. However, such programmes have diverse outcomes in terms of coverage, selection, availability of resources and effectiveness.

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[1] See,www.ilo.org/global/What_we_do/Officialmeetings/ilc/ILCSessions/98thSession/lang--en/index.htm

[2] *ibid*

IV. IMPLICATIONS OF THE CRISIS AT INTERNATIONAL LEVEL

IV. 1 Projection of Economic Growth of Developed and Developing Countries

The extent of the global economic downturn has been much deeper than expected whilst the recovery appears to be gradual and uncertain. Projections made by different international organisations with regard to global GDP growth have been revised downwards several times over the recent past. In January, 2009 IMF projected global economic growth to be 0.5 per cent in 2009 and 3.0 per cent in 2010 (Table 1). These figures were later revised downwards in April, 2009 to -1.3 per cent and 1.9 per cent respectively. The UN forecasts a much deeper recession in 2009 (-2.6 per cent) and a recovery in 2010 (1.6 per cent); World Bank, on the other hand, projects recession in 2009 at a rate of -1.7 per cent, but a recovery of 2.6 per cent in 2010.

TABLE 1: GROWTH PROJECTIONS FOR MAJOR ECONOMIES (2009 and 2010)

	Actual 2007	Actual 2008	November 2008 Report		January 2009 Report		April 2009 Report	
			2008	2009	2009	2010	2009	2010
World Output	5.2	3.4	3.7	2.2	0.5	3.0	-1.3	1.9
US	2	1.1	1.4	-0.7	-1.6	1.6	-2.8	0
Euro area	2.6	1	1.2	-0.5	-2	0.2	-4.2	-0.4
Germany	2.5	1.3	1.7	-0.8	-2.5	0.1	-5.6	-1.0
France	2.2	0.8	0.8	-0.5	-1.9	0.7	-3	0.4
Italy	1.5	-0.6	-0.2	-0.6	-2.1	-0.1	-4.4	-0.4
UK	3	0.7	0.8	-1.3	-2.8	0.2	-4.1	-0.4
Middle East	6.3	5.9	6.1	5.3	3.9	4.7	2.5	3.5
China	13	9	9.7	8.5	6.7	8	6.5	7.5
India	9.3	7.3	7.8	6.3	5.1	6.5	4.5	5.6

Source: IMF, World Economic Outlook updates

Revised growth projections for 2009 for the USA (from -1.6 per cent to -2.8 per cent) and Euro area (-2 per cent to -4.2 per cent) clearly indicate that growth of developed economies will further decelerate this year. Within EU, all major economies have registered low level of growth in 2008 and were likely to face negative growth in 2009: Germany (1.3 per cent and -5.6 per cent respectively), UK (0.7 per cent and -4.1 per cent), and Italy (-0.6 per cent and -4.4 per cent). However, EU would not be able to avoid negative growth even in 2010 though a substantial recovery would take place (from -4.2 per cent in 2009); such trends would also be observed in Germany (-1.0 per cent), Italy (-0.4 per cent) and UK (-0.4 per cent). A slow pace of recovery of major economies is likely to transfer weak growth signals to developing countries.

The growth deceleration in the developed economies in 2008 and 2009 has visible adverse impacts on emerging and other developing economies. As Table 1 shows, Middle East countries are likely to achieve a 2.5 per cent GDP growth in 2009 which is about 2.3 times lower compared to that in 2008 (5.9 per cent). This particularly owes to lower crude oil price, drying up of foreign capital and declining demand for the region's energy-intensive industrial and building materials. The growth projection for 2010 would be 3.5 per cent, which, although 1 percentage point higher compared to the projection for 2009 is still far below the level of growth achieved by these economies during 2007 (6.3 per cent) and 2008 (5.9 per cent).

As for South East Asia and the Pacific, growth projection for the region is -0.7 per cent for 2009 before it recovers in 2010 (2.2 per cent). Economic growth of China and India would also decline in 2009 (6.5 per cent and 4.5 per cent respectively).[3] However, these economies would register a relatively higher level of growth in 2010, 5.6 per cent and 7.5 per cent respectively in case of India and China. Because of the slowdown of economic growth in the Middle East and South East Asia, a number of key sectors such as real estate, ship building and construction have experienced a downturn. This has already resulted in significant job losses and also reduced demand for new workers from abroad. Relatively less adverse impact of the financial crisis on Asian economies, thus far, is perhaps because of the state of the region's financial institutions which, unlike their European counterparts, had only limited exposure to sub-prime and related financial products. However, these countries are unlikely to remain isolated from the worst consequence. This is also because low level of growth of developed countries would induce lower demand for goods and services, which in turn will adversely affect these countries' import of goods and services from developing countries. This will seriously affect the economic performance of the export dependent developing countries. In view of the falling growth performance of most of the developed and developing economies, one can only hope that the situation reverses in 2010.

In terms of per capita income, it would take at least three years for average level of world income to return to the level of income received in 2008. However, the period of recovery of loss of per capita income would be rather long for advanced economies: US and Canada till 2012, Germany till 2014, France till 2013, while UK and Italy beyond 2014. It is estimated that the advanced economies would have to wait till 2013 to return to pre-crisis income level (Table 2). Such slow pace of recovery of per capita income in advanced economies possibly shows a slow rise in consumers' demand in these countries. However, outlook for developing Asia and the Middle East shows encouraging signals with both the regions expected to return to 2008 per capita GDP level by the end of 2009. Similar optimism is expressed for countries like China and India. Therefore, given the fact that most of the developed countries would require another three/four years or more to get a strong foothold in terms of per capita GDP, Bangladesh would need to be strategically prudent by gradually diversifying its export base to other potential sources.

TABLE 2: PER CAPITA GDP OF SELECTED DEVELOPED AND DEVELOPING COUNTRIES: RETURNING TO PRE-CRISIS INCOME LEVELS
(CONSTANT 2007 US$)

Regions/Year	2008	2009	2010	2011	2012	2013	2014
World	8507	8295	8335	8574	8868	9174	9480
Advanced economies	39660	37932	37706	38462	39416	40348	41151
US	45862	44165	43706	44801	45973	47011	47686
Canada	43375	41847	42018	42738	44057	45233	46026
UK	46227	44250	43552	43949	44706	45408	45665
Germany	40961	38704	38364	38983	39753	40586	41531
France	41947	40499	40457	40947	41556	42287	43077
Italy	35316	33494	33127	33135	33364	33687	34124
Developing Asia	1806	1872	1956	2087	2240	2404	2579
Middle East	5372	5385	5457	5566	5682	5804	5942
China	2778	2945	3119	3388	3694	4015	4351
India	993	1024	1066	1124	1194	1272	1356
Sub-Saharan Africa	1159	1150	1165	1197	1231	1267	1304

Source: Chandy, L. et al (2009)

[3] Growth projections for Sub-Saharan Africa have been stated to be 1.6 per cent for 2009 and 3.8 per cent for 2010.

ILO has projected that because of the ongoing economic downturn, global job loss was likely to be to the tune of 18 to 51 million by the end of 2009. A major setback will be an additional fall of 53 million people below the poverty line as a result of the global crisis in 2009 alone. Because of the falling growth, OECD countries have experienced significant job losses. In the United States, 5.4 million jobs were lost between July, 2008 and February, 2009; Spain lost 766 thousand jobs in the first quarter of 2009 and unemployment jumped to 17.4 per cent. A substantial number of job losses in developed economies along with possible reduction of various workers' benefits led to reduction of disposable income of low-income working people and consequently had adversely affected demand for goods and services.

ILO has forecasted six alternate scenarios in case of recovery of global employment.[4] Even in most favourable condition (if recovery of job content is sturdy in a strong bounce back in output) recovery of job losses would last till the end of 2012; on the other hand, in the gloomiest possible consequences (with weak job content growth in a weak recovery), the job shortfall would continue beyond 2015. In a rather rapid growth trajectory, the slack would not continue beyond 2013 (ILO, 2009). Hence, global labour market would continue to pass through stressful period of time in the coming years. This, undoubtedly, will further slow down the process of poverty reduction and, thereby, hindering achievement of the millennium development goals (MDGs), particularly by the low income countries.

In view of the prolonged recession and slow pace of recovery, prospects for growth of wage rate in 2009 is less promising. According to the estimate of ILO (2009), growth of real wage rate in case of developed countries in 2008 was 0.8 per cent and in case of world was 2.0 per cent; in view of economic down turn, wage rate is likely to attain a lower level of growth in 2009 (0.1 per cent and 1.7 per cent respectively). A deceleration or reduction in real income is likely to create social pressure that often turns into violent activities as reported in ILO (2009b). Hence there are scopes for possible unrest in workplaces in many countries in view of economic slow down.

IV. 2 Impact of the Crisis on Selected Sectors of Developed and Developing Countries

Developments at the global level are critically important for Bangladesh not only because it is an export dependent country, but also because of the fact that most of its major international markets have thus far been severely affected by the global economic crisis. In view of this, likely consequences of the crisis on some of the selected sectors of Bangladesh's interest are of special relevance. These include sectors such as apparels, frozen food, leather and jute in case of developed countries, labour market situation particularly in the Middle East and South East Asian countries and flow of remittances and flow of FDI and ODAs in the country.

[4] ILO assumes global GDP growth in 2009 and 2010 to be -1.3 per cent and 1.9 per cent respectively; this will be followed by rapid return to growth of over 4 per cent per annum from 2011 to 2015. Based on the data of 1981 to 2008, estimated employment elasticity is considered to be 0.5 per cent; considering year-to-year fluctuations, two other alternatives have been taken into account: -0.6 per cent and 0.4 per cent.

According to IMF estimates[5], world trade (goods and services) is projected to experience a negative growth of -11.0 per cent in 2009 in contrast to the growth of 3.3 per cent registered in 2008.[6] Low level of import by the USA in the last two years (5.4 per cent growth in 2007 and 7.5 per cent in 2008) has had significant impact on such deceleration in global trade.[7] In the context of specific sectors, import of apparels, frozen food, leather and jute by major developed countries such as USA, EU and Canada has experienced some significant shifts in recent times. During July to April period of FY2008-09, import of apparels in the USA has declined by -5.68 per cent compared to the same period of the previous fiscal; though import in EU and Canada was marginally positive (1.34 per cent and 2.9 per cent respectively) (Table 3). US had been the lone one among the three regions to register a growth (17.24 per cent) in import of frozen food. As for leather and jute goods, import growth in US, EU and Canada were either negative or positive at a very low level with significant fall in import of jute goods in all the three regions.

TABLE 3: CHANGE IN IMPORT OF SELECTED COMMODITIES IN MAJOR MARKETS: FY09 OVER FY08 (July-March/April)

Country\Product	Apparel	Frozen Food	Leather	Jute
US	-5.68	17.24	-4.98	-32.24
EU(27)*	1.34	-5.48	0.94	-19.26
Canada	2.9	-7.15	-0.69	-29.38

Source: Trade Data Online, Eurostat
* Data for July - March

Slow down of sales of various consumer goods in the major markets of developed countries has corroborated with the fact of low level of import of these products in these markets (Table 4).

TABLE 4: CHANGES IN RETAIL SALES OF VARIOUS COMMODITIES IN USA AND UK

Period	USA			UK	
	Total Retail Sales	Pharmacy and Drug Stores	Clothing Stores	Retail Sales Index for all Businesses	Retail Sales Index for Textile, Clothing and Footwear
2008 Over 2007					
January	3.55	1.82	0.27	4.72	3.82
February	2.21	2.87	0.51	4.83	3.82
March	1.71	1.33	-1.39	2.35	-2.75
April	2.70	1.90	2.71	2.06	-6.58
May	1.27	1.97	-0.06	6.32	7.95
June	2.76	3.43	0.84	2.43	-1.02
July	1.50	2.12	-0.16	3.18	1.22
August	0.78	2.47	0.10	3.36	2.80
September	-2.00	3.73	-3.65	2.70	-1.28
October	-5.82	3.14	-6.09	2.89	-1.85
November	-9.64	3.68	-6.21	1.94	-1.96
December	-11.84	4.14	-7.97	2.23	-3.06
2009 Over 2008					
January	-10.36	2.57	-5.26	2.58	4.53
February	-9.28	3.49	-1.69	-0.27	-2.87
March	-10.83	5.33	-5.85	2.20	2.83
April	-11.31	4.68	-7.78	3.03	4.38

Source: US Census Bureau; UK National Statistics (www.statistics.gov.uk)

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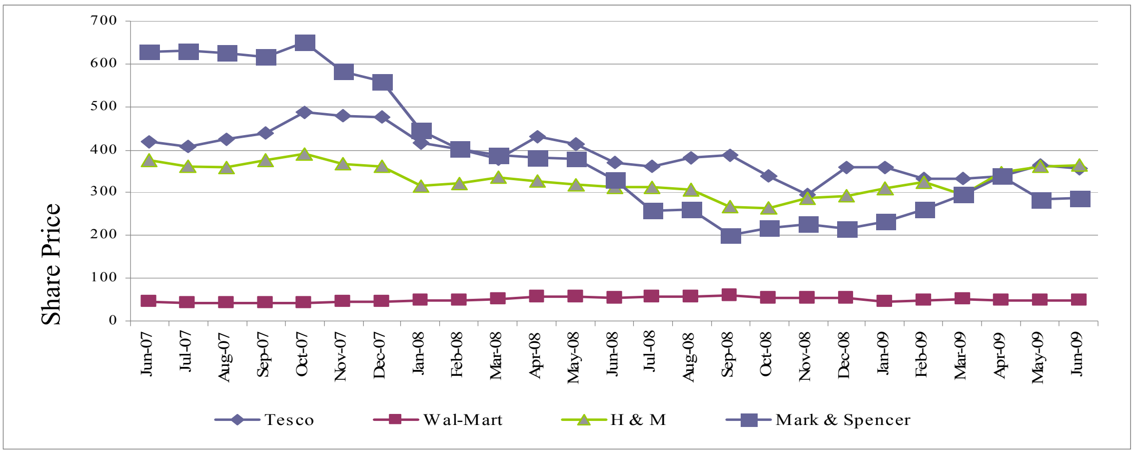
[5] World Economic Outlook, April 2009.
[6] This growth in 2008 was 3.9 per cent lower than that of 2007.
[7] See, Trade Data Online.

Retail sales in the USA began experiencing deceleration since July, 2008, highlighting the impact of the crisis, reaching -11.31 per cent in April, 2009 when compared to the corresponding month of the previous year. Similar had been the case for UK retail sales index till the end of 2008. December retail performance in developed country markets, traditionally robust, had been rather discouraging in spite of multiple sales offers and heavy discounts by major retailers (Figure 1). Major retail stores such as Marks & Spencer and J.C. Penny went for pre- and post-Christmas sales, a measure never taken before.[8] However, Wal Mart was found to be at a consistent level most of the time during this season (Figure 1).[9] As per trends of share price indices of major retailers in US and UK (i.e. Wal Mart, H&M, Tesco, Marks & Spencer) there are signs of returning back to usual trend, at least since February, 2009 (except Marks and Spencer which experienced a fall in May, 2009).

FIGURE 1: SHARE PRICES OF MAJOR RETAIL STORES IN USA AND UK



Source: Yahoo finance

Because of the slow down of the economic growth in the Middle East and South East Asia, growth in a number of key sectors has experienced a down turn, particularly real estate and construction sectors. Share price of construction companies listed in the Dubai Stock Exchange declined by 38.7 per cent between May, 2008 and January, 2009.[10] According to Dubai Land Department, number of property sales has declined by 60 per cent between Q1 in 2008 and Q1 in 2009 from 1486 to 595. Such contraction of the real estate and construction sector in the UAE has already resulted in reduced demand for new recruitment of workers from abroad. However, changes in share price index in the real estate sector in both Saudi Arabia and the UAE have been on the positive side (12.6 per cent and 39.3 per cent respectively) in Q2 of 2009 when compared to Q1. Mention can be made here that this change in Q1 of 2009 over Q4 of 2008 was negative for both the countries (-5.8 per cent and -40.4 per cent

[8] In view of consumers' deteriorating purchasing power discounts were offered ranging from 20 to 50 per cent in different stores. Besides, Wal-Mart, the world's largest retailer of clothing, had asked for a 2 per cent rebate on its current orders of Bangladeshi RMG products. One of UK's oldest high-street retailers, Woolworths, announced to close all of its stores by 5 January 2009.

[9] The low level of sales is also found through consumers' perception as regards Christmas sales. According to Annual Deloitte Christmas Retail Survey, British shoppers are planning to spend on average 7 per cent less this Christmas than last year -- although around 19 per cent of people have said that they plan to spend more, in spite of the economic situation. This year the average sum reported was £655, down by 7 per cent on last year.

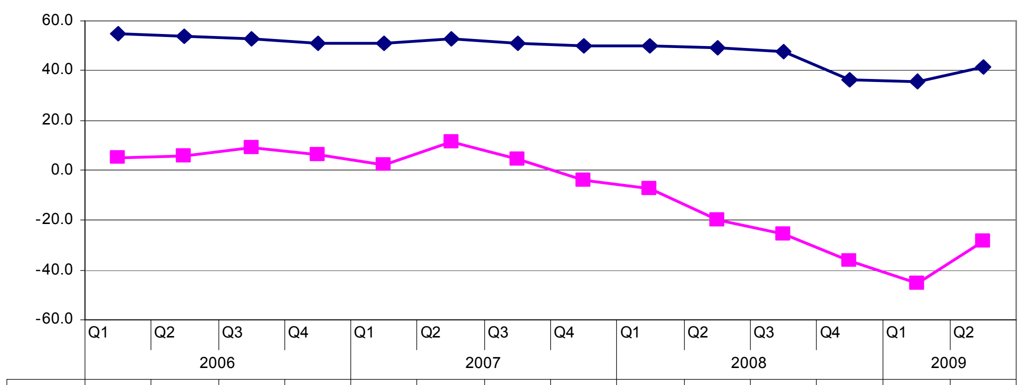
[10] Similarly, overall share price index and industry share price index in Dubai Stock Exchange declined by -57.6 per cent and -35.4 per cent respectively (http://www.adx.ae/English/Pages/default.aspx)

respectively).[11] Therefore, one may assume that recent positive changes might open some window of opportunities for manpower exporting countries targeting the Middle East housing and real estate sector.

In South East Asia, economic slow down has affected many industries such as construction and ship building. According to SEAISI (2009), steel consumption in the ASEAN-6 countries experienced a marginal drop of 1.8 per cent in 2008 compared to that in 2007.[12] However, steel consumption in Thailand and Singapore maintained 7 per cent to 8 per cent growth in 2008. Nevertheless, it is expected that situation of consumption, production and export of steel in ASEAN-6 countries in the first half of 2009 would be worse compared to that of the second half of 2008; hence capacity utilisation would decline at a substantially higher level.[13] Various stimulus packages announced by South East Asian countries are targeting development of infrastructure where construction is a major component. Hence, recovery period of growth of steel consumption, a major raw material in infrastructure sector, is likely to be small.[14] This would enhance demand for construction workers in these countries. However, available information about state of migrant workers in South East Asian countries during 2008 indicate a conservative situation. In Singapore, several large scale construction projects have been stopped, which compelled companies to retrench migrant workers. Companies in Malaysia announced to lay off 45,000 workers in January, 2009; a part of these workers would be migrant workers.

Although the above information creates significant concerns with regard to recovery of businesses in the near future, the confidence level of the business community seems to be getting stronger on some fronts. Business confidence survey conducted in US and UK revealed that both the economies were expected to register some improvement in Q2 of 2009 (Figure 2).

FIGURE 2: BUSINESS CONFIDENCE INDEX FOR US AND UK



	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
US	54.9	54.0	52.6	51.1	50.8	52.7	51.0	49.9	49.5	49.1	47.4	36.1	35.9	41.5
UK	5	5.5	8.8	6.4	2.1	11.5	4.8	-3.9	-7.2	-19.7	-25.7	-36.3	-45.3	-28.2

Source: (i) for UK: www.ecaew.com/bcm; (ii) for US: www.tradingeconomics.com

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[11] Yahoo finance

[12] ASEAN-6 countries have consumed apparent steel consumption in 2008 about 42.5 million tones (www.seaisi.org).

[13] It is projected that capacity utilization rate for semi-finished steel manufactures is likely to decline by 11 per cent in 2009 (reach at 60 per cent); regional capacity utilization rate for flat products is likely to decline by 5 per cent (57 per cent in 2009). Overall, regional capacity utilization rate of long products would slow down by 6 per cent in 2009.

[14] See, www.seaisi.org/

As for the Gulf region, business confidence index rose by five points (79.4 from 74.8) in Q2 of 2009, registering the largest movement of the index in a single quarter since the major collapse in confidence that took place in the Q4 of 2008[15]. However, most of the survey responses, released by different private sector market research institutes in different countries, noted that about one in three respondents predicted that economic slowdown was likely to continue for at least another two years. This, no doubt, indicates the uncertainty that still exists in the respective markets. With market projections being in such an ambiguous state for the developed economies, significant increase in demand for import from developing and least developed countries is hard to expect within the next quarter or so. It appears that decelerating import demand in major developed economies, coupled with the rising unemployment, is likely to lead towards a further weakening of growth in global trade in 2009. This, undoubtedly, would have serious consequences for export dependent economies such as Bangladesh.

IV. 3 FDI Flow in Developed and Developing Countries

Global FDI flow in 2008 has declined by 21 per cent compared to the previous year, and reached US$1.4 trillion (Table 5). Preliminary data issued by UNCTAD indicated that FDI flow fell by 33.7 percent in EU and 5.5 per cent in USA during 2008, while in developing and transition economies it was 4 per cent higher mainly because of investment opportunities based on cheap asset prices and industry restructuring, relatively large amounts of financial resources available in emerging countries and cash-rich oil-exporting countries, quick expansion of new activities such as new energy- and environment-related industries, and the relative resilience of international companies. Decline in FDI flow to the Middle East by 21.3 per cent is a depressing sign for investments in the region’s construction sector. South East Asian countries, however, evinced a mixed scenario. UNCTAD projected an overall further decline in FDI in 2009.[16] It could be inferred that Bangladesh’s interest in terms of flow of FDI in the country and opportunity for working abroad especially in FDI-led construction sectors of the Middle East and South East Asia, would be adversely affected in 2009.

TABLE 5: FDI FLOW IN MAJOR DEVELOPED AND DEVELOPING COUNTRIES DURING 2007-2008 (BILLION US$)

	FDI Inflows		
	2007	2008a	Growth Rate (%)
World	1833.3	1449.1	-21.0
Europe	848.5	562.3	-33.7
United States	232.8	220	-5.5
Japan	22.5	17.4	-22.7
Middle East (West Asia)	71.5	56.3	-21.3
India	23	36.7	59.6
Malaysia	8.4	12.9	53.6
Singapore	24.1	10.3	-57.3

Source: UNCTAD (2009)

[15] www.gulfnews.com

[16] FDI flow has decelerated in some of the countries such as Hong Kong, China, Singapore, and Thailand, where it has declined noticeably in the first half of 2008. Even though in some countries such as India, there has been no reduction in FDI inflows in the first half of 2008, the inflows are expected to decline following portfolio equity (UNCTAD, 2008).

In the face of a global economic recession, tighter credit conditions, falling corporate profits, and gloomy prospects and uncertainties for global economic growth, many companies in different countries have announced plans to curtail production, lay off workers, and cut capital expenditures, all of which tend to reduce FDI. It seems that in the short-term, the negative impacts of the financial and economic crises on FDI are expected to remain dominant and contribute to a continued fall in overall FDI through 2009. Experts tend to agree that developing countries will also be the victim of the unwholesome scenario with the fall in FDI in 2009 being more widespread. Adoption of structural reform measures with a view to ensuring stability in the global financial system, effective economic stimuli by national governments and commitment to open attitude towards FDI will be some of the key strategies towards increasing investors' confidence in the context of the current crisis.

IV. 4 Various Stimulus Packages Taken by Partner Governments and Their Likely Impact on Bangladesh Economy

As the global financial crisis started to strengthen its grip on the development prospects of countries around the world, governments came up with strategic plans to safeguard their economies by way of putting in place various initiatives to protect the interest of domestic producers, exporters, workers and consumers. Currently a number of global, regional and national initiatives have been set in motion to stimulate economic recovery in the affected countries.

The US's US$700 billion bailout plan was the first among the many initiatives followed by UAE's injection of US$19 billion into the economy, and France's €10.5 billion rescue plan for six of its largest banks. Among the developing countries, China announced a 4 trillion yuan (US$586 billion equivalent to 7 per cent of GDP) domestic stimulus package for the remainder of 2008, which would be continued till the end of 2010. One of the stimuli to boost the Chinese economy was raising tax rebates for certain exports to help producers cope with smaller profit margins as a result of slacking market demand, yuan's appreciation and rising cost of production. The adjustment involved 3,486 items from labour intensive industries such as textile, garment, toy, and hi-tech and high added value sectors like anti-AIDS drugs and tempered glass. Such measures, particularly targeted to apparel and other sectors of interest to Bangladesh, would have adverse impact on competitive scenario.

Vietnam, on the other hand, announced a stimulus package of US$1 billion focusing primarily on stimulating domestic consumption among consumers. The Vietnam government has decided to support the agriculture sector and farmers, and has announced to continue to provide them with a lending interest rate of 11.5 per cent per annum in order to further develop agriculture and rural production. The US$1 billion would also help to stimulate enough growth to consume a large volume of building materials, cement, and iron and steel, of which large stockpiles were building up, helping to solve difficulties for building materials producing businesses. Vietnam has also taken specific measures to address the interests of her SME sector. These include credit guarantee fund and interest rate subsidies, and 30 per cent rebate on corporate income tax from second quarter of 2008 to the end of 2009.

The Indonesian government has also come up with a fiscal stimulus package worth about US$6.1 billion. The government of Philippines has announced a US$6.9 billion stimulus package in order to create about one million jobs; of this, about US$5.2 million would be used to support retrenched overseas workers.

India has so far announced three stimulus packages with a total support of US$8 billion including various fiscal incentives to affected industries such as textiles, leather, marine products,- particularly SMEs. Earlier, the Indian government announced US$4.1 billion in spending to shield the country's economy from the global financial turmoil.[17] To boost exports, the government announced extra allocation of US$70 million for a host of incentive schemes, which included measures to boost infrastructure spending, small and medium businesses, and labour-intensive export sectors such as textiles and handicrafts. A cut of 4 per cent in excise duties across the board (on all manufactured goods except petroleum) and interest rate cuts on loans for infrastructure and exports was also among the packages. Additional allocation of Rs.1400 crore (US$274.3 million) was made available to the textile sector to clear the entire backlog in TUF scheme. Duty drawback benefits on certain items including knitted fabrics, bicycles, agricultural hand tools and specified categories of yarn were enhanced. India has announced a third stimulus package by February, 2009 to provide support to different sectors to boost consumption. The package included reduction of excise duty and service tax (by 2 per cent), extension of 4 per cent across-the-board excise duty cut beyond 31 March 2009 and excise duty on bulk cement to be 8 per cent or Rs.230 (US$4.5) per MT, whichever is higher. A special package of Rs.325 crore (US$63.7 million) for employment-intensive industries was unveiled on 26 February, 2009. The package includes incentives for leather and textile sectors, removal of import curbs on gems and jewellery, relaxation in export obligations and a 5 per cent in duty credit for exports of handmade carpets (against 3.5 per cent that was given earlier) (Rahman *et al*, 2009).

In view of this, it needs to be seen as to whether, and to what extent, such stimulus packages of different countries may affect the competitiveness of export-oriented industries in low-income countries like Bangladesh.

IV. 5 Global Economic Crisis and Responses at the Multilateral Fora

International Labour Organisation (ILO): Adoption of 'Global Jobs Pact'

Since the early phase of the global crisis in 2008, ILO has been consistently engaged in national and international level through policy influencing, policy support, awareness raising, and coordination building among various international organisations as regards labour rights, social protection, supporting vulnerable groups. In this process, ILO has undertaken a number of initiatives which includes organising Global Summit, international conferences, consultation with stakeholders at national level, policy-initiatives to resolve various issues and concerns as regards workers of different affected sectors in different countries. The latest in this process was organisation of an ILO Summit on the 'Global Job Crisis' in Geneva in June, 2009 where it adopted *Global Jobs Pact* that focuses on the crisis from a decent work response with the objective of promoting recovery and development by prioritising worker-related issues, and emphasising on building social protection system with

[17] Indian government announced it in December 2008.

strengthening respect for international labour standards and building a base for social dialogue.

In this respect, the pact details out various activities to be undertaken in different countries under the decent work approach.[18] It underscores that in order to accelerate employment creation, job recovery and sustaining enterprises, priority should be given to full and productive employment generation and decent work management. The ILO Jobs Pact suggests that countries should design their stimulus packages with a view to helping job seekers by implementing active labour market policies, increasing resources available to public employment services, implementing vocational and entrepreneurial skills programmes, investing in workers' skills development skills upgrading and re-skilling, limiting or avoiding job losses and supporting enterprises in retaining their workforce through well-designed schemes, supporting job creation across the economy, recognising the contribution of SMEs and micro enterprises in job creations and promoting measures including access to credit, using public employment guarantee schemes for temporary employment, and emergency public works programmes, implementing a supporting regulatory environment conducive to job creation through sustainable enterprises creation and development, and increasing investment in infrastructure, research and development and public services.

To build social protection systems the *Global Jobs Pact* indicates that countries should consider cash transfer schemes for the poor, access to health care for all, income security for the elderly persons with disabilities, child benefits, pubic employment guarantee schemes for unemployed and working poor, extending duration and coverage of unemployment benefits, and providing adequate coverage for temporary and non-regular workers. Focus should also be given to helping vulnerable groups through a combination of income support, skills development and enforcement of rights.

In order to strengthening respect for international labour standards countries should recognise fundamental principles and rights of work, importance of ratification of various international labour conventions and recommendations in addition to fundamental conventions. Social dialogues between different stakeholders are also viewed as necessary by the ILO in order to ensure collective bargaining, identify priorities and simulate action.

The pact has emphasised on international cooperation between different organisations and initiatives with a view to building a stronger, more globally consistent, supervisory and regulatory framework for the financial sector, promoting efficient and well-regulated trade and market that will benefit all and avoiding protectionism by countries and shifting to a low-carbon, environment friendly economy. The pact recognises the need of support to developing and least developed countries in view of global recession as regards setting greater priority to the generation of decent work opportunities, promoting the creation of employment and creating new decent work opportunities, providing vocational and technical training and entrepreneurial skills development, addressing informality to achieve the transition to formal employment,

[18] Based on ILO (2009) *Recovering From the Crisis: A Global Jobs Pact*, Proposed Text, 98 Session, Geneva.

recognising the value of agriculture, enhancing economic diversity by building capacity for value-added production and services, keeping commitment to increased aid to prevent a serious setback to the millennium development goals, urging the international community to provide development assistance including budgetary support, and giving effort to ensure necessary support required to adopt the pact and recovery policies.

ILO, under its *Decent Work Country Programme* (DWCP), has worked out various programmes such as fiscal stimulus package and employment diagnostic advice; emergency employment-intensive public works; emergency enterprise advisory services; emergency employment and labour market advisory services; support to self employed and the informal economy; and emergency advisory services on social protection programmes.[19]

London Summit of G-20 Countries: 'Global Plan for Recovery and Reform'

Concerns with regard to the global economic crisis had also made their way to the April 2009 London Summit of G-20. The event was overwhelmingly occupied with strategising and devising ways and means to address the swelling impact of the crisis not only on developed countries, but also on those emerging and developing economies seriously in need of financial support to stand strong in this period of turbulence. In this context, the Summit announced a strong financial package with a view to contributing towards creating a solid foundation for sustainable globalisation and rising prosperity for all based on market principles, effective regulation, and strong global institutions. To this end, member countries unveiled their 'Global Plan for Recovery and Reform' by creating a fund of US$1.1 trillion with strong commitment to support trade, investment and development of poor countries through various policies (i.e. refraining from raising new barriers to trade and investment of goods and services or imposing new export restrictions) and financial packages (i.e. US$50 billion to support social protection, boost trade and safeguard development and US$ 6 billion as concessional and flexible finance over the next 2-3 years).

World Bank (WB) and Asian Development Bank (ADB)

World Bank is in the process of developing a 'Vulnerability Fund' by using 0.7 per cent of each developed country's stimulus package in order to support countries that can not afford bail outs and deficits. The aim is to fund investments in infrastructure related projects, safety net programmes and financing of SME businesses and microfinance institutions. Besides, the Asian Development Bank (ADB) has set up a US$3.4 billion fund to aid fiscal spending during the course the ongoing global crisis. Bangladesh is expected to receive about US$200 million from this fund.

World Trade Organisation (WTO): Doha Development Round (DDR) Negotiations

With trade being one of the first victims of the current global economic crisis, it is pertinent to ask what will be the likely consequences of the crisis on the ongoing negotiations of the WTO. In recent times, there have been increases in tariffs, new non-tariff measures and more resort to trade defense measures such as anti-dumping actions. Such increasing restrictive trade measures could undermine effective outcome from the ongoing negotiations. On the other hand, despite repeated attempts by

[19] ILO has opened a 'global job crisis observatory', which can be liked through the following website: http://www.ilo.org/public/english/support/lib/financialcrisis/

Member countries, negotiations under the DDR are yet to be completed (initial year of completion was 2005). WTO member countries have been repeatedly calling for renewed efforts toward finalising unresolved issues particularly in agriculture and non-agricultural market access. From this perspective, the 7th WTO Ministerial Meeting to be held during 30 November-2 December, 2009 in Geneva is going to be of critical importance.

From the perspective of the least developed countries (LDCs), the NAMA negotiation is the crucial one since a substantial tariff-reduction has been agreed by the developed countries which are of interest to LDCs from the viewpoint of erosion of preferences. Besides, the DF-QF negotiations in its current form would hardly benefit LDCs unless their major export products are not included in the preference lists of developed and advanced developing countries which are in a position to provide the DF-QF market access. US would now be more unwilling to provide a generous list under the 97 per cent package.[20]

The ongoing impact of the global economic crisis on international trade financing is also a matter of grave concern for the developing and least developed countries which rely on such financing to participate in the global market. Available information show that over 90 per cent of all trade transactions involve some sort of short-term credit, and the liquidity that such loans provide has underpinned recent growth in world trade. However, with banks running short on cash, such loans are now hard to come by. With the deepening of the crisis, the situation is expected to worsen in the coming months. It may be recalled here that WTO DG Pascal Lamy had earlier formed a Task Force to monitor the ongoing global economic situation and suggest possible strategies to tackle the crisis. It will be interesting to see how the findings and recommendations by the Task Force are addressed by the Members in the upcoming Ministerial.

V. THE ONGOING CRISIS AND THE BANGLADESH ECONOMY

V.1 Extent of Global Integration of Bangladesh Economy

Over the last two and a half decades, Bangladesh economy has been increasingly integrated with the global economy through trade, investment, flow of remittances, foreign direct investment (FDI) and portfolio investment. The degree of openness of the Bangladesh economy was about 43.4 per cent towards the end of FY2007-08 with the extent of globalisation being equivalent to 57 per cent of GDP (Table 6). About 85 per cent of Bangladesh's exports are destined to developed economies and about 60 per cent of imports are from those countries. If India, China and other emerging economies are also taken into consideration, the extent of exposure of the Bangladesh economy with crisis-driven developed and developing economies will be quite significant.

[20] The new Partnership for Development Act (NPDA) which was raised in US Congress in 2008 pertaining to DF-QF market access to LDC products was also put on hold.

TABLE 6: BANGLADESH'S DEGREE OF OPENNESS AND EXTENT OF GLOBALISATION (MILLION US$)

Line Items	FY1981	FY1991	FY2001	FY2007	FY2008
1. Export (X)	725.0	1718.0	6467.0	12154.0	14088.0
2. Import (M)	1954.0	3472.0	9335.0	17157.0	20217.0
3. Remittance (R)	379.0	764.0	1882.0	5978.0	7915.0
4. ODA Disbursed	1146.0	1733.0	1369.0	1565.0	1873.0
5. FDI (net)	N/A	24.0	550.0	793.0	650.0
Total (1-5)	4204.0	7710.5	19603.4	37646.3	44743.8
GDP (Current Price)	19811.6	30974.8	47306.0	67714.0	78996.9
Degree of Openness (Export + Import as % of GDP)	13.5	16.8	33.4	43.3	43.4
Extent of Globalisation	21.2	24.9	41.4	55.6	56.6
X as % of M	37.1	49.5	69.3	70.8	69.7
(X+R) as % of M	56.5	71.5	89.4	105.7	108.8
ODA as % of GDP	5.8	5.6	2.9	2.3	2.4
ODA as % of Export	158.1	100.9	21.2	12.9	13.3

Source: CPD-IRBD Database (2009)

In view of the above, it is to be expected that it will hardly be possible for the Bangladesh economy to stay out of the impact zone of the ongoing global economic crisis. Evidently, recent economic trends clearly indicate that the crisis has already started to take its toll on the Bangladesh economy through various transmission channels. Downward deviations in GDP growth projections by various domestic and international entities and achievement of less than projected growth in FY2008-09 (5.88 per cent) epitomises the vulnerability of the economy in the context of the global recession. Furthermore, deceleration in export growth of major commodities in the recent months has also created significant space for apprehension with regard to immediate recovery of the Bangladesh economy. As is understood, any slowdown of the economy is likely to have knock-on impact on various fronts including resource mobilization, poverty alleviation and employment generation.

V.2 GDP Growth in FY2008-09 and Projection for FY2009-10

GDP growth in FY2008-09 has been revised several times and the current estimated rate of growth is 5.88 per cent; this is less than what was projected by the Bangladesh Bank (BB) earlier in a worst case scenario (6.3 per cent). However, as Table 7 depicts, the estimated growth rate is higher in most cases compared to what was projected by various international organisations such as IMF (5.0 per cent), World Bank (between 4.8 and 5.4 per cent), and ADB (between 5.5 and 6.0 per cent). It was noted in the budget speech for FY2009-10 that the projected growth of Bangladesh economy for FY2009-10 would be 5.5 per cent. However, debates continue with regard to such downward projection particularly in view of the positive growth outlook for different countries for 2010. More importantly, with an average Incremental Capital-Output Ratio (ICOR) for last five years (3.9), attainment of investment target of 23.7 per cent of GDP in 2009-10 would imply a growth rate of about 6 per cent in FY2009-10. Nevertheless, as of now, Bangladesh has fared better than most of her comparator countries in terms of GDP growth. This also holds true for her competitor countries such as India, China and Vietnam.

TABLE 7: GDP GROWTH PROJECTIONS FOR FY2008-09 (BANGLADESH)

	GDP Growth (per cent)	
National Budget for FY2009-10	5.88 (estimated for FY09)	5.5 (projected for FY10)
Bangladesh Bank (Monetary Policy, H2)	6.5 (high case 6.6 per cent; low case 6.3 per cent)	
IMF[1]	5.6	
World Bank[2]	Scenario 1	Scenario 2
	5.4	4.8
Country Report, EIU[3]	5.5	
ADB[4]	6.5	
CPD	6.5	

Source:[1] World Economic Outlook, IMF published in October 2008 (year ending December 31); [2] Media Briefing (Likely Implications of the Ongoing Global Financial Crisis for Bangladesh) by the World Bank November 26, 2008; [3] Economist Intelligence Unit (EIU); [4] Asian Development Outlook, September 2008

Slowdown of GDP growth in FY2008-09 is mainly attributed to deceleration of growth in industrial sector and partly in services sector though robust growth was attained by the agriculture sector (4.7 per cent for agriculture sector and 5.2 per cent for crop sector). Because of global recession, industrial sector has attained a growth rate of 5.9 per cent in FY2008-09 which was one percentage point lower compared to the previous year (6.8 per cent in FY2007-08). However, performance of small scale manufacturing industries appears to be better (growth of QIP in Q1 and Q2 was 9.3 per cent and 7.1 per cent respectively); large and medium industries, on the other hand attained a growth rate of 8.4 per cent during July-February, FY2009.[21] Services sector has attained a growth rate of 6.3 per cent which was lower than the Poverty Reduction Strategy Paper (PRSP) target (6.9 per cent).[22] Given the resilience shown by the manufacturing sector, a near 6 per cent to 6.5 per cent growth in the sector can be considered for FY2009-10 which would contribute towards early recovery from global recession (CPD, 2009). Considering the steady performance by the services sector over the last decade, it is likely to achieve growth rate of about 6 per cent in the next year.

V.3 Performance of the External Sector

As is known, the ongoing global recession started affecting economies around the world explicitly since the second half of 2008. While the developed countries were the first to be affected, emerging and developing economies gradually started experiencing the pinch from second quarter of FY2008-09. An analysis of US import from selected developing countries shows a mostly pessimistic scenario with regard to export from these countries in recent times (Table 8). However, the reality is a bit different for Bangladesh. While most of its comparator and competitor countries suffered from consecutive negative exports growths, Bangladesh was able to maintain

[21] It is pertinent to mention here that manufacturing sector component of GDP has been posting declining growth trends over the last four years (CPD, 2009).

[22] Among the nine sub-sectors of the service sector, only three experienced lower growth performance (Wholesale & retail trade; Transport & Communication and Financial intermediaries), while for others real production growth were higher in FY2008-09 compared to FY2007-08 confirming the predominance of service sector in the structure of the economy (CPD, 2009).

a positive growth trend in FY2008-09 (9.1 per cent for Q1, 17.8 per cent for Q2 and 11.2 per cent for Q3 over the correspondent quarters of FY2007-08). Such performance by Bangladesh manifests relative robustness of the export-oriented industries amid the ongoing global economic crisis.

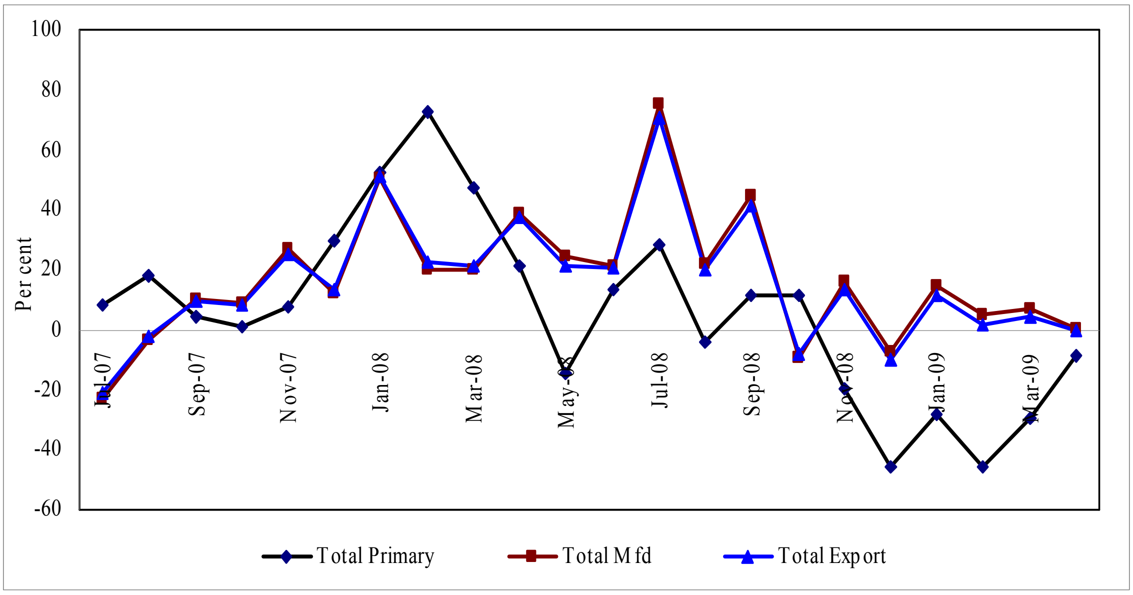
TABLE 8: GROWTH IN US IMPORTS (IN VALUE TERMS)

Country / Period	Q1 FY09	Q2 FY09	Q3 FY09	FY09 vs FY08 (Jan-Apr)
World	14.6	-9.0	-29.9	-31.1
Bangladesh	9.1	17.8	12.2	11.5
Cambodia	-3.6	-8.2	-19.7	-20.5
China	11.4	0.4	-10.9	-12.1
India	13.9	-3.6	-22.4	-21.1
Pakistan	-1.8	8.3	-8.5	-10.6
Sri Lanka	-6.7	0.9	-13.4	-10.5
Vietnam	20.0	20.3	-1.3	0.5

Source: Trade Data Online

However, the scenario is somewhat different when export growth for FY2008-09 is calculated on a month-on-month basis over FY2007-08. As Figure 3 clearly depicts, export performance, both in the areas of primary and manufactured goods, started to experience downfall since July 2008. Although export growth of primary goods has started to pick up in recent months, overall growth of exports continued to decline during January-April period of FY2008-09.

FIGURE 3: DECLINING EXPORT IN RECENT MONTHS: JULY 2007 TO MARCH 2009



Source: CPD Trade Database

On the other hand, some signs of relief are visible from a quarter-on-quarter growth for FY2008-09. Total export growth figures for the first three quarters of the current fiscal were respectively 42.5 per cent, -1.6 per cent and 6.5 per cent respectively (Table 9). With regard to growth performance during the first ten months of FY2008-09 over the same period of FY2007-08, total exports registered a positive growth of about 12.8 per cent. This has been largely possible due to the robustness in the RMG sector which continued to register positive growth throughout FY2008-09.[23] Nonetheless, sluggish demand of recent times in the US and EU markets, accounting for about 90.0 per cent of Bangladesh's apparels export (77.3 per cent of total export), does not augur well for Bangladesh. Whether this is a temporary development, or sets a trend, will need to be very carefully followed and monitored.

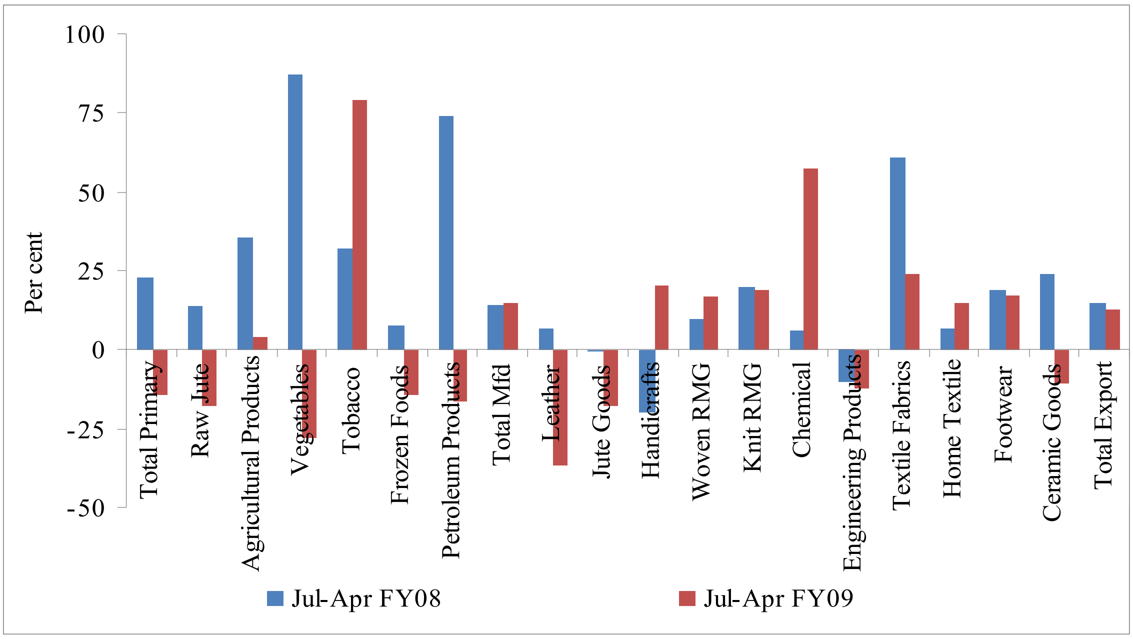
TABLE 9: QUARTERLY EXPORT GROWTH OF BANGLADESH'S MAJOR COMMODITIES (FY2008-09 VS FY2007-08)

Commodities	Q1	Q2	Q3	April	July-April
RMG	44.64	5.41	12.72	2.62	18.13
Non-RMG	35.71	-22.23	-14.29	-14.47	-3.76
Raw Jute & Jute Goods	-11.49	-18.87	-25.28	-10.74	-17.74
Leather	-6.34	-50.24	-41.57	-49.98	-36.13
Frozen Food	15.69	-24.31	-32.48	-26.91	-14.26
Ceramic Goods	22.28	-22.65	-29.39	-17.73	-10.69
Others	62.42	-17.61	-4.33	-8.54	6.99
Total Export	**42.45**	**-1.60**	**6.50**	**-2.30**	**12.76**

Source: CPD Trade Database

However, other major export items such as raw jute and jute goods, leather, and frozen food had been experiencing steady fall over the last two quarters when compared to the similar quarters of the previous fiscal (Table 9). Similar has been for the period of July-April FY2008-09 when export of all these three major commodities suffered from significant negative growth compared to the corresponding period of FY2007-08 (Table 9 and Figure 4).

FIGURE 4: GROWTH IN MAJOR EXPORT ITEMS: FY2007-08 AND FY2008-09



Source: Based on Rahman et al. (2009)

The July-April, FY2008-09 growth of export of raw jute and jute goods were -17.6 per cent and -17.8 per cent respectively, while in last several years either there had been no incidence of such decline in export (in case of raw jute) or the decline in

[23] The significance of the RMG sector is also paramount given the fact that it is the single largest export revenue generator for the economy.

export was not so high (in case of jute goods, -7.5 per cent in FY2008) (Figure 4). The slow down of export of jute and jute goods is particularly because of reduction of export of yarn and hessian products, though export of sacking products is relatively good because of increasing demand for sacks. What is also to be noted is the dismal record of leather export (-36.1 per cent), though export of footwear was 17.5 per cent higher compared to the same period of the previous year. Rising cost of processed finished leather made it more expensive compared to that of China, India and Morocco. Besides, prices of raw hides and finished leather dropped to 90 cents from the previous prices of $1.50 (per square foot) because of huge stock-pile of the last year. Raw hides and finished leather constitute 55 per cent of the total earnings from the sector. Tanners have complained that nearly 30 per cent hide and leather of around 200 million square feet remained unsold following the global economic crisis.

Because of substantial reduction of export of frozen foods (particularly shrimp) in April, 2009 (US$29.3 million) against April, 2008 (US$40.6 million), overall growth was found to be negative (-14.3 per cent) during July-April, FY2008-09 over the same period of the previous year; there was no incidence of negative growth in case of overall export of frozen food over the last several years. In view of continued pressure from buyers in the US and Europe to reduce the price of the item in the wake of a deepening financial crisis, price of shrimp has dropped by $1.35 per pound. Export of pharmaceuticals has also evinced declining trend, with a negative -13.7 per cent growth at the end of April, 2009. Although the relatively low price elasticity of demand for the lower-end exportables from Bangladesh is still holding (the so-called *Wal-Mart effect)*, once the recessionary trends deepen with the passage of time in the second half 2009, such negative trends are likely to become stronger as income effect takes over.

The emerging shipbuilding industry, which received an export order of US$500 million for about 40 vessels to be delivered by 2010, is also at present experiencing difficulty not only in terms of receiving new orders consequent to slower growth of trade and significant fall in shipping traffic and freight incomes, but also because some of the orders placed earlier are now being cancelled. Production of ships, in terms of metric ton, has declined in February, 2009 (341 metric ton) compared to that in February, 2008 (425 metric ton).[24]

A significant feature of export growth performance of Bangladesh is that this has been sustained mainly thanks to increase in volume (accounting for about 90 per cent of the increase in export value) rather than price (by contrast, accounting for only about 10 per cent of the increase in export value). Exporters were able to sustain their market share by offering discounts, tolerating, in many instances, order deferment and cancellations, and by taking significant cuts in profit margins. Currency devaluation in competing countries such as India, Sri Lanka, Pakistan, to the extent of 10-40 per cent over the recent years, have also undermined competitive strength of Bangladeshi products, including apparels. The Bangladeshi Taka (BDT) has held steady over the

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[24] If international buyers turn to giants like Singapore, China and Korea for small vessels, it will be a nightmare for the Bangladeshi manufacturers even to think of expanding into this business. The most discouraging fact is that some buyers, who had received their ships in late 2008 or early 2009, are having hard time to run on breakeven level let alone make profit. And with the huge loan on their heads, they are scraping brand new ships. Adding up all these facts, the next year will be really hard for the shipbuilders.

past one year, depreciating only by 0.2 per cent between May, 2009 and May, 2008 (indeed BDT has shown some signs of appreciation against the US dollar in the recent past which induced the Bangladesh Bank to intervene in the forex market through purchase of dollars). On the contrary, currencies of some of the other competing countries have depreciated significantly over the corresponding period.[25]

It is to be recalled here that the 7.5 per cent cap on growth of Chinese export of apparels to the US market has been lifted recently, as of January 1, 2009. The 34 quota categories on which export caps were imposed in January 2006 have 29 common categories as far as Bangladesh was concerned; these accounted for about 79 per cent of Bangladesh's export of apparels to the USA. China has also recently reversed a number of measures which were aimed at encouraging producers to move up market (e.g. tax on lower end products). Exports of low-end apparels from Bangladesh had earlier benefited from such policies.

With all the stimulus packages being offered in the neighbouring countries, Bangladesh might face some difficulties.[26] Bangladesh's backward linkage spinning sector, with an investment of about Tk.27,000 crore (US$3.9 billion), has already made its case as regards their weakened competitive strength vis-à-vis imported Indian yarn in view of the new price dynamics. The price of 30 count yarn at present ranges between US$ 2.25 – US$ 2.30 in India compared to US$ 2.80 – US$ 2.90 a few months back; to compare, the price of the same count in Bangladesh ranges between US$ 2.55 – US$ 2.60 (generally, a 15-20 cent difference induces Bangladesh's weavers to source locally). Knitwear sector and spinning sub-sectors will likely suffer most because of the emergent situation. Besides, importation of raw materials from overseas is likely to increase the lead time for apparels exporters. It will, perhaps, be not an exaggeration to state that being thrown out of the competition may result in a large number of domestic spinning mills becoming idle. The proposed new-EU-GSP scheme, when implemented in 2010, will also confront the country's knitwear-apparels sector with new challenges, since its crucially important sweater and pull-over sub-sector will be required to make use of local dyeing facilities if it is to continue enjoying preferential market access in the EU (local capacity currently can meet only about 50 per cent of the requirement).

All the above developments of recent times -- deceleration of Bangladesh's major export, apparels, with negative growth of most of primary exports and with adverse impact on backward linkage industries – are likely to have consequences for employment, labour market, wages and livelihoods of people associated with the affected sectors.

It needs to be noted, however, that inspite of the adverse impacts and potential dangers, there are some encouraging signs which Bangladesh should seize and try to utilise to work to her advantage. Bangladesh is only one of very few developing countries which is expected to register a near a six per cent GDP growth rate in the current fiscal year. Notwithstanding the measures taken by China to stimulate her

[25] Indian *Rupee* by 12.1 per cent, Vietnamese *Dong* by 9.8 per cent, Pakistani *Rupee* by 21.5 per cent, Cambodian *Riel* by 4.9 per cent, Sri Lanka *Rupee* by 6.5 per cent and British *Pound* by 21.6 per cent.

[26] Indeed, in a recent report WTO DG Mr Pascal Lamy has warned that various stimulus measures 'can easily be viewed as constituting some form of state aid or subsidy with negative spill over effects on other markets'.

export sector, leading buyers are exploring the possibility of shifting orders to Bangladesh because of the relatively low prices that Bangladeshi exporters are able to offer. The adverse affects of recession, pressure to appreciate the *Yuan* (appreciation of 6.9 per cent over the last one year), wage rates that are about 2-3 times higher than Bangladesh (though productivity is higher in China) make Bangladesh an attractive destination for major buyers of apparels inspite of China's dominant presence in the market. Bangladesh's strategy in these times of recession and falling global apparels demand should be to go for *higher share in a shrinking pie* by making best use of the emerging opportunities.[27]

V. 4 Inflow of FDI and Portfolio Investment

In the backdrop of negative growth in the global flow of FDI in FY2007-08 (28.0 per cent), which is expected to decline further in FY2008-09, any improvement in FDI flow to Bangladesh in FY2008-09 will be of interest to note. During July-March, FY2008-09, total FDI flow in the country was US$882 million; this amount was 67.4 per cent higher compared to the same period of the previous year. Lower FDI flow (52.2 per cent low) to the EPZs was perhaps because of lack of interest from foreign investors to invest in export-oriented industries in view of the ongoing crisis. Besides, registration of FDI during July-March, FY2008-09 was substantially high (US$2.09 billion) compared to that of the previous year (US$785 million). Portfolio investment, on the other hand, has registered deceleration (negative growth of -268.2 per cent) particularly owing to liquidation of capital by foreign investors during July-March, FY2008-09 period to the tune of US$111 million (Table 10).

TABLE 10: FDI AND PORTFOLIO INVESTMENT IN BANGLADESH (MILLION US$)

Types of Investment	FY 2006-07	FY 2007-08	FY 2007-08 July-March	FY 2008-09 July-March
Foreign Direct Investment	793	650	527	882
Portfolio Investment	106	48	66	-111

Source: CPD-IRBD Database

V. 5 Capital Market

Integration of Bangladesh's capital market with the global capital market has traditionally been weak with foreign investment currently accounting for only 2.48 per cent of total market capitalisation. During October-May, FY2008-09, a sluggish trend was observed in the capital market, which was partly related to global economic slow down; however, there is a sign of reverting back to the track in all indices during June, 2009 (Table 11). The slow down of growth of major industries and their consequent impact on domestic financial sector is the possible reason for such downward trend. The market capitalisation level was US$16.6 billion as of 18 June, 2009. It would be difficult to attain a capitalisation level of US$30 billion by 2013 (as set forth by the DSE in the "DSE Vision 2013") unless substantial reform in the capital market takes place by way of introduction of new trading systems, improvement of facilities, reviewing existing laws and regulations.

[27] In this context, mention may also be made here about interest of Germany's *Multiline Limited* with potential investment in textile sector to the tune of USD 200 million and Taiwan's *Pao Chen* which has shown interest to build the world's largest footwear factory in Bangladesh.

TABLE 11: MOVEMENT OF SHARE PRICE INDEX AT DSE: FY2008-09

Indices	Oct.	Nov.	Dec.	Jan.`	Feb.	Mar.	Apr.	May	June*
DSE (All)	2278.2	2040.2	2309.4	2196.96	2144.3	2033.3	2119.85	2146.7	2347.07
DSE (20)	2351.9	2090.1	2328.7	2175.11	2085.9	1891.5	1976.85	2013.1	2213.46
DSE (Gen)	2748.6	2468.9	2795.3	2649.49	2571	2446.9	2554.36	2572.2	2807.57
Market Capitalisation (US$ billion)									
FY2008-09	14.37	14.01	15.21	14.75	14.5	14.5	15.0	14.8	16.6

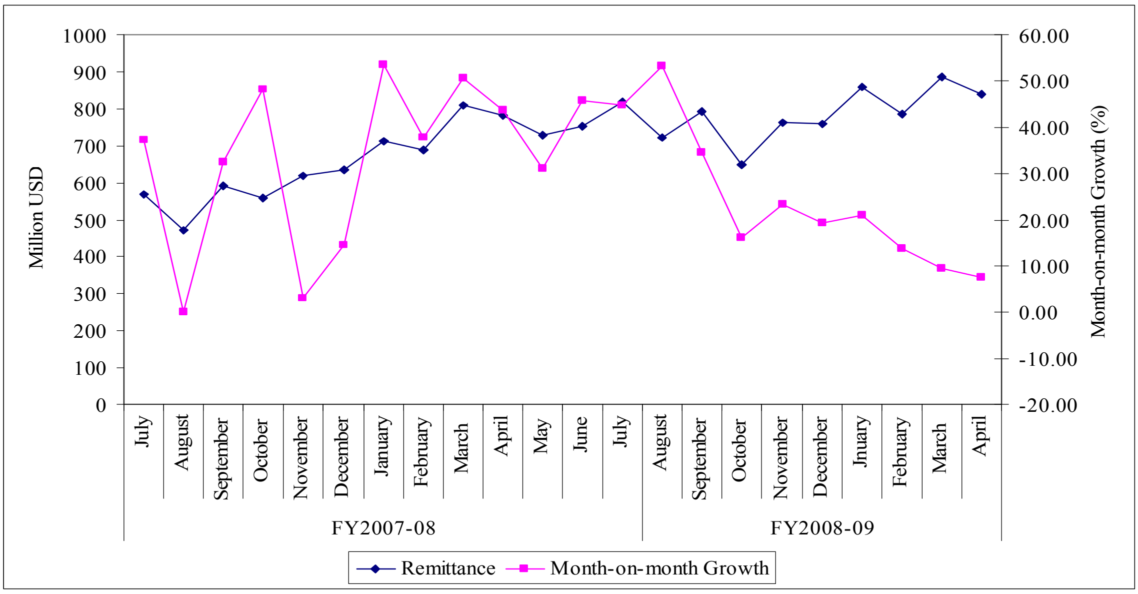
Source: DSE website
Note: *upto 18 June 2009

V. 6 Inward Flow of Remittances

In recent times, Bangladesh has been a major manpower exporting country targeting particularly the labour intensive industries in various developed and developing economies. Over the last two years, a record number of Bangladeshi workers (1.7 million) had left the country in search of jobs abroad (total number of migrant workers are estimated to be about 6.1 million who are expected to remit about US$ 10.0 billion in FY2008-09). Over the years, share of remittance in Bangladesh's GDP has increased significantly (from 4 per cent in FY2001 to 9 per cent in FY2007 to more than 10 per cent in FY2008). Apart from fueling the economic engine of the country directly through paying revenues to the government exchequer, remittances sent from overseas play a crucial role in strengthening the social security of the family members of the remitters. In addition to spending for household expenditures, the remitted money is spent on, among others, medical treatment, procurement of land and/or property, and children's education. The importance of manpower export and remittance earnings is, thus, overwhelmingly important from both economic and social context.

Although there had been a fall in remittance earnings during September-October, 2008 (-6.5 per cent against July-August, 2008), data for recent months show that remittance earning has been on the rise in recent months, although with some fluctuation (Figure 5). In case of flow of remittances, overall remittances during FY2007-08 exceeded US$7.9 billion, which was 32.4 per cent higher compared to the previous fiscal (FY2006-07). Impressively, remittance earnings during the first ten months of FY2008-09 (US$7.87 billion) almost equals the remittance earnings of FY2007-08. However, month-on-month growth during FY2008-09 depicts a continuation of deceleration in remittance earnings since January 2009. Reduction in the number of outward migration during the recent months explains such deceleration in remittance earnings.

FIGURE 5: CHANGE IN FLOW OF REMITTANCES
(FY2008-09 VS FY2007-08)



Source: CPD Trade Database

Although remittance earnings is currently mostly robust, a lagged response in the form of lower flow was likely if the recession continued. This could have serious repercussions in Bangladesh both in terms of its economic impact and also adverse social implications.

V. 7 Foreign Aid

Bangladesh has, till now, been able to maintain the trend of inflow of foreign aid amid the ongoing economic recession in its major development partner countries. Total foreign aid during FY2007-08 was 26.4 per cent higher than that of FY2006-07. Latest figures available for FY2008-09 (July-March) indicate that a total of US$1.35 billion was disbursed in the current fiscal, almost the same as in the last year. However, with only three months of the current fiscal remaining, it needs to be seen as to whether FY2008-09 can match the figure for FY2007-08 (US$2.1 billion). It is also to be noted that the share of grants in the total disbursed aid has been on the decline in recent times, indicating the possibility of higher debt-servicing liabilities in future (Table 12).

TABLE 12: DISBURSEMENT OF GRANTS AND LOANS, AND PAYMENTS MADE

Fiscal Years	Aid Scenario			Financing Scenario (mln US$)		
	Total Aid (mln US$)	Share of Grants (%)	Share of Loans (%)	Principal	Interest	Total
FY1985	1269.44	55.40	44.60	106	64	170
FY1994	1558.64	45.56	54.44	263	139	402
FY2006	1365.20	36.66	63.34	502	176	678
FY2007	1630.57	36.19	63.81	540	182	722
FY2008	2061.52	31.92	68.08	586	184	770
FY2009 (Jul-Mar)	1356.80	27.99	72.01	410.97	135.8	546.88

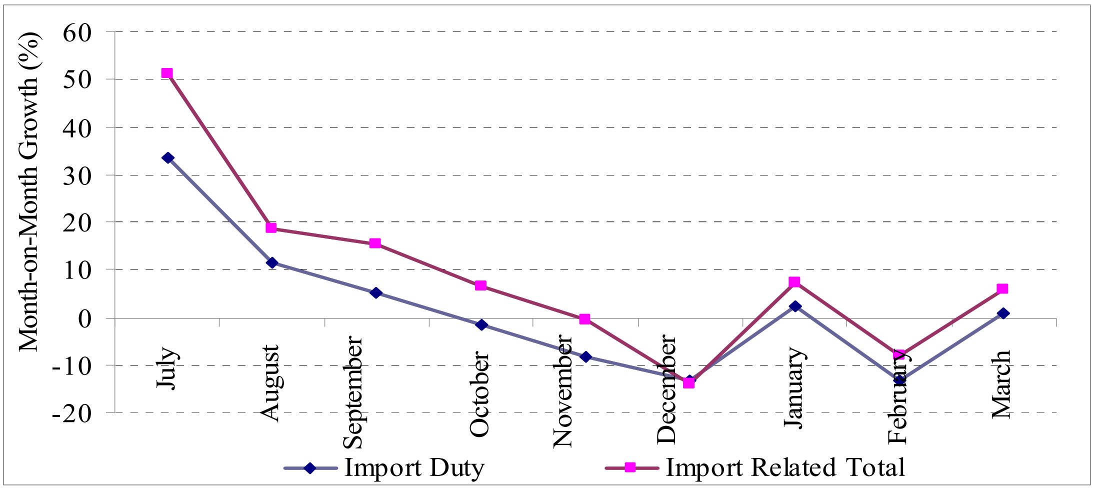
Source: CPD Trade Database

It, therefore, gives a signal that if the recession continues, one may expect either a minimal rise in foreign aid over the remaining period of the current fiscal or, perhaps not so unlikely, even a negative growth. In this context, measures aimed at ensuring timely disbursement, appropriate and effective utilisation of aid and access to aid in the form of budgetary support will gain increasing importance.

V. 8 Government Revenue Earnings and Domestic Resource Mobilisation and ADP Utilisation

A large part of government's revenue comes from duties collected from imported commodities. Import and import related duties mobilised during July-March, FY2008-09 were respectively 1.4 per cent and 8.3 per cent higher than those of the comparable period of FY2007-08. However, month-on-month growth trend during the July-December of 2008 over 2007 showed a downturn in import duty (starting from 33.6 per cent in July, 2008 to a negative growth of -13.1 per cent in December, 2008) and in import related duty earnings (from 51 per cent growth in July, 2008 to the negative growth of -13.9 per cent in December, 2008) (Figure 6). Nevertheless, the situation turned on the better side in March 2009 when growths for both import duty and import related duty reached 0.7 per cent and 5.8 per cent respectively.

FIGURE 6: FLUCTUATION IN IMPORT DUTY EARNING: MONTH-ON-MONTH GROWTH OF FY2008-09



Source: NBR (2009)

It is well known that revenue collection by the National Board of Revenue (NBR) through import and import related duties play a significant role in the government allocation of resources for meeting development expenditure at the domestic level. Thus, slow down of revenue earnings could put pressure in the form of expenditure cut on some of the development projects and social safety net expenditures with consequent negative impact on the poor.

VI. IMPACT OF THE CRISIS ON EMPLOYMENT AND LABOUR MARKET OF BANGLADESH

The analysis of impact of global economic crisis on employment and labour market of Bangladesh, presented in this section, is mainly four-fold. *Firstly*, impact of possible slowdown of economic growth in FY2008-09 and FY2009-10 on employment will be examined especially in terms of possible job losses in different sectors particularly in manufacturing and service sectors and their subsequent impact on unemployment and underemployment. *Secondly*, an analysis on the structure of employment and labour market will be carried out especially on composition, sectoral distribution, spatial distribution between urban and rural areas, unemployment and underemployment in order to appreciate possible consequences in mode of engagement in the labour market and time of participation in different activities during the time of adverse situation. *Thirdly*, the study analyses the changes in production, investment and employment in sample industries which have been surveyed during February-April, 2009, their adjustment strategies (if any) during the period of July, 2008 to January, 2009 and their projection about sector's prospect in 2009. *Finally*, based on the available secondary information an analysis is carried out on different issues and concerns related to workers in the affected industries.

VI.1 Growth-Employment Relationship in the Context of Economic Slowdown

There is no real-time information with regard to the Bangladesh labour market; latest available data on employment and labour market was for FY2005-06. To estimate the changes in employment, the methodology suggested by ILO (2002) is followed. According to this methodology the definition of changes in sectoral employment can be defined as,

$$\Delta E_i = (\eta_i)(\lambda_i)\Delta Y_i$$

Where, ΔE_i is the changes in employment in sector *i*, η_i is the sectoral employment elasticities, λ_i is the average labour intensity (employment per unit of value added) in the *i*-th sector and ΔY_i is the change in value added in sector *i* over the period of projection.

Employment projection by this method, therefore requires the estimate of sectoral value added for the base year of the projection period and sectoral growth rates over the period. The coefficient values are estimated from the previous employment data for the country. This method has an advantage over others; it does not require the employment figure for benchmark period of projection. This method is particularly useful for projecting employment changes in countries like Bangladesh where employment data is generated with a lag. Adding up all the sectors would bring the overall change in employment of the economy.

It is important to note here that, the above mentioned exercise is unfolded with a number of underlying assumptions. *Firstly*, the projection assumes that the relationship between employment and output remains consistent over the medium term. *Secondly*, structural changes within industries are adjusted for broad sectors in the medium term. *Finally*, it is assumed that no change in production technology takes place during the period under consideration.

According to the estimate, total employment of the economy was likely to be 51.2 million in FY2007-08; with 7.6 million in the industrial sector and 19.5 million in the services sector (Table 13). Agriculture continued to be the largest employment provider; 24.1 million people were expected to be employed in this sector. Considering that the labour force would continue to grow at its earlier trend, the size of the labour force in FY2007-08 was expected to be 53.1 million; thus estimated unemployment rate would be 3.6 per cent.

TABLE 13: PROJECTION ON EMPLOYMENT AND LABOUR MARKET OF BANGLADESH (IN MILLION)

Sectors	FY2005-06	FY2007-08 (Estimated)	FY2008-09 (Estimated)	FY2009-10 (Projected)
Agriculture	22.8	24.1	25.0	25.6
Industry	6.9	7.6	7.9	8.3
Service	17.7	19.5	20.4	21.3
Total Employment	47.4	51.2	53.3	55.2
Labour Force	49.5	53.1	55.2	57.3
Unemployment Rate (%)	4.3	3.6	3.6	3.7

Source: BBS (2008) and CPD estimation.

The resilience of the Bangladesh economy during FY2008-09 also contributed to uphold the employment situation. Relatively high growth of agriculture sector had a positive impact from labour absorption perspective. However, since agriculture sector in Bangladesh is particularly characterised by higher level of underemployment (i.e. lower working hours; see Table 14); a real employment situation of the economy may be worse compared to what figures in Table 13 are showing. Growth of employment opportunity in industry sector is expected to slow down; only 0.4 million incremental job is likely to be created in FY2008-09. Moreover, a slowdown in manpower export would mean an increase in domestic labour supply by an additional 0.3 million in FY2008-09. Considering these factors, unemployment rate is estimated to be constant at 3.6 per cent in FY2008-09. However, it appears that under the changing scenario, with possible downward revision of growth of GDP, the composition of labour force in different sectors and the rate of unemployment may need to be reviewed as well.

TABLE 14: UNDEREMPLOYMENT AND WEEKLY WORKING HOURS IN DIFFERENT SECTORS

	1999-00 (%)	2002-03 (%)	2005-06 (%)
Underemployment			
Total	16.6	37.6	24.5
Male	7.4	na	10.9
Female	52.8	na	68.3
Average Weekly Working Hours in 2005-06			
	Total (hrs)	Male (hrs)	Female (hrs)
Agriculture, forestry	46	52	26
Fishing	37	48	18
Manufacturing	54	56	49
Construction	50	51	36
Wholesale, retail trade	55	56	35
Hotel and restaurants	60	61	44
Transport	57	57	53
Financial intermediation	46	47	43
Real estate	50	51	45
Education	48	49	44
Health and social work	49	52	45
Other community and personal services	49	53	41

Source: LFS, 2005-06

GDP growth target for FY2009-10 has been set at 5.5 per cent. If the economy does not experience reorder, total employment was likely to be 55.2 million in FY2009-10; with 25.6 million in the agriculture sector and 21.3 million in the services sector. Incremental employment in industry sector is projected to be lower, 0.4 million incremental workers are expected to be employed in FY2009-10. According to the projection, unemployment rate will marginally increase to 3.7 per cent in FY2009-10.[28] Since a large number of workers would be absorbed in agriculture and services sector. The concern is a large part of this newly absorbed labour force in the agriculture sector would work at less than optimum level which would increase underemployment in the agriculture sector. A reverse trend in underemployment which started since 2002-03 would possibly slow down in the face of possible rise in underemployment in FY2009-10 (Table 13 and 14). It indicates that global recession may not impose rapid job cuts as those experienced by many developed countries, but would certainly thwart the modernisation process of labour market composition in Bangladesh.

BOX 1: PROJECTION OF EMPLOYMENT IN THE PRSP 2009-2011

According to PRSP 2009-11, projected GDP growth rate for three years are 6.5 per cent in FY2009, 7.0 per cent in FY2010 and 7.2 per cent in FY2011. With the current labour force growth rate of 3.32 per cent, an additional 5.44 million workers are likely to be entering the labour market during FY2009-2011. On the other hand, with the assumption of an employment growth rate of 4.7 per cent, an additional employment of 5.17 million is likely to be created. Agriculture sector will be the major area for creation of additional employment (2.2 million) followed by trade, hotel and restaurant (15.3 per cent) and manufacturing sector (13.2 per cent). However, the ongoing global economic slowdown is likely to affect the expected employment growth particularly in the manufacturing sector.

Because of economic slow down, the current government has projected GDP growth to be 5.88 per cent for FY2009 and 5.5 per cent for FY2010. Hence, creation of additional employment during FY2009-2011, as was projected in the PRS, would be difficult to attain.

EMPLOYMENT PROJECTIONS FOR 2008-09/2010-11 PERIOD

Sector	Additional Employment Target between FY2009-2011	% of additional employment
Agriculture	2210.55	41.9
Mining & Quarrying	9.50	0.2
Manufacturing	696.57	13.2
Electricity, Gas & Water	14.14	0.3
Construction	180.94	3.4
Trade, Hotel & Restaurant	807.65	15.3
Transport, Storage & Communication	527.19	10.0
Finance & Business services and Real Estate	206.77	3.9
Health, Education, Public Admin. & Defense	193.44	3.7
Community & Personal Services	424.35	8.1
All Sectors	5271.10	100.0

Source: Government of Bangladesh (2009)

[28] Nevertheless, it appears that under the changing scenario, with possible downward revision of growth of GDP or changes in incremental contribution of GDP growth, this projected rate of unemployment may need to be reviewed.

VI 2. Structure and Composition of Labour Force and Employment: Possible Consequences during the Crisis

According to the Labour Force Survey (LFS) 2005-06, employment composition in industrial sectors was concentrated in few industries such as wearing apparels (4.53 per cent), textile, clothing and hosiery (2.76 per cent), wooden furniture (1.45 per cent). There is a diverse set of other industries which accounted for a substantial amount of employment such as jute textiles (0.23 per cent), knitted fabrics (0.40 per cent), ceramic products (0.80 per cent), food beverages and tobacco (0.74 per cent) T.D of leather (0.25 per cent) and pharmaceuticals (0.26 per cent). This indicates that in case of adverse consequences on non-RMG industries, possible damages to employment are no less significant. Hence government should take policy stand from the perspective of broader industrialization in the country by taking into account both traditional and non-traditional industries which contribute to generate employment opportunities and higher value added for the economy.

Although informal form of economic activities predominates overall employment structure (78.4 per cent of total employment according to LFS, 2005-06), employment structure in the manufacturing sector is largely divided in formal and informal types. A total of 41 per cent of the labour force was involved into formal sector (39 per cent of employment was under private sector and 1.6 per cent was in government sector) and the rest 59 per cent was in informal sector. Hence, it is to be expected that about 41 per cent of total workers are covered by rules and regulations that enforce workers' rights at the work place. According to LFS 2005-06, about 31.2 per cent of total urban-based employment were under regular payment contract, 2.3 per cent were employed under irregular payment contract, 10.1 per cent were employed under day-labour contract in non-agricultural sector, and 1.0 per cent workers worked as domestic worker/maid servant (Table 15).[29] This would indicate that a large number of workers work under vulnerable conditions, that is much more accentuated during times of crises since they work under temporary/daily arrangements. Thus, the share of workers working under informal contracts could increase as a consequence of crisis.

TABLE 15: COMPOSITION OF LABOUR FORCE (ACCORDING TO MODE OF PAYMENT)

(percentage)

Employment Type	Bangladesh			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Regular paid employee	13.9	14.5	11.7	31.2	30.5	33.3	8.5	9.6	5.0
Employer	0.3	0.3	0.1	0.3	0.3	0.1	0.3	0.3	0.1
Self-employed	41.9	50.0	15.9	41.6	45.3	29.9	42.0	51.5	11.6
Unpaid family worker	21.7	9.7	60.1	9.5	5.6	22.3	25.5	10.9	71.8
Irregular paid worker	2.0	2.2	1.4	2.3	2.6	1.3	1.9	2.0	1.5
Day labour (agri.)	10.7	13.3	2.5	2.2	2.7	0.7	13.4	16.6	3.0
Day labour (non agri.)	7.5	8.6	4.0	10.1	11.3	6.1	6.7	7.7	3.3
Domestic worker/maid servant	0.7	0.2	2.3	0.9	0.1	3.6	0.6	0.2	2.0
Paid/unpaid apprentice	0.5	0.6	0.3	0.7	0.8	0.3	0.5	0.5	0.3
Others	0.9	0.6	1.7	1.1	0.7	2.4	0.8	0.6	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Labour Force Survey, 2005-06

[29] Because of no reporting of sector wise data on employment under various contractual arrangements in the LFS 2005-06, it is difficult to assert further analysis based on this information.

Wage deflation is a likely scenario at the time of increasing unemployment as is generally observed during crises. However, there is no real time data on wage rate of workers in Bangladesh. According to the Statistical Pocket Book 2008, wage rate in all major sectors has maintained upward trend till FY2007-08 (Table 16). Although it is presumed that workers' wage may decline at the time of slow down of economic growth during FY2008-09 particularly in sectors which are severely affected such as jute, cotton, textiles, frozen foods, leather etc., FGD with worker leaders did not reveal any such scenario (Appendix 1). Even though low level of wages may not have been observed at a large scale in affected sectors, because of underutilisation of production capacity and reduction of working hours especially in textiles, jute and frozen foods, workers are perhaps getting lower amount as take home salary.

TABLE 16: DAILY AVERAGE WAGES OF WORKERS IN SELECTED SECTORS (TAKA)

		2003-04	2004-05	2005-06	2006-07	2007-08
All industries (avg.)	Skilled	148	154	160	170	200
	Unskilled	118	119	121	126	144
Cotton textile	Skilled	130	130	130	130	163
	Unskilled	110	110	110	110	121
Jute textile	Skilled	130	130	130	130	163
	Unskilled	110	110	110	110	120
Matches	Skilled	130	130	130	130	159
	Unskilled	110	110	110	110	119
Engineering	Skilled	216	242	267	287	312
	Unskilled	150	150	150	166	206
Small scale (handloom)	Skilled	131	142	142	174	191
Construction	Skilled	200	200	211	214	251
	Unskilled	95	95	112	117	150

Source: Statistical Pocket Book Bangladesh 2008

VI. 3 Entrepreneurs' Perception on Performance of Industries, Adjustment Mechanisms in 2008 in View of Global Economic Crisis and Projections for 2009

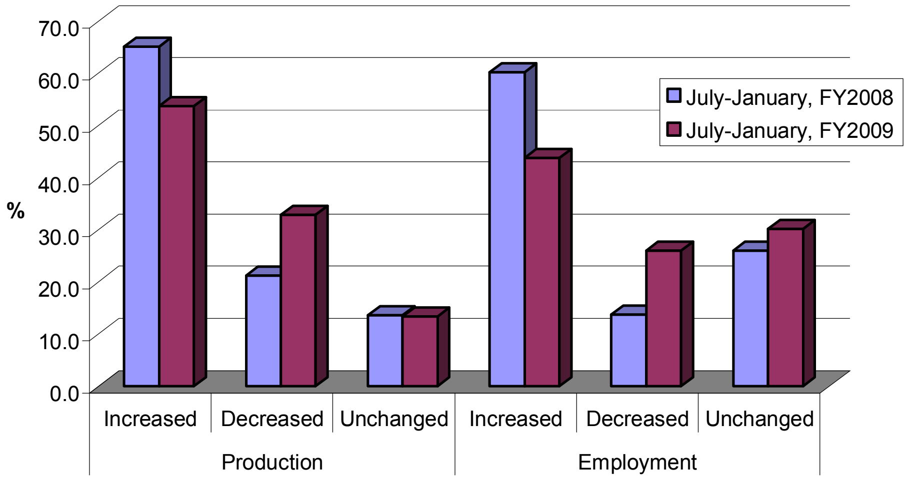
CPD carried out a rapid perception survey during February-April, 2009 to appreciate possible impact of global financial crisis on the Bangladesh economy particularly on production, export and employment. A total of 90 leading entrepreneurs from RMG, textile, leather, frozen foods, pharmaceuticals, real estate and construction, banking, and ICT sectors participated in the survey.

Major economic indicators such as production, investment and employment in sample enterprises have registered either negative growth or less expansion during July–January FY2009 compared to that in July-January FY2008. Perception on changes in production and employment in sample enterprises have increased at a slow pace during July-January, 2009 while these were either unchanged or decreased at a higher rate in July-January, FY2009 compared to the same period of the previous year (Figure 7).[30] However, there are enterprises which experienced expansion in case of production and employment. Although perception with regard to new investments

[30] Increase in employment during July-January, FY2009 is perceived to be lower (43.8 per cent) compared to the same period of the previous year (64 per cent).

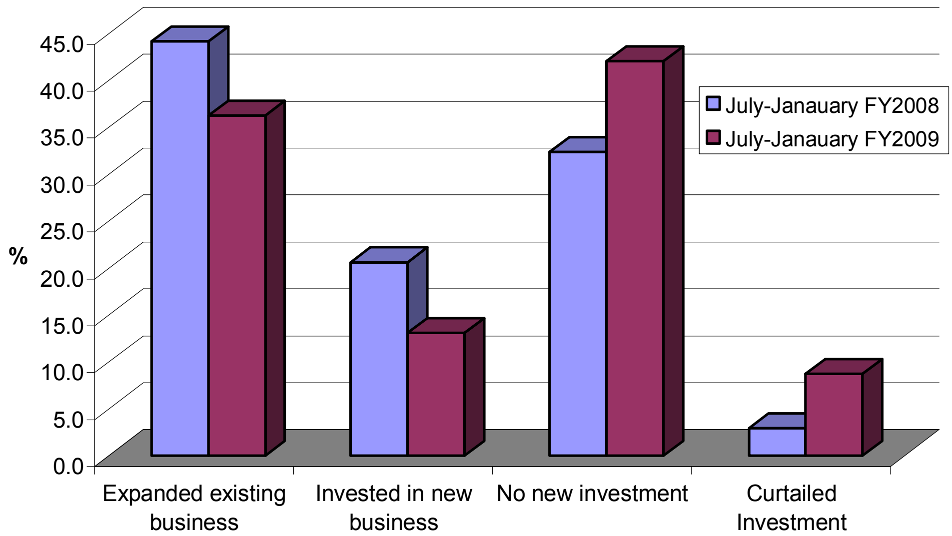
having taken place have marginally decreased in FY2009 (13.0 per cent in July-January, FY2009 against 20.6 per cent in July-January, FY2008), perception with regard to curtailment of investment or no new investment having taken place has increased during the same period; even perception with regard to incidences of curtailment of investment have considerably increased in July-January, FY2009 (8.7 per cent in FY2009 2.9 per cent in FY2008) (Figure 8). Overall, about 50-70 per cent entrepreneurs on different issues perceived that recent changes are somewhat related with the global financial crisis (Figure 9).[31]

FIGURE 7: PERCEPTION WITH REGARD TO PRODUCTION AND EMPLOYMENT DURING JULY-JANUARY (FY2007-08 VS FY2008-09)



Source: CPD (2009) *Rapid Perception Survey to Entrepreneurs,* Dhaka.

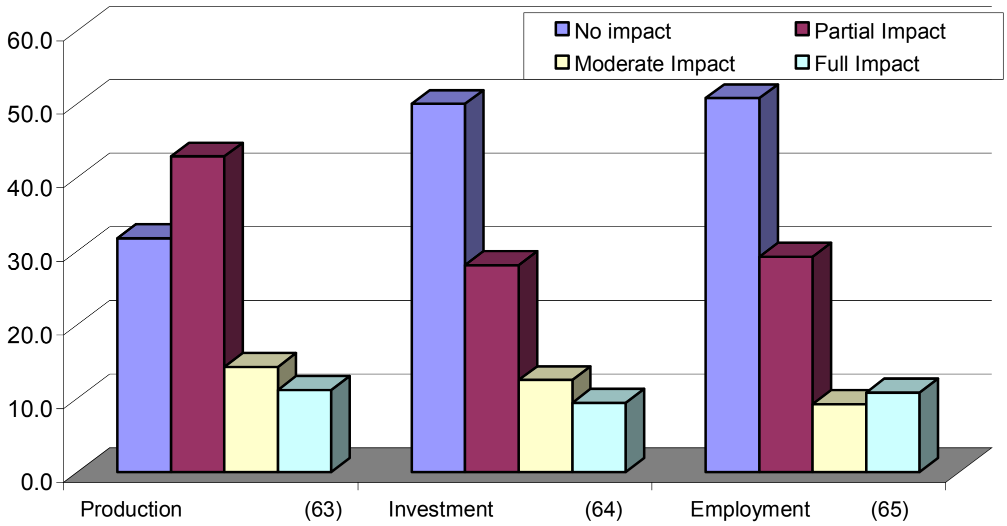
FIGURE 8: PERCEPTION ON INVESTMENT DURING JULY-JANUARY (FY2007-08 VS FY2008-09)



Source: CPD (2009) *Rapid Perception Survey to Entrepreneurs,* Dhaka.

[31] In other words, about 30-50 per cent of entrepreneurs perceived that changes in production, employment and investment have no relationship with the global economic crisis.

FIGURE 9: RELATIONSHIP OF GLOBAL CRISIS WITH THE CHANGES IN PRODUCTION, INVESTMENT AND EMPLOYMENT



Source: CPD (2009) *Rapid Perception Survey to Entrepreneurs,* Dhaka.

Because of decelerating global demand, price of export products has declined as per the perception of sample entrepreneurs. Price of some categories of RMG and textile products was perceived to have declined by 5 to 8 per cent during the said period.[32]

According to the survey, a large number of entrepreneurs have taken various cost cutting measures in view of the adverse impact of the crisis (Table 17). Although retrenchment of workers was not evident as per the information provided, some entrepreneurs mentioned about adopting such cost cutting measures as increasing working hours, reduction of fringe benefits, reduction of firm's capacity utilisation or even closing down of some production units. A large proportion of sample entrepreneurs indicated that if demand for their outputs reduces further they would go for such measures. Thus, the demand slump could have visible adverse consequences for workers.

TABLE 17: VARIOUS ADJUSTMENT MEASURES CONSIDERED BY THE SAMPLE ENTREPRENEURS IN VIEW OF CRISIS

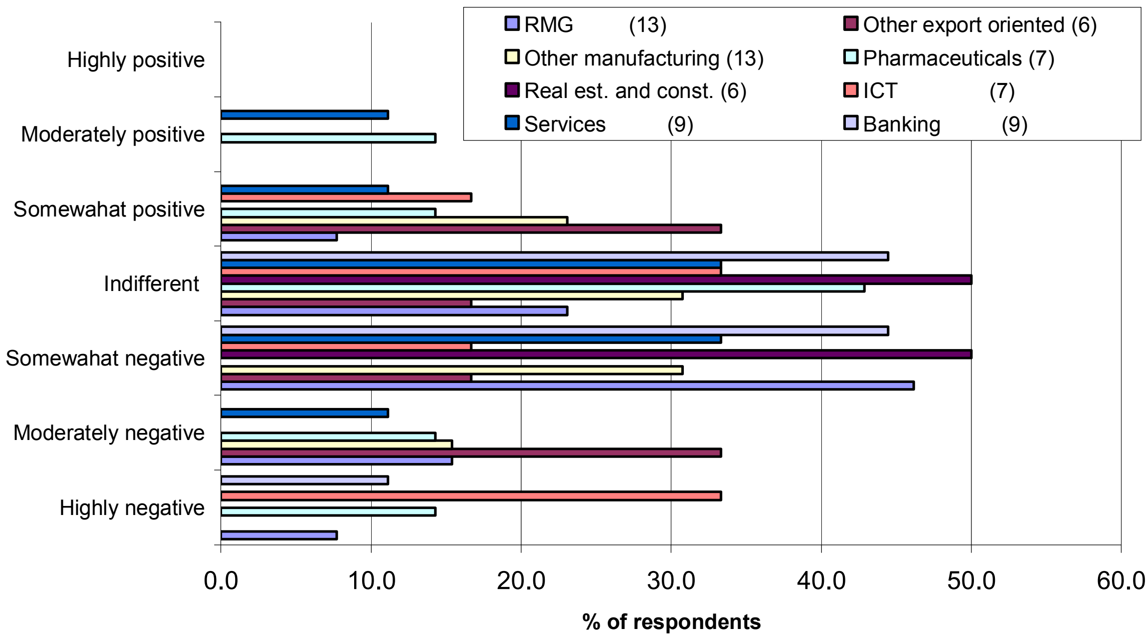
Adjustment Measures	Measures taken because of the Crisis (% of respondents)	If recession deepens, possible measures to be taken (% of respondents)
Laying off workers	8.3	11.1
Wage cut	0.0	3.7
Increasing working hours	4.2	6.5
Reduction of workers fringe benefits	5.6	10.2
Reducing profit margin	29.2	25.0
Reducing firm's capacity utilization	5.6	12.0
Closing down of production units	5.6	11.1
None	41.7	20.4

Source: CPD (2009) *Rapid Perception Survey to Entrepreneurs,* Dhaka.

[32] On the other hand, price of some products have increased as well such as some categories of RMG products (9 per cent) and pharmaceuticals products (15 per cent).

As regards possible impact in 2009, about 85 per cent respondents perceived that crisis would have marginal or even substantial negative impact on different sectors. Entrepreneurs from different sectors such as RMG (7.7 per cent), pharmaceuticals (14.3 per cent), banks (11.1 per cent) and ICT (33.3 per cent) opined that global economic crisis would have substantial negative impact on their respective sectors in 2009 (Figure 10). Such apprehension can be attributed possibly to lack of adequate confidence of entrepreneurs as regards reverting back of major economies from recession during 2009. Hence, there is a possibility of deceleration in growth of demand for labour particularly skilled and unskilled labour in sectors such as RMG, pharmaceuticals, banks and ICT.

FIGURE 10: PERCEPTION AS REGARDS EXTENT OF POSSIBLE IMPACT IN FY2008-09



Source: CPD (2009) *Rapid Perception Survey to Entrepreneurs,* Dhaka.

Majority of the entrepreneurs surveyed during February-April, 2009 have expressed the urgency of providing stimulus packages and support programmes: about 25 per cent respondents urged for reduction of interest rate on working capital, 21 per cent mentioned about credit facility at subsidised interest rate, while about 15 per cent mentioned about cash incentives. Although the government has taken various initiatives both in terms of policy measures and allocation of resources to boost domestic and export-oriented industries and expand agro-based operations to enhance employment, targetted resource allocations will need to be made to implement the declared measures. One of the major policy stances for the government should be to seek funds from various global initiatives under budgetary support.

Following discussions highlight the degree impact of the global economic crisis on different sectors of the Bangladesh economy.

VI.4 Impact of the Crisis on Employment Situation in Affected Sectors

RMG

Readymade garments sector, which employs more than 2 million workers, has thus far been spared of the worst consequences of the crisis. Since most of the growth in this sector is volume-driven, employment in the sector has been more or less sustained, Major set back in terms of retrenchment of workers and wage cut or withdrawal of some of the benefits they enjoy are yet to be seen at a large scale. Because of positive level of growth in export of knit and woven products during July-April, FY2008-09 period (19.1 per cent, and 17.1 per cent respectively), the demand for workers in the RMG sector is likely to be positive. This is acknowledged by both entrepreneurs and worker leaders who attended the FGDs conducted as part of this study; however, they mentioned that the situation could change for the worse in future (Appendix 1 and 2). As would be evident from the growth trends mentioned in Chapter V, export of apparels have slowed down considerably in recent months (10.3 per cent in January-April, 2009 period as against 47.6 per cent in July-December, 2008 period). This is already having an adverse impact on incremental labour absorption in the RMG sector.

In case of RMG, the sector remains particularly vulnerable to buyers' demands for further reduction of cost of Cutting and Making (CM) and discount on and deferment of orders. Utilisation declaration (UD) issued by the BGMEA against export orders fell by 4.11 per cent in April, 2009 compared to the same period of the previous year.[33] As reported in the national dailies, orders for woven garments have declined by 5.02 per cent in March, 2009 compared to the same period of 2008.[34] According to the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), UD for knitwear exporters for March, 2009 was 176.13 million pieces which was 12.1 per cent lower compared to March, 2008. A deceleration in the issuance of UD indicates a lag-effect in the RMG sector in terms of decline in export within a short period. Since operation in woven industry is largely female-driven, while operation in knit industry is mostly male-driven, a deceleration in production would likely to reduce scope of possible expansion of employment of both male and female workers. Discussion with a chief executive of a global retail chain, Dhaka office, revealed that because of downward pressure in the CM, apparel manufacturers took various initiatives to reduce the overall cost of production without reducing workers' wage, such as improvement of productivity of workers, and reduction of wastage of clothes. However, if the demand for import of Bangladeshi apparels decelerates or, even in extreme case, declines in the coming months, entrepreneurs may search for new ways for reduction of cost of production.

FGD with entrepreneurs revealed information about closure of some factories (47 knit factories and 66 woven factories) and retrenchment of workers in the recent past (Appendix 2). However, it is still not clear whether it owes to the global financial crisis or is a general phenomenon of exit and entry in this sector. Nevertheless, factory owners have informed that fresh recruitment of workers has slowed down significantly since mid-2008; if recession continues, entrepreneurs might be

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[33] Total UD issued in April, 2009 was 18.67 million against that of 19.83 million in April, 2008.

[34] According to *the Financial Express* (5 May, 2009), buy order for woven garments has declined by 17.6 per cent in February, 2009 and 4.98 per cent in January, 2009 against the comparable periods of previous year.

compelled to consider job cuts. As a cost cutting measure, workers expressed their willingness to work at a reduced wage rate, for a temporary period, instead of facing retrenchment; employers also seemed to consider the option of providing low wage instead of retrenchment of workers as a measure which is difficult to implement at the factory level (Appendix 1 and 2).

Because of the reduced demand for products in the international markets, opportunities for overtime in the RMG sector is now less than what it used to be prior to the crisis. This has resulted in reduced income for the workers. Trade Union leaders were also found to be concerned that some factory owners might use the crisis as an issue to reduce workers' wage (Appendix 1). In view of all these tensions and apprehensions, worker leaders proposed that the government should put in place appropriate measures to ensure that purchasing power of RMG workers is sustained. The rationing system for the RMG workers, which is currently in operation in eight major spots across the country, was thus hailed by them.[35]

Textile

A significant number of textiles and spinning mills in Bangladesh have experienced difficulties because of the crisis. This has come in the form of large volume of stockpiles of yarn in recent months. Earlier information showed that as many as 12 spinning mills out of the 341 were reported to have shut down while most of the mills currently in operation have reduced their level of operation by about 30 per cent. This has resulted in workers in these industries being retrenched, underemployed and earning less than they used to. Large amount of subsidies provided by the Indian government in the yarn sector has resulted in Bangladesh losing its competitiveness vis-à-vis India in yarn. This has induced many Bangladeshi RMG factory owners to import yarn from India rather than procuring locally (Appendix 1). However, it is difficult to assert about the current situation because of lack of real time data.

Jute and Jute Goods

As the crisis unfolded, demand for jute yarn dropped in the international market. In view of this, most of the yarn and hessian manufacturing enterprises have reduced production by 25-30 per cent. Anecdotal information also suggests that around 10-20 thousand workers have so far been retrenched in different mills and the loss of jobs may further increase and may reach 50 thousand by the end of June, 2009 (Appendix 1). However, it was primarily the temporary/contractual workers who had been laid off. Incidence of permanent workers losing jobs in the jute industries has not yet been reported. Employers, however, indicated that export demand for jute goods, especially jute yarn, has started to rise although prices offered by buyers' had tended to remain rather low.

[35] Government has allocated 50,000 tonnes of rice for a month to conduct the food rationing programme for the garments workers. Under this programme, each RMG worker is allowed to buy 3kgs and 700 grams of rice at Tk 100, 500 grams of red lentil at Tk 40 and 400 grams of gram at Tk 20. For this purpose, selected spots in the capital and outside are Malibagh Healthcare Centre, Postagola Healthcare Centre, Mirpur Healthcare Centre, Mohammadpur Healthcare Centre, Gulshan Healthcare Centre, Uttara Healthcare Centre, Narayanganj Healthcare Centre, Dilon Tower (Gazipur Chowrasta) and Konabari Healthcare Centre.

Frozen Food
Although export of frozen food particularly shrimp has reduced during July-April, FY2008-09 period (-14.3 per cent), there is no evidence that shrimp processing factories have closed down due to the crisis and, hence, incidence of job or wage cut in these sectors are yet to be widely reported. However, some reports have emerged about stockpiles of shrimp in the frozen food sector. In some cases, orders were being placed at very low prices by shrimp importers during the first and second quarter of FY2008-09. However, because of lack of availability of raw materials (57,000 m.ton of the total 0.3 million m.ton required for FY2008-09) and infection in cultured shrimps (known as infection of '*nitrofuran'*) only 77 mills are now operating out of the 140 mills, where about 77 thousand workers are working. EU has recently raised its concern with regard to diseases in shrimp, and exporters from Bangladesh took voluntary restraint measures on export of fresh water shrimp for six months which will continue till December, 2009. According to some newspaper reports, this voluntary restraint will adversely affect production of 50 thousand farmers at least for six months. This situation might even extend if no improvement takes place in case of treating infection of *nitrofuran* in fresh water shrimps within next six months (Appendix 1).

Leather and Footwear
Export of footwear has performed well during July-December, FY2008-09 period. However, export of processed and finished leather has sharply declined over time. There was no report in the national dailies as regards laying off of workers in this industry. Further investigation is needed in order to understand the extent of impact on workers working in this sector. In view of reduced international demand, entrepreneurs in the leather sector felt that enhanced domestic demand would have helped the sector sustain in these difficult times.

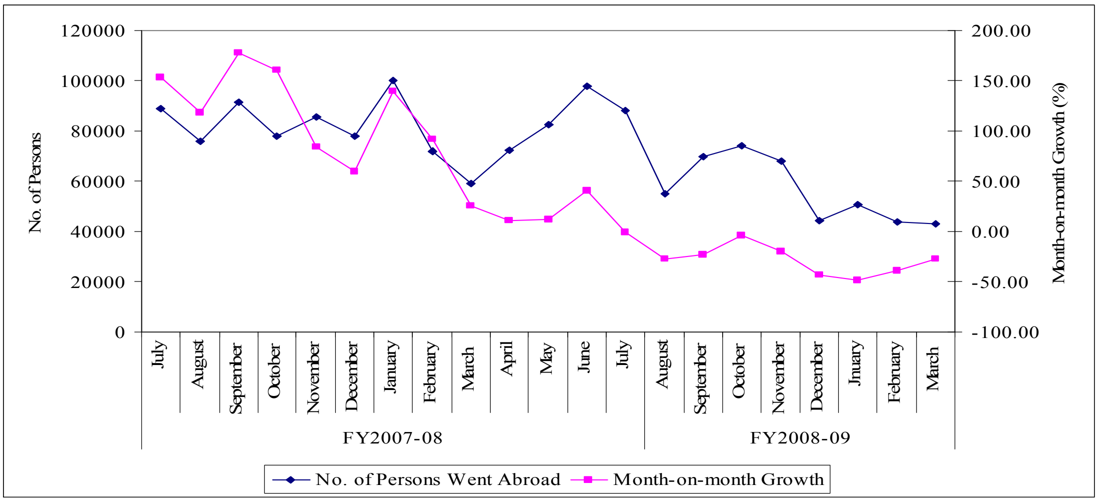
Ship Building
The shipbuilding sector is under pressure because of reduced orders and, in some cases, deferment/cancellation of some previous orders. One of the major reasons for the difficulty facing the ship building industry is the shift that has taken place in countries like China, Singapore and Korea towards production of small ships.

Real Estate
If the number of remitters fell, this could hurt the labour-intensive real estate sector where about 35 per cent of the flats are sold to overseas migrants and their families. However, the sector would expect a possible upturn if the proposal of the national budget for FY2009-10 with regard to allowing investment of undisclosed or undeclared money in the real estate sector by paying 10 per cent tax for next three years is finally approved in the national parliament.

VI.5 Impact on International Migration of Bangladeshi Workers: Outward Migration and Returnee Migrants

As is evident from Figure 11, export of manpower from Bangladesh has been on a declining trend in the recent months. During July-March, FY2008-09, number of persons going abroad for work was little more than 0.5 million, underscoring a significantly negative growth of -26.3 per cent against the comparable period of FY2007-08. However, month-on-month figures for FY2008-09 reveals marginal growth which is expected to maintain over the subsequent periods. According to Bureau of Manpower Employment and Training (BMET) officials, outward migration in 2009 will be lower than the level of 2007 and 2008; however, they expect the number to be higher compared to earlier years (2005 and 2006). Despite these, growth figure for remittance earnings still continue to be positive and high, registering 24.5 per cent growth during July-March of FY2008-09 when compared to the corresponding period of FY2007-08. The figure for March, 2009 was 9.5 per cent as against March, 2008. With a high level of unemployment and underemployment in the country, slowdown in the outflow of migrant workers and rise of inflow of returned migrants will possibly have adverse impact on domestic job market creating additional pressure. This would, thus, call for appropriate measures to be taken to boost domestic demand for labour.

FIGURE 11: TRENDS IN NUMBER OF PERSONS GOING ABROAD



Source: BMET (2009)

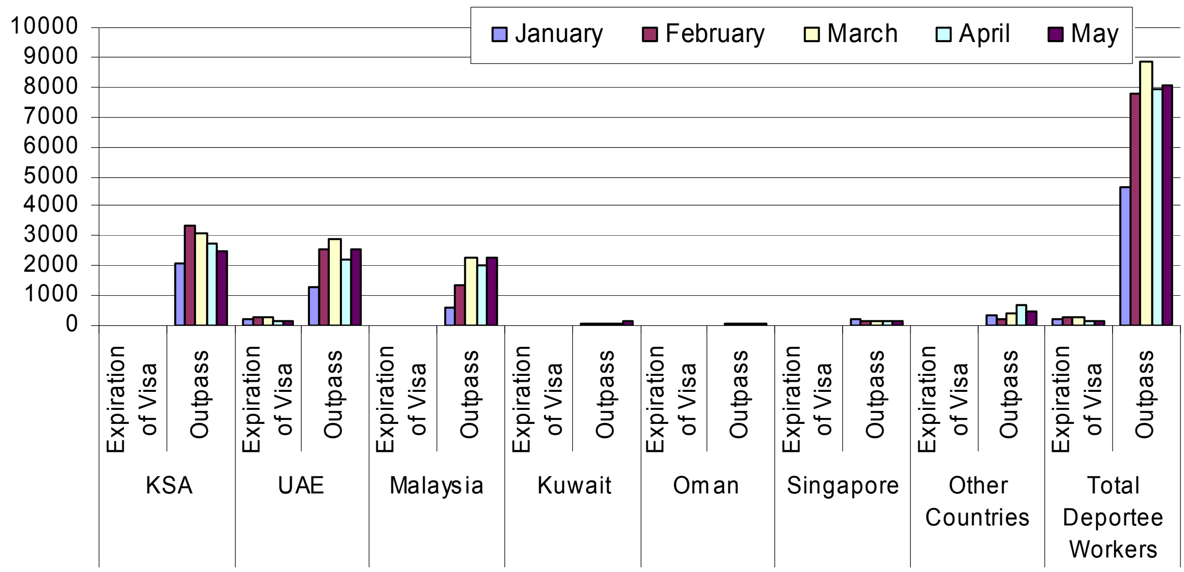
Prospects for Bangladeshi workers to go abroad in 2009 was initially assumed to be significantly lower, particularly because some of the major destinations including those such as UAE, Saudi Arabia, Malaysia and Singapore earlier indicated caution in the face of sluggish economic growth and lower demand for construction and other services.[36] Realising the potential negative impact of such measures on the Bangladesh economy, the Bangladesh Government is currently under the process of concluding a number of bilateral negotiations with these countries. Fortunately, countries such as Saudi Arabia and Malaysia have already committed not to retrench Bangladeshi workers. On the other hand, in anticipation of declining negative impact of the current global economic crisis on their major sectors, these countries have expressed their good intention towards importing more manpower from Bangladesh.

The issue of return of Bangladeshi workers from abroad during the last ten months has drawn significant attention from various quarters. Since the crisis started in mid-2008, Bangladesh's major manpower importing partners including Saudi Arabia, Kuwait, UAE, Malaysia and Singapore resorted to various retrenchment measures including cancellation and restriction on issuance of work visa. Malaysia had earlier

[36] Estimates indicate that earnings of restaurateurs, a major source of remittance sent by Bangladeshis living in UK, have come down by about 15 per cent; the weakened British pound has not helped our exports to and remittance from UK.

announced cancellation of 55 thousand visas for Bangladeshi workers. After successful discussions at higher levels with the government of Bangladesh, Malaysia has recently withdrawn this order. Although there is dearth of information about returnee migrants, BMET figures show that as many as 38,208 thousand Bangladeshi workers have returned from overseas during January-May, 2009. Out of this, about 97 per cent workers have returned due to retrenchment of jobs, while the rest 3 per cent returned due to expiration of visas (Figure 12). Most of the retrenched workers were from the two major destinations of work for Bangladeshis (about 36 per cent have returned from Saudi Arabia and 31 per cent have returned from United Arab Emirates (UAE)

FIGURE 12: NUMBER OF RETURNEE MIGRANTS DURING JANUARY-MAY, 2009



Source: BMET (2009)

Bangladeshi workers, returning home since the beginning of the crisis, belongs to two groups- those who had worked overseas for more than a year or two, and others who stayed overseas for less than a year only and had to return because of the crisis. During FGDs with returnee migrants, the first group which stayed for a relatively longer period mentioned that they were somehow able to recover part of the cost incurred for visa and other expenses (Appendix 3). However, the situation was different for those belonging to the second group who, in some instances, were unable to stay even a month. These persons were not only found to incur serious financial losses due to early return, but were also heavily indebted on account of substantial loans that they had to take to pay for travel and sponsorships, often at high interest. Some of these people are currently unemployed while others are either working as day labourers or running small businesses.

Returnee migrant workers have identified a number of problems that they faced when going aboard (Appendix 3). These were excessively high payment for processing of visa, harassment by local recruiting agencies and their commission agents after returning back, misinformation/false information as regards availability and nature of the job abroad, and harassment by outsourcing agencies in labour service in the importing countries. Because of the high expenditure involved in the case of a typical Bangladeshi worker (more than three times) vis-à-vis those of neighbouring countries (such as India, Nepal), length of stay abroad, level of wages, timely payment of wages and opportunity for working overtime were relatively more important factors for Bangladeshi workers compared to others. According to these returnee migrants, withdrawal of sponsorship system and allowing workers to work for different employers than the one recruiting them in the first place, could help workers stay abroad, bide their time during recession and help recoup the money spent in going abroad (Appendix 1).

According to the FGD participants, majority of the Bangladeshi diplomatic mission located in the Middle East and South-East Asia have not been adequately responsive to the needs to the migrant workers. Government needs to adopt stricter monitoring mechanism to ensure that government institutions carry out their mandate of service to non-resident Bangladeshis in an appropriate manner.

VII. LABOUR RIGHTS IN BANGLADESH: AN ANALYSIS IN THE CONTEXT OF THE GLOBAL ECONOMIC CRISIS

VII.1 Labour Laws and Labour Rights Situation in Bangladesh: Retrenchment of Workers

Labour rights of workers in Bangladesh are secured by various national acts, rules, ordinances and regulations. The seven labour-related acts which are in force in the country are: *The Bangladesh Labour Act 2006*, *Industrial Relations Act (EPZ) 2004*, *The Industrial Relations Ordinance 1969, The Factories Act 1965, The Employment Labour (Standing Order) Act 1965, The Payment of Wages Act 1965* and *The Workmens Compensation Act 1923* (Khan, 2008). Besides, twenty one rules, ordinances and regulations related to workers' interests are also in operation.[37] All these acts, ordinances and regulations have articulated legal bindings to protect workers' rights as regards their wages, safety and security at work place, and payment of in-kind benefits. Analysis shows that a number of important provisions relating to security of retrenched workers are clearly articulated in some of these regulations. Female workers are entitled to get special benefit and support at the workplace under the act titled *The Maternity Benefit Act 1939*. Provisions related to workers' rights and responsibilities have been largely laid down in *The Bangladesh Labour Act 2006.* This act specifically explains various issues related to workers' employment. These include conditions of service and employment, employment of adolescent, maternity benefit, health and hygiene, safety, workers' welfare, working hours and leave, wages and payment, formation of wage boards, workers' compensation for injury by accident, trade unions and industrial relations, settlement of disputes, labour court, workers participation in company's profits, provident funds apprenticeship, penalty and procedure, and administration and inspection.

[37] *The Employment of Labour (Standing Orders) Rules, 1968; The Industrial Relations Rules, 1977; The Workmen's Compensation Act, 1923; The Workmen's Compensation Rules, 1924; The Payment of Wages Rules, 1937; The Factories Rules, 1979; The Shops and Establishment Act, 1965; The Shops and Establishment Rules, 1970; The Minimum Wages Ordinance, 1961; The Minimum Wages Rules, 1961; The Employers Liability Act, 1938; The Fatal Accident Act, 1855; The Employment of Children Act, 1938; The Employment of Children Rules, 1955; The Children (Pledging of Labour) Act, 1933; The Maternity Benefit Act, 1939; The Maternity Benefit (Tea Estate) Act, 1950; The Maternity Benefit Rules, 1953; The Maternity Benefit (Tea Estate) Rules, 1954; The Tea Plantation Labour Ordinance, 1962; The Tea Plantation Labour Rules, 1977.* (Muniruzzaman, 2006)

In case of retrenchment of workers, provisions with regard to the process of retrenchment and possible benefits to be received at such times have been clearly spelt out in different acts and regulations. According to clause 9 of the *Employment of Labour (Standing Orders) Act, 1965,* which explains the rights of laid-off workers for compensation, workers (other than a *badli* or casual worker) who has completed not less than one year of continuous service and whose name is borne on the muster-roll of an industrial establishment are entitled to receive his/her payment for all days during the period of lay off. The same act details out conditions of retrenchment in clause 12 where it is mentioned that if workers having continuous service for one year are considered for retrenchment, they must be given one months' prior notice in writing indicating the reasons for retrenchment. If not, then workers must be paid in lieu of such notice (i.e. wages for the period of notice). A copy of the notice of retrenchment is to be sent to the Chief Inspector of Factory and workers should receive a compensation, equivalent to one month's salary for every completed year of service or for any part therefore in excess of six months, or gratuity.

In such cases where the of process of retrenchment is to be followed by employers, according to the clause 13 of *Employment of Labour (Standing Orders) Act, 1965*, employer shall, in absence of any agreement between him/her and the worker in this behalf, should generally retrench the worker who was the last person to be employed in any particular category. The same Act provides scope of employment of retrenched workers in the same factory in the future. According to the clause 14 of this Act, the employer may propose to reemploy retrenched worker in his earlier position within a year after retrenchment and may give an opportunity by reemploying them in earlier position taking into account their period of employment earlier with the employer. Workers' rights are, therefore, protected under legal framework, especially with regard to retrenchment.

Industries affected by the crisis such as RMG, textiles, footwear and leather goods, jute goods, frozen food, real estate, and ship building largely follow the rules and regulations pertaining to labour rights and social protection such as enforcement of minimum wage, right to form trade union, participation in wage determination process, and severance payment (Table 18). However, there are many industries which do not fully comply with legal provisions. For example there is no minimum wage provision for workers of textile and real estate industries. The minimum wage rate, which is enforced in different sectors, varies widely between sectors (from Tk.1250 or US$18 in jute manufacturing industry to Tk.2250 or US$32.5 in ship building industry) (Table 19). Though this amount of wage is not sufficient for workers to ensure a decent livelihood, this at least guarantees workers to have payment at any situation. Besides, although workers enjoy the right to form trade unions in all affected industries as per law, there is no existence of trade unions in the Ship Building sector. Although severance payment is, by law, enforceable to all these industries, very few industries ensure full payment under this provision. Hence, workers are deprived of getting any social protection especially in case of being unemployed.

TABLE 18: LEGAL ASPECTS ON LABOUR RIGHTS AND SOCIAL PROTECTION TO WORKERS

Workers' Rights	RMG	Textiles	Footwear and leather goods	Jute goods	Frozen shrimp	Real estate	Ship building
Minimum Wage	Yes	No	Yes	Yes	Yes (pro)	No	Yes
Right to form union	Yes	Yes	Yes	Yes	Yes	Yes	Yes *
Participation in wage determination process	Yes	Yes	Yes	Yes	Yes		
Restriction on hiring	No	No	No	No	No	No	No
Restriction on dismissal	No	No	No	No	No	No	No
Severance payment	Yes	Yes	Yes	Yes	Yes		Yes
Social protection	No	No	No	No	No	No	No

* According to law, workers have the right to form union; but no union exists in this sector.
Source: BILS (2009) Informal contact

TABLE 19: STATUS OF MINIMUM WAGE IN BANGLADESH

Sector	Minimum Wage (Tk.)	Date of enforcement/proposed
RMG	1662.50	22 October 2006
Footwear and Leather Goods	1440	1994
Jute Goods (Private)	1250	18 January 2009
Frozen Shrimp	2510 (Proposed)	17 May 2009
Ship Building	2250	07 January 2009

Source: BILS (2009)

Various labour laws and regulation followed in Bangladesh in support of workers are almost at par with those of its competing countries such as India and China (Table 20). However, workers in Bangladesh are behind their counterparts in India and China as there is no binding social insurance scheme for workers in Bangladesh. It is also mentionable that a large number of public employment services is in operation in the country in various forms. Such measures also exist in countries such as India and China (the list in Table 20 for India and China is not exhaustive).

TABLE 20: LEGAL BINDINGS AND SOCIAL PROTECTION OF WORKERS AND POOR IN DIFFERENT COUNTRIES

Workers' Rights	Bangladesh	India	China
Minimum wage	Yes	yes	yes
Unionisation	Yes	yes	yes
Level of wage determination	Company level	Company level	Company level
Restriction on hiring	No restriction	No restriction	No restriction
Restriction on dismissal	No restriction	No restriction	No restriction
Severance payment	Mandatory severance payment	Mandatory severance payment	Mandatory severance payment
Social protection for unemployed	No social insurance programme for workers; workers have some drawing rights from provident fund	Workers are entitled to be listed in social insurance system	Workers are entitled to be listed in social insurance system
Public employment service	Public food distribution system (PFDS), rural employment and road maintenance programme, and 100 Days Employment Generation Scheme; Employment support programmes; support to low-income workers particularly for working mothers of the garment factories	Employment Guarantee Scheme (in Maharastra); National Rural Employment Guarantee Act	Cash transfers to vulnerable households

Source: Various sources from Internet

VII. 2 Implementation of ILO Conventions in Bangladesh: Conventions Related with Labour Rights

Ratification of, and adherence to, rules and regulations related to international labour standard is one of the commendable policy stances that a country adopts with the objective of protecting the rights of the labour force. Unfortunately though, Bangladesh is at an unimpressive level when it comes to making use of international standards. Out of 189 ILO conventions related to workers' rights, Bangladesh has so far ratified only thirty-three. There are a number of other conventions which have not yet been ratified but are essential towards ensuring workers' rights and social protection especially at the time of crisis. According to ILO (2009), apart from eight basic conventions there are other ones which relate to workers' rights, right of migrant workers, social protection, and social dialogue mechanisms and processes. Major ILO conventions which deal with workers' rights include *Protection of Wages Convention 1949 (No.95); Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No.173); Termination of Employment Convention 1982 (No.158)* and *Recommendation (No.166)*. Rights of migrant workers have been explicitly articulated in *Migration for Employment Convention (Revised) 1949 (No.97) and Migrant Workers (Supplementary Provisions) Convention, 1975 (No.143)*. The issue of decent payment and working conditions in government financed activities has been clearly spelt out in the *Labour Clauses (Public Contracts) Convention 1949 (No.94)*. Bangladesh has so far signed seven out of eight conventions which are related with workers' social protection; however, the convention on *Minimum Age of Workers (No.138)*, which is critically important in the context of fight against child labour, is yet to be signed by Bangladesh. The issue of social dialogues is dealt with in the following ILO Conventions: *Tripartite Consultation (International Labour Standards) Convention 1976 (No.144)* and *Tripartite Consultation (Activities of the International Labour Organisation) Recommendations 1976 (No.152)*; *Consultation (Industrial and National Levels) Recommendation, 1960 (No.113)*. Apart from the preceding ones, the *Employment Policy Convention (No.122*) highlights the strategies with regard to ensuring a framework for international action. Though Bangladesh has signed 33 conventions, the conventions mentioned above have not been ratified by the government.[38] Needless to say that without ratification of these conventions, it will not only be difficult to ensure workers' rights at domestic level, but scope of seeking support from international organisations like the ILO will also be very limited.

VII. 3 Enforcement of Labour Laws and Labour Rights in Bangladesh

Historically, Bangladesh has been suffering seriously from lack of adequate enforcement of different labour-related laws, rules and regulations. Different facilities and incentives, which workers are entitled to receive from employers (e.g. appointment letter, identity card, government holiday, annual leave, maternity leave, payment during leave), are not adequately provided to them. According to CPD (2008), from a minimum of 20 per cent to a maximum of 85 per cent of sample workers were who surveyed in 2005 opined that various facilities and benefits were not properly provided to the workers in the RMG sector. Though the information is dated and labour related compliances have improved over time (CPD, 2008), the

[38] However, other countries such as India and China have ratified a small number of conventions 43 and 25 respectively.

problem of enforcement of labour rights still remains a major concern. This is evident from various incidences reported in recent newspaper reports with regard to delayed payment of wages and overtime benefits in the RMG factories.[39]

In case of retrenchment of workers, it was perceived by the RMG workers that in most cases of retrenchment workers did not receive all benefits as per terms and conditions of the labour law (Rahman, Bhattacharya and Moazzem, 2008). A considerable number of workers reported that workers were dismissed because of absence in the workplace for only one day. It was also reported that in some cases, employers resorted to such unjust measures as deducting 4-5 days' salary for one day's absence at work.[40] Although workers are legally entitled to form unions in their workplaces, very few sample workers reported to have workers' union in their factories. More importantly, a large number of those workers reported to have been threatened by the management due to getting involved in activities to form trade union in the factory. Despite some improvement in worker-related compliances over time, lack of enforcement of workers' rights in the workplace and absence of commitment towards ensuring social protection would push them in a vulnerable situation at times of crises.

VIII. MEASURES TAKEN BY THE GOVERNMENT IN VIEW OF THE IMPACT OF THE GLOBAL ECONOMIC CRISIS

Policy makers in Bangladesh have tried to address the adverse affects of the crisis by monitoring the developments at international and domestic levels. With passage of time, the government came up with various policy measures and support packages to address the impacts of the crisis on various sectors. A summary of some of the initiative is presented below.

VIII.1. Policy Support and Fiscal/Monetary Packages to Stimulate Domestic Demand, Income and Employment

In January 2009, the government decided to constitute a broad-based national committee to follow the developments related to the ongoing economic crisis and suggest measures to address the adverse impacts on Bangladesh economy. The previous Caretaker Government (CTG) set up two Expert Groups to suggest policy recommendations in view of the crisis. One was chaired by one of the Deputy Governors of the Bangladesh Bank (BB); the other by the Secretary, Ministry of Finance. Government also undertook a seven-point strategy to ensure the well being of the Bangladeshi workers abroad and to explore new manpower export markets. Later, in March 2009, the present government set up the 'National Task Force' comprising of 27 members, with the Minister of Finance as convenor and experts and high level officials as members.[41] However, this committee did not include workers' representatives.

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[39] Some recent incidences reported in The Daily Star dated 12 and 13 and 28 April, 2009.

[40] There were incidences of dismissal of workers aged of 35 years and above as they were considered to be less productive compared to fresh young workers..

[41] The mandates of the Task Force are: To identify the transmission channels through which the impacts of the ongoing financial crisis will be transmitted to the Bangladesh economy, and to analyse relevant outcomes and indicators on a quarterly basis; To prepare qualitative analysis of economic

During the second half of 2008, the Bangladesh Bank (BB) set up a *Forex Investment Committee* to monitor and manage the currency composition of forex reserves. BB prudently withdrew about 90 per cent of its total investment from international banks which were perceived to be at risk. When the early signals started to blip on the radar screen in 2008, the BB took speedy and energetic steps to safeguard the country's reserves (US$5.98 billion in October, 2008), and also those of the commercial banks of the country (about US$490.0 million kept at the time with overseas financial institutions). BB has advised commercial banks to be cautious about such investments. It also instructed banks to take measures to reduce the time and cost of transferring remittances by bringing remittances through legal channels, creating opportunities for investment of remitted money, and ensuring welfare of expatriates. It directed the bank branches or exchange houses overseas to keep their organisations open on holidays to help expatriates remit funds. In addition, BB has continued with its policy of intervention in the inter-bank foreign exchange market by selling and buying US dollar directly and providing short term facilities to the banks aiming to keep the market stable. BB has allowed settlement of import payments in Euro alongside the US dollar among the Asian Clearing Union (ACU) member countries. In view of the losses incurred by importers as a result of the fall in global commodity prices (e.g. wheat, edible oil and pulses) and the difficulties faced by importers in honouring L/Cs, BB has relaxed the conditions for opening fresh letters of credit (L/Cs) from 90 days' time to 150 days. BB also decided to continue with its foreign currency support to the commercial banks mainly for making payments of fuel oils, fertiliser and food grains import.

The BB, in its *Monetary Policy Statement* for July-December, 2008 and that of January-June 2009, has announced its policy stance envisaging possible impacts of global economic meltdown on the domestic economy.[42] The central bank mentioned that it would give priority to unhindered flow of private sector credit to productive sectors, with agriculture, SMEs, and the rural economy being the prime targets. Engagement in agriculture lending has been made mandatory for all private and foreign banks. Growth in private sector credit would be watched carefully and if the situation warrants, necessary policy adjustments would be introduced. BB would continue monitoring the liquidity situation in the banking system and adopt appropriate measures to overcome any temporary pressure on liquidity. Desired exchange rate stability would be maintained to keep the pressure of imported inflation under control. BB has also indicated that it would conduct 'surprise inspections' on banks and exchange companies to ensure compliance with foreign exchange regulations and provisions of the Anti-money Laundering Act. The BB report mentioned that measures would be taken to divert increasing amount of remittances

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situation and its review; To review and evaluate any depression-related model, if these are available at various research and policy institutes. If these are not readily available, to encourage building of such models; To keep the investment growing and pursue growth-friendly policies; To draw measures to avoid excessive government spending; To increase the pace of growth of rural and agriculture sectors (to design employment generating recommendations for the domestic sector); To continue ongoing endeavours to provide adequate energy and undertake steps for improving physical infrastructure for electricity, gas, etc.; To remain cautious about the exchange rate management of the BDT; To remain cautious about monetary policy and interest rate policy; To analyse the BOP situation (especially with regard to export earnings, remittance and foreign fund flow); To facilitate overseas employment; To maintain robust domestic demand.

[42] http://www.bangladesh-bank.org

toward investment in productive sectors to ease the potential demand pressure and expand the economy's productive capacity. For facilitating more efficient import of essential goods, BB has made available forward hedging mechanism to importers. In view of collapse of house price bubbles in major economies, BB has taken up an initiative to construct a house price index using time series data.

Stimulus Package: FY2008-09

In April, 2009, the GoB announced the first stimulus package in view of global financial crisis. The underlying objective of this stimulus package was to safeguard Bangladesh's domestic economy from the negative impacts of the global recession by way of maintaining robust export growth, buoyancy in revenue earnings from imports, and resilience in remittance earnings. The special package was worth of Tk.34.2 billion (US$495.22 million, 0.55 per cent of GDP of FY2008-09) which was allocated to support domestic and export oriented industries and agriculture, generation of electricity and providing social protection to workers during these times of global crisis (Table 21). As part of this support, seriously affected industries such as jute goods, leather and leather products, frozen foods and shrimp have been selected for additional support (to the tune of 2.5 per cent in addition to existing support); the sectors (such as backward linkage textile, bicycle, light engineering products, agro processing) which are already receiving cash incentive would continue to get this financial support. However, textile sector particularly yarn manufacturing units was not covered for additional cash incentives under this stimulus package. Since workers are one of the major victims of slow down of industries, the stimulus package targeting affected industries should have assured share for workers in order to safeguard their livelihood.

Besides, the government has announced several policy supports for export-oriented industries in the form of timely disbursement of cash incentive, increase in allocation under export development fund (EDF), expansion of export credit to all sectors at a reduced rate (7 per cent), and rationing support for garment workers. The government has further announced special financing scheme under investment promotion and financing facilities (IPFF) worth Tk.400 crore (US$57.9 million), SME fund of Tk.600 crore (US$86.9 million), house building fund of Tk.500 crore (US$72.4 million), and Equity and Entrepreneurship Fund (EEF) of Tk.300 crore (US$43.4 million).

Stimulus Package of FY2009-10 and Budgetary Support for SMEs and Cottage Industries

The national budget for FY2009-10 has announced a stimulus package to the tune of Tk.50 billion (US$724 million).[43] It would appear that disbursement of this fund for FY2009-10 will be based on the guideline mentioned in the stimulus package of the last year (FY2008-09) (Table 21). These supports are expected to contribute towards boosting domestic industries, and keeping the business of export-oriented industries running in view of falling prices of export products. Such measures would at least indirectly contribute to retention of jobs by workers. Establishment of a 'Skill Development Fund' has been proposed in the budget for FY2009-10 with an allocation of Tk.70 crore (US$10.1 million) in order to expand labour market abroad, facilitate research for exploring new labour markets, and provide training to

[43] Budget speech by the Hon'ble Finance Minister on 11 June 2009

prospective workers and re-training returned migrants. Although this is a welcome initiative, more allocation should be made in this fund in order to support retrenched industrial workers at home. This fund is being planned to be used to support 50 thousand people. However, this fund does not include credit support to returnee migrants.

TABLE 21: STIMULUS PACKAGE FOR INDUSTRIAL ENTERPRISES FOR FY2008-09 AND FY2009-10

Support Measures for Different Sectors	Items	Before announcement of Stimulus Package, April, 2009	Stimulus Package	
			FY2008-09	FY2009-10
Total package			Tk.3424 crore	Tk.5000 crore
Fiscal support to selected sectors				
Jute	Export incentive	7.5%	10.0%	10.0%
Leather and leather products	Export incentive	15.0%	17.5%	17.5%
Shrimp and other fish products	Export incentive	10.0%	12.5%	12.5%
Local Fabrics	Export incentive	5.0%	5.0%	5.0%
Product Made of Hoogla, Straw, Coir of Sugar Cane	Export incentive	15-20%	15-20%	15-20%
Agri and Agri Processed Products including vegetables & fruits	Export incentive	20.0%	20.0%	20.0%
Tobacco	Export incentive	10.0%	10.0%	10.0%
Potato	Export incentive	10.0%	10.0%	10.0%
Bicycle	Export incentive	15.0%	15.0%	15.0%
Crushed Bone	Export incentive	15.0%	15.0%	15.0%
Hatching eggs and day old Chicks	Export incentive	15.0%	15.0%	15.0%
Light Engneering Products	Export incentive	10.0%	10.0%	10.0%
Liquied Glucose (Only for EPZ area)	Export incentive	20.0%	20.0%	20.0%
Halal Meet	Export incentive	20.0%	20.0%	20.0%
Budgetary and policy support				
SME Fund	Increase allocation by Tk.100 crore	Tk.500 crore	Tk.600 crore	Continuation of existing measure
Investment promotion and financing facilities (IPFF)			Tk.400 crore	Continuation of existing measure
Equity Capital		Tk.300 crore	Tk.300 crore	Tk.100 crore (ICT)
Export Development Fund	Credit limit increased from USD1 million to USD1.5 million	USD100 million	USD150 million	Continuation of existing measure
Export credit facility	Coverage of concessional rate (7%)	Not for all export products	All export products	All export products
	Expansion of repayment period	90 days	120 days	120 days
Rationing support for garment workers			Available	Available
Mode of payment of cash subsidy			Instant payment of 70% of subsidy	Instant payment of 70% of subsidy

Source: Ministry of Finance, GoB (2009)

Although a number of measures have been proposed, and some already taken, to safeguard the domestic economy from the negative impacts of the global economic crisis, more allocations are required for SMEs and more sectors need to be covered under the budgetary support. A number of projects related to small and cottage industries have been included in the Annual Development Programme (ADP) for FY2009-10 but without any allocation.[44]

The government has also created three funds with the seed money of Tk.1,000 crore (US$144.8 million) to provide refinancing facilities against loans disbursed by the commercial banks and financial institutions. Apart from SMEs, the budget also focused on providing necessary support to the agriculture sector to keep it safe from the negative impacts of the global economic crisis. An allocation of Tk.1,500 crore (US$217.2 million) has been provided in the revised budget for recapitalisation of *Bangladesh Krishi Bank*, *Rajshahi Krishi Unnayan Bank* and *Karmashanthan Bank* in order to revamp the rural economy by increasing credit access, thereby supporting self employment. Another Tk.1,500 crore (US$217.2 million) has been allocated to enhance subsidies for agricultural inputs and irrigation. The Bangladesh Bank has allocated Tk.1,183 crore (US$171.3 million) for refinancing agricultural credit.

The cottage industries are currently exempted from VAT. Instead, these industries pay turnover tax at the rate of 4 per cent which results to low cost of production. In the budget for FY2009-10, the eligibility for exemption of VAT for cottage industries has been widened by covering relatively larger cottage units having plants and machineries with an amount of upto Tk.25 lakh (US$0.04 million) from the current applicable limit of Tk.15 lakh (US$0.02 million). The proposal for withdrawal of the condition of barring subcontracting for being VAT registered units under the category of cottage industry will widen the coverage of existing facilities. Besides, the limit of turnover has been proposed to be increased to Tk.40 lakh (US$0.06 million) from existing Tk.24 lakh (US$0.03 million). All these proposals are likely to facilitate activities of the cottage industries by decreasing their cost of production.

VIII.2. Measures Protecting the Poor and the Vulnerable

Ensuring social security of the poor and marginalised section of the society has always been one of the top priority agendas for successive governments in Bangladesh. While various measures and strategic mechanisms have been put in place from time to time, the probable knock-on effect of the global economic crisis on the resource-poor people of the country has now made it a more demanding and challenging task for the government to adopt both pro-active and reactive policy measures to help these people sustain in such crisis period. However, it needs to be noted here that most of the programmes targeting the resource-poor community are continuation of already existing policy initiatives. Likewise, since the new government took power in January, 2009, the policy of strengthening social safety net for the poor has been continued with due attention. A reflection of such attitude of the government was made evident through the announcement of the national budget for FY2009-10 where about 8.1 per cent of the total budget (development and non-development combined) has been allocated for *Social Security and Welfare*.

With the underlying objective of bringing down poverty rate by 15 per cent by 2021, enhancement of social safety net has been identified as a priority area by the

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[44] These projects include establishment of garments industrial park, expansion of BSCIC industrial estates, reconstruction of two BSCIC estates, support monga affected people by small and cottage industry, development of benarosy palli, BSCIC plastic estate, BSCIC automobile estate, expansion of three BSCIC estates, industrial park.

government in the budget for FY2009-10. To this end, the government has proposed to increase per person allowance and beneficiary coverage for most of the allowance programmes. This is a continuing initiative and reflects the government's commitment to protect the marginal people from all sorts of social, economic and natural shocks. It is pertinent to mention here that budgetary allocation in FY2009-10 for Social Safety Net is Tk.14,320 crore (US$2 billion) (26 per cent higher than revised allocation for FY2008-09). This allocation is 12.58 per cent of the total budget and 2.09 per cent of GDP. Besides, allocation for Social Empowerment has also been increased from Tk.2483.99 crore (US$359 million) to Tk.3006.98 crore (US$435 million) (2.64 per cent of the total budget and 0.44 per cent of GDP).

With regard to helping the poor and distressed through micro credit, the government announced that the *Palli Karma Shahayak Foundation* (PKSF) will distribute Tk.200 crore (US$29 million) received from foreign sources. Despite various limitations, the government has taken up several praiseworthy initiatives for the marginalised and socially distressed people by proposing specific allocations for these programmes. The proposed new programmes under the national budget FY2009-10 include: a) establishment of Disabled Service and Assistance Centre with an allocation of Tk.5.41 crore (US$0.7 million); b) stipend Programme for the Disabled Students with the allocation being to the tune of Tk.9.80 crore (US$1.4 million); a portion of the fund will go to the schools for disabled students; c) allocation of Tk.5.67 crore (US$0.9 million) for the welfare of the shelterless street children; d) allocation of Tk.144.55 crore (US$21 million) to help the insolvent cultural person; e) introduction of *One Household, One Farm Programme* where people will be rehabilitated with houses, credit and training for self employment; additionally, *Khas* land will be provided where possible; f) proposal for building shelter for urban homeless and initiating housing project for low and middle income group.

With regard to strengthening food security for the poor and vulnerable, the government has proposed to allocate Tk.5,877 crore (US$851 million) under the non-development budget for the Food for Works Programme, VGF, VGD, TR (Food), GR (Food) and also for food assistance in the form of food security programmes for the Chittagong Hill Tracts. It may be mentioned here that during the regime of the previous Caretaker Government (CTG), total food grains distribution in FY2008-09 (01 July-20 November) through Public Food Distribution System (PFDS)[45] was 697.89 thousand metric tons.

The issue of employment generation has been addressed quite extensively in the budget for FY2009-10. As has been proposed, the government is targeting to create employment opportunities for 0.7 million people which accounts for around 40 per cent of the 1.8 million new entrants in the labour force. It is commendable that with a view to overcoming the long standing criticism with regard to selection of beneficiaries, the government has proposed to prepare a new list using the database created for the National ID card.

The government proposed to modify the 100-Day Employment Generation Programme which was launched during the past Care Taker Government (CTG) and

[45] Under PFDS, government provides in-kind support to poor people and those affected by natural calamities and disaster.

postponed the second phase of the programme. The new programme titled *Employment Generation for the Hardcore Poor* is planned to create employment for 4.9 million man-months with the proposed allocation to the tune of Tk.1,176 crore (US$170 million).

Introduction of the *Naitonal Service* programme for HSC or equivalent graduates with the special allocation of Tk.20 crore (US$2.9 million) seems to be a welcome initiative. As per initial planning, the programme will begin in *Borguna* and *Kurigram* districts on pilot basis. The beneficiaries will get three month's training and will be provided with employment for two years in different fields in line with the training.

It may be noted here that the CTG introduced the *Rural Employment and Road Maintenance Programme* for the ultra poor and destitute women of some of the crisis prone districts, namely *Panchagarh* and *Rangpur* districts. As per project design, at the end of five years' guaranteed employment, each employee was supposed to get cash worth of Tk.70,000 (US$1,020). During the project period, 52,000 destitute women were to be employed to work in the maintenance of 90,000 kms of road network in the northern part of the country. Under the national budget for FY2008-09, the government introduced another new programme titled *'100 Days Employment Generation Scheme'* with an allocation of Tk.2,000 crore (US$291.5 million) to generate employment for 20 crore man-days (2.92 million) to combat *Monga*[46] in greater *Rangpur* and *Dinajpur* districts. As has been noted earlier, the new government has redesigned the programme and proposed initiation of a new employment generation scheme.

VIII.3 Supporting Productive and Sustainable Enterprises to Safeguard Employment

In view of the ongoing economic slowdown, a number of fiscal measures have been proposed in the national budget for FY2009-10 in support of domestic industries. Reduction of Customs Duty (CD) on basic raw materials from 7 per cent to 5 per cent is a welcome initiative. However, it is likely to have marginal positive incentive for local manufacturers since the total tax incidence on imported raw material decreases by only 2 per cent. Local industries, however, would be benefited by the proposed rise in existing level of supplementary duty (SD) and VAT on various imported finished products since changes in tax incidence in this case is relatively high (29.2 per cent for a number of products). Industries such as footwear, ceramic, tiles, tableware, sanitaryware and other ceramic items, liquid glucose, dextrose and other pharmaceutical products, and hard board would be benefited through the changes in CD, SD and VAT on imported items.

As part of providing support to potential domestic industries, withdrawal of exemption of VAT over local manufacturers of refrigerators and motorcycles for one year is a welcome initiative. Some of the service oriented industries particularly human resources supply and management and manpower export have been proposed be taken under VAT net through truncated base VAT system (30 per cent). This is likely to detrimental on aspirant migrant workers since additional burden of VAT would be ultimately transferred to them in the form of processing cost. Besides, it is

[46] Seasonal chronic food shortage among the absolute poor in selected areas.

unclear to what extent the exemption of VAT from physician's fees would lower the fees of poor patients since such changes in tax structure may not be adjusted properly unless patients take note of these changes.

In addition to the above, the budget for FY2009-10 proposed some new employment creation measures to be implemented in the rural areas where poor women workers will be given priority (Table 22). It is hoped that such initiatives will play significant role in uplifting these women from poverty and distress. Besides, a total of Tk.322 crore (US$46 million) has been allocated under the national budget for FY2009-10 for vocational and technical education at secondary and higher secondary education levels. It is expected that proper utilisation of this resource will result in creating skilled manpower in the country.

TABLE 22: EMPLOYMENT OPPORTUNITIES PRIORITISING WOMEN

(million US$)

Projects	Allocation in FY2009-10
Rural Roads Maintenance Project	24.6
Rural employment facilities for the protection of Government assets	11.0
Employment Generation in the Northern Region for Hard Core Poor of *Monga* area	1.9
Employment for *Char* Area	10.9
Rehabilitation Package and Economic Empowerment for the poor	8.4

Source: Budget Document of FY10

With a view to keeping the negative impacts of the global recession at a minimum level on remittance flows, the government has pointed out the following strategies during the announcement of the national budget for FY2009-10: a) rehabilitation and skill development training programme for the returnee expatriate workers who lost their jobs due to retrenchment; b) diplomatic initiative to prevent retrenchment of workers and to explore new labour markets abroad; and c) making *National Skill Development Council* more effective to build a critical mass of skilled workforce to match the requirement of international labour markets. As mentioned earlier, government has allocated US$10.1 million for these purposes.

Although the government has expressed its commitment to rehabilitate retrenchment-hit returnee migrants, no sector has till now been selected or specified to fit this group of people who are continuously entering into the labour market. Nevertheless, policy support in the form of fiscal and monetary incentives and stimulus packages to various labour intensive sectors including SMEs, agriculture, and export-oriented industries are likely to create some space for the emerging labour force to be inducted into.

IX. POLICY RECOMMENDATIONS

Various global initiatives to tackle the crisis have tended to be designed from short, medium and long term perspectives by taking into account three core issues: fiscal stimulus to boost aggregate demand, restoring health to the financial system and mitigating the impacts on jobs and social protection. Besides, country-specific initiatives have been undertaken towards meeting domestic demand - to support the ailing industries, to protect their workers' rights and to boost domestic demand. Developing countries such as Bangladesh should set strategies in such way that there should be a connection between local initiatives in support of various industries and global initiatives pursued various international organisations such as ILO, G-20 countries, World Bank and ADB..

IX 1. Global Level

ILO Initiatives

ILO, as part of its initiatives to address the adverse effects of the ongoing crisis, organised the International Labour Conference on 'Global Job Crisis' in Geneva in June, 2009. Delegates from all over the world who participated in the Conference adopted a 'Global Jobs Pact' with the vision to expedite the recovery from the crisis. The 'Global Jobs Pact' details out policy guidelines for individual countries, international organisations and global initiatives to take measures towards recovery from the crisis based on the decent work approach. The principles of these initiatives was to devote priority attention to protecting and growing employment through sustainable enterprises, quality public services and building adequate social protection for all as part of ongoing national and international action. Adherence to and sincere implementation of these principles are likely to result in enhancing support to the poor and vulnerable group of people affected by the crisis.

Besides, ILO's advocacy on promoting core labour standards is aimed at supporting economic and jobs recovery and reduction in gender inequality. ILO has also urged stakeholders to engage in social dialogues, such as tripartite and collective bargaining between employers and workers as constructive processes to maximise the impact of crisis responses to the needs of the real economy. ILO has also been focusing on the efforts to engage with other international agencies, international financial institutions and developed countries to strengthen policy coherence and to deepen development assistance and support for least developed and developing countries. Bangladesh should seriously pursue pragmatic policy measures to engage in such multilateral initiatives to benefit from the concerted efforts put in place over time.

Budgetary Supports from Global Initiatives: G-20, World Bank and ADB

In the G-20 Summit, member countries have unveiled their 'Global Plan for Recovery and Reform' by creating a fund of US$1.1 trillion with strong commitment to support trade, investment and development of poor countries through various policies. World Bank is in the process of developing a 'vulnerability fund' for infrastructure related projects, safety net programmes and financing of SME businesses and microfinance institutions in poor countries. Asian Development Bank (ADB) has set up a US$3.4 billion fund to aid fiscal spending amid global crisis. Bangladesh will get about US$200 million from this fund. Low income countries, including Bangladesh should take necessary steps to avail fund from such global initiatives for their ailing export-oriented industries, affected workers of these industries, and for boosting domestic demand.

WTO

The upcoming WTO Ministerial Meeting is highly important for Bangladesh since a successful negotiation would ensure better market access for Bangladeshi export-products to the developed country markets. This would contribute to enhance labour absorption capacity of export-oriented industries of Bangladesh, particularly of RMG and textile industries. Bangladesh and other LDCs are strongly pursuing for better tariff preferences in the US market vis-à-vis those of other developing countries such as Sri Lanka and Pakistan. Besides, it has raised its concern as regards preference erosion in the EU market in view of faster reduction of tariff. It is also important for Bangladesh to know in advance about US tariff preference schedules under the 97 per cent DF-QF market access facility to appreciate possible consequences under the NAMA.

IX 2. Local Level

Taking into account projections with regard to economic recession in major developed countries in 2009 and slow recovery thereafter in 2010, least developed countries such as Bangladesh should put in place short and medium term policy measures aimed at maintaining at least a modest level of sectoral and overall growth in the next fiscal year (FY2009-10).

Growth –Employment Nexus
In view of possible rise of underemployment, particularly in agriculture sector due to slow rate of growth in FY2009-10, the government should consider encouraging more investment in the agriculture sector. Unfortunately, total allocation for the agriculture sector in FY2009-10 is Tk.8950 crore (US$1.3 billion) which is 14 per cent lower compared to the revised budget of FY2008-09; besides ADP allocation for agriculture in FY2009-10 is Tk.1692 crore (US$245 million) which is 8.9 per cent lower compared to the previous year. Although the lower allocation may have been induced by the need for lower requirement of resources because of lower subsidy, in view of the crisis and the capacity of agriculture to provide incremental job opportunities, this allocation may need to be revisited. Importance should be placed on creating employment opportunities in non-crop and non-farm areas.

Stimulus Package
Although the efficacy of stimulus package particularly to export-oriented industries is unclear because of constraint in the demand side, it would at least reduce a part of losses that could incur due to underutilisation of capacity of machines and labour and interest burden owing to stock pile of unsold goods. The stimulus package, announced by the government for FY2009-10, worth of Tk.5000 crore (US$724 million) has not detailed out sectoral composition and targeted amount of support. Because of absence of detailed description on stimulus package, actual allocation to different export-oriented sectors and SMEs is still unknown. Government should disclose the detailed outline of this package before final approval of the budget in the national parliament by 30 June, 2009. In this context, sectors such as textile and yarn should be considered for additional cash incentives since textile sector is heavily affected due to financial crisis. Since workers are one of the major victims of slow down of industries, the stimulus package targeting affected industries should have assured share for workers of affected industries. Government may consider introducing a clause under which a part of the stimulus package related to export-oriented industries will be used to support retrenched workers (e.g. a mechanism for providing this support would be payment of basic salary to the retrenched workers for a temporary period).

A special allocation is needed to take preventive action against bacterial infection of shrimp (infection of *nitrofuran* to freshwater shrimp). This fund could be used for taking curative action at the level of shrimp production as well as development of laboratory testing facilities. Because of voluntary restraint in export of freshwater shrimp, the adverse consequences faced by shrimp farmers should be addressed with due importance.

Support to SMEs
Along with increasing allocation for SMEs under various schemes, new and potential industries outside agro-based and IT-based sectors should also be supported (e.g. handicraft, microelectronics, gift items, electrical appliances, jute goods, leather and leather goods, pottery, light engineering, staffed toys). The recent growth of disbursement of credit to SMEs (74 per cent in Q3 of FY2008-09) needs to be maintained. Since a large part of SME activities do not get support from various special credit facilities, rate of interest of bank loan borrowed by these enterprises is exorbitantly high. Hence, fixation of upper bound of the interest rate on project loan and working capital to the tune of 13 per cent needs to include all credit draws for SME activities.

SME related projects which are included in the National Budget for FY2009-10 but have no actual allocation under the ADP are particularly important since these are mostly dependent on infrastructure development (i.e. development of BSCIC industrial areas). It is hoped that the government will make necessary allocations for these projects. SMEs and cottage industries need additional support in the areas of product development, quality improvement, market intelligence, access to information on potential markets and buyers, and adequate supply of electricity and gas.

Boosting Domestic Economy
A number of fiscal, monetary, policy-support and regulatory measures should be considered for boosting domestic demand, and enhancing trade and investment, especially for mitigating adverse impacts of the global economic crisis on employment and towards social protection of workers. *Firstly*, to tackle the potential deceleration in growth during FY2009-10 as a consequence of global economic slowdown, the government should be ready to go for higher budget deficit. It is reckoned that the 5 per cent deficit envisaged in the budget for FY2009-10 is a realistic projection given the need for resources in the next fiscal year to undertake various counter-cyclical measures. *Secondly*, the government should ensure timely payment of stipulated benefits to exporters in all affected industries. *Thirdly,* an *Export Stabilisation Fund* could be established, which will be of time-bound in nature, to provide credit support to sectors which have been adversely affected by the crisis. Any fund created to ensure credit availability with lower interest rates and extended repayment period should be subject to strict monitoring. *Fourthly,* to develop and strengthen backward linkage industries (particularly for RMG, leather, textile, jute and other selected industries) a *Technology Upgradation Fund (TUF)* may be created. Credit provided under this scheme on concessional rates of interest will assist industries to undertake technological restructuring initiatives and modernise their plants through installation of new machines and state of the art technologies. Entrepreneurs would be given tax breaks in case of undertaking measures for skill upgradation of the workers. *Fifthly,* as in India, support may be put in place for exporters to new markets (e.g. Japan, East Europe) against additional export (perhaps

in the form of a certain percentage of incremental export). *Sixthly,* the proposed skill development fund should include allocation of loan to returee migrants to initiate small businesses. If additional fund is required for expansion of the programme, the *Foreign Workers Welfare Fund* could be used for this purpose. ILO, under its DWCP, may provide technical and financial support for such programmes. The government should seriously emphasise on working towards ensuring the process of participation and discussion between employers and workers to help mitigate factory level issues and concerns.

Ratification of ILO Conventions

Although Bangladesh has ratified seven out of eight fundamental conventions, it has not yet ratified a number of conventions which are related with workers' rights and social protection, particularly in times of crises. These are related to workers' wage, termination of employment, rights of migrant workers, public contracts having labour clauses, social dialogue mechanisms and processes, and employment policy convention etc. The relevant conventions are (according to ILO documentation) convention number 95, 173, 158, 166, 97, 143, 94, 138, 144, 152, 113, and 122. The GoB should take proactive measures to initiate a dialogue process with concerned stakeholders in order to ratify these conventions in a phase by phase manner. ILO should take a proactive role to provide all necessary support to accelerate the process of discussion with the stakeholders and expedite the process towards ratification if consensus reaches among the stakeholders.

Enforcement of Labour Rights

Labour rights and social protection issues are in general followed by most of the sectors affected by the global financial crisis. However, lack of implementation of various labour related rules and regulations is a major challenge. Minimum wage related regulations are not implemented in textile and real estate sector, while right to form workers' union, though legally allowed, was not observed in the ship building sector. It was also reported that on some occasions, workers faced threats from the management while attempting to form trade unions. It is widely known that an effective trade union plays important role in facilitating the process of devising pro-development strategies at times of crises. For example, although workers seem to be ready to accept lower wage instead of being retrenched from the work, employers consider it difficult to implement in the workplace in fear of possible unrest. Dialogue between trade unions and employers could resolve this issue in a relatively easier way. In this regard, ILO should facilitate tripartite dialogues for severely affected sectors to limit or avoid worker retrenchment in those sectors.

Social Safety Net Schemes

Addressing the needs and requirements of the poor and vulnerable groups has been a tradition in designing the national budget for different years. Similar phenomena was observed when the government announced the budget for FY2009-10. Although the budget proposed three new programmes in the education sector particularly targeting free education up to graduation level, modernisation of *Madrasa* education and stipend to male students, there was no specific allocation mentioned or guidelines provided for successful implementation of these new programmes. The government should immediately allocate necessary fund for FY2009-10 to initiate implementation of these programmes at phased manner. In case of ensuring primary health services for all, the national budget FY2009-10 has proposed establishment of 13500 community clinics, which is a welcome initiative. However, it is unclear whether all these would be new clinics or includes the already existing 8,464 community clinics. It is important to take initiative to improve and strengthen institutional capacity and delivery systems of public hospitals and health care centers.

The new employment generation programme for the hardcore poor is a welcome initiative. However, proper targeting and adequate allocation to genuinely deserving regions is critical to ensuring successful implementation of the programme. In order to strengthen micro credit programme, flexible repayment schedule is required. PKSF based micro-credit operations should be conducted keeping this concern into account.

The national budget for FY2009-10 has no specific allocation for distribution of foodgrains through monetised channels of the public food distribution system (PFDS). As in previous years, the government should immediately set itself a target in terms of coverage and allocation for public food distribution in FY2009-10. This will also be useful for the government with regard to time-bound resource allocation for other sectors of the economy. In addition, the existing rationing system for low income group should be expanded beyond RMG workers to cover workers from other sectors.

Disbursement of Aid and Their Effective Utilisation

Further deepening of the recession is likely to adversely affect revenue generation of the government and put pressure in terms of expenditure cut on some of the development projects and social safety net programmes with consequent negative impact on the poor. Moreover, if recession continues, it is apprehended that flow of support from development partners could come down. In this context, measures aimed at ensuring timely disbursement, appropriate and effective utilisation of aid and access to aid in the form of budgetary support will gain increasing importance. The government should, thus, seek funds from various global initiatives under budgetary support.

Support for Migrant Workers

In order to strengthen outward migration of workers from Bangladesh and to support returnee migrants, new policies and actions have to be considered by both the Bangladesh government and other related national and international bodies. *Firstly,* BMET should introduce a 'registration desk' at the Zia international airport (ZIA) to collect information on returnee migrants (e.g. expenditure to go abroad, period of stay, problems/harassments faced by the return workers). ILO may collaborate with other organisations for providing technical support for such activities. *Secondly*, efforts should now be strengthened so that Bangladesh is able to cater to the needs of new markets for migrant workers in the developed countries, particularly in caring services, nursing, medical technicians, etc. To this end, a time-bound plan should be put in place so that workers willing to travel abroad have the opportunity to undergo skill upgradation training. Quick implementation of such training programmes will be particularly important to take advantage of the global recovery and consequent demand enhancement for migrant workers, which is expected to begin in the second half of 2010. In this context, allocation of Tk.70 crore (US$10.1 million) in the national budget FY2009-10 to form a 'Skill Development Fund' is worth mentioning, which will be used for the expansion of labour markets abroad, conduct research for exploring new labour markets, providing training for prospective workers and re-training for returned migrants. The *Foreign Workers Welfare Fund* could be used to meet additional expenditure deemed necessary for the purpose. ILO, under its DWCP, may provide technical and financial support for such programmes. *Thirdly,* in the national budget for FY2009-10, the government announced withdrawal of VAT exemption facility for manpower exports, with a truncated base facility (30 per cent). However, this will raise the cost of migration as the duty will likely be passed on to migrating workers. In the backdrop of slowdown in manpower exports and apprehensions of a decline in remittance growth in near future, this initiative is perhaps not advisable. *Fourthly*, as in India, support may be put in place for exporters to new markets (e.g. Japan, East Europe) against additional export (perhaps in the form of a certain percentage of incremental export).

Fifthly, government should monitor the operations of diplomatic missions located in the Middle East and South East Asian countries. Considering the huge work load in these diplomatic missions, government should appoint adequate number of officials to speed up the process of work. Government should appoint legal advisers in major labour exporting countries in order to provide all kinds of legal support to the deprived Bangladeshi workers. *Sixthly,* operations of the recruiting agencies should be monitored on a regular basis. In case the agencies are found to be involved in any misdeeds such as providing mis-information to aspirant workers and cheating, they should be legally obliged to pay compensation to the migrant workers for undue sufferings. *Seventhly,* government should work with major labour-importing countries to allow transfer of jobs by the migrant workers without any transfer fee. Kuwait has already agreed to provide such flexibility to Bangladeshi workers. ILO may work at intergovernmental level to facilitate expeditious agreement and implementation of various migrant workers friendly initiatives such as withdrawal of sponsorship system, better management of outsourcing agencies in importing countries, awareness raising among aspirant migrants with regard to information on job, wage and cost of visa processing, etc. *Eighthly,* strict monitoring and implementation of processing and visa fees which is fixed by the government is urgently required. Because of excessively high expenditure that a Bangladeshi worker has to incur, length of stay abroad, level of wages, timely payment of wages and opportunity for working overtime are considered to be critically important. Awareness raising among aspirant workers as regards extra charges claimed by the commission agent of recruiting agencies is also important.

Ninthly, the initiative of establishing a "*Probashi Bank*" (Bank for Non-residents) should be geared up. The advantages to be accrued from establishing such a bank will be manifold. The bank may meet the financial demands of aspirant workers by providing them long term credit facilities; it may also offer various services in terms of deposit and lending particularly to migrant workers and their families; it could also offer services to terminal returnees. According to available information from BMET, a proposal to establish such an institution has been submitted to the Bangladesh Bank for official approval. However, it may take time to finalise the *modus operandi* after getting the approval.

Finally, the government should consider immediate ratification of the *UN Convention on the Rights of All Migrant Workers and Their Family Members* in order to safeguard the rights of Bangladeshi migrant workers.

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APPENDIX 1: FGD WITH WORKER LEADERS: MAJOR FINDINGS

A focus group discussion (FGD) with worker leaders was held at the ILO office in Dhaka on 13 April, 2009. Worker leaders, representing different sectors (RMG, jute, and textiles) participated in the meeting. The underlying objective of the session was to understand how far the trade union activists are aware of the global economic crisis and what they think could be the knock-on effects of the crisis on different sectors.

Summary of Key Findings

RMG Sector

- The sources and scenarios of the current financial crisis were not clear to the workers of the garments sector. The main indicator of financial meltdown in this sector is the reduced volume of export and decline in orders from overseas buyers. The buyers have already reduced their purchase but it is not clear whether it is for the financial crisis or there are other factors working behind it.
- Some incidences of retrenchment have happened in the RMG sector but it is not clear whether it is the result of the crisis or it is a regular incidence. However, some factory owners blamed the ongoing financial crisis for laying off workers.
- Although BGMEA has urged the government to come up with a stimulus package for the sector, they have not specifically mentioned how much of the package will go to the workers.
- Workers are traditionally the first victims of all kinds of crisis. The owners may use the financial crisis for their own benefit. Bangladesh produces garments products at a very low cost. Therefore, the woven sector may not be affected at a large scale.
- Since the wage rate in our country is rather low, cost of production is also low. On the other hand, if the global economic crisis affects the purchasing power of consumers in the developed countries, they will be more inclined towards buying low priced goods. Bangladesh should strategically move forward to use this opportunity.
- Government has to take initiatives to maintain purchasing power of the workers as there is a circulation of at least Tk.500 crore (US$72.4 million) provided by the 2.5 million RMG workers. Failure to hold on to their purchasing power will result in a significant loss for the economy.

Jute Sector

- Jute sector is severely affected and government should be aware of this. This is particularly important in view of the fact that about 70-75 thousand worker are involved in this industry. Government has to provide subsidy for this sector with particular focus on maintaining the purchasing power of this labour force.
- It needs to be noted that closure of most of the jute mills had taken place before the crisis hit Bangladesh. This particularly happened as a large number of mills had been facing financial, infrastructural, and technological problems.

Textile Sector

- Although the purchasing price of yarn has increased in recent times, it is still below the expected level. Besides, huge quantity of yarn is coming from India through under invoicing which adversely affect competition in local market.
- If the yarn mills fail to sell the existing yarn, it will be difficult for the owners to repay the money borrowed from banks. Besides, it will also result in huge stock pile, and that might compel factories to sell their product at lower rates resulting in significant loss.
- Government should come up with support measures to help the textile spinning mills in the repayment of loans and clearing the payment of workers during the period of slack demand.

Frozen Food

- Besides financial crisis, there are several reasons behind fall in export of frozen food. This includes failing to meet the SPS requirements by the importing countries (infection of nitorfuran in the fresh water shrimps) such as those in the EU region.

For All Sectors

- Government may initiate rationing system for workers and middle class people since it is the responsibility of the government to raise their purchasing power.
- Private sector should extend all possible cooperation to the government in its moves towards safeguarding the economy from the negative impacts of the ongoing global economic crisis.
- If the global financial crisis continues, some employers may cut fringe benefits enjoyed by workers if not laying them off. If so happens, this will have a direct negative impact on workers' nutrition demand which could result in reduced productivity.
- Closure of factories will not only result in job losses by the workers, but also loss of income source for those involved with the sector at different levels down the value chain.
- If employers close their mills and factories the machines will remain idle. This will result in high depreciation cost due to lack of regular maintenance.
- If the currently employed people lose their jobs, the situation will worsen further.
- As a cost cutting measure, workers expressed their willingness to work at a reduced wage rate, for a temporary period, instead of facing retrenchment.

APPENDIX 2: FGD WITH ENTREPRENEURS: MAJOR FINDINGS

The FGD with entrepreneurs was held on 30 April, 2009 at the Bangladesh Employers' Federation office in Dhaka. A total of eight participants participated in the meeting expressed their views and concerns with regard to the state of the different export-oriented sectors in the context of the ongoing global economic crisis.

Summary of Key Findings

Pharmaceuticals Sector

- The market for pharmaceutical products as a whole in Bangladesh is stable as people do not compromise with their need for treatment and medicine. The international market demand for medicine from Bangladesh is also stable. Therefore, till now there is no significant impact of the crisis from demand-supply perspective.
- The situation may worsen if Bangladeshi remitters from overseas are compelled to come back. This might result in decline in flow of income for people living in the rural areas. As a result, these people might be forced to cut expenditure on medicine.
- Till now there has been no incidence of job cut in the sector. This particularly owes to the fact that workers in this sector are more or less skilled and employers are reluctant to lose them. What might happen in the extreme case is that employers could opt for not paying their employees for a fixed period or defer payment of wages.
- Trade union activities in the pharmaceutical sector are strong and positive. Since workers receive their salary and other fringe benefits in due time, there is almost no scope for any unrest in this sector.

Jute Sector

- Some negative impacts of the global economic crisis are clear on the yarn sector owing to decline in demand for carpets in the developed countries. However, the impact is not as severe as it was thought to be.
- Impacts on fatcories manufacturing hessian and sacking products were not yet so severe. Beisdes, price of raw jute has increased in recent months.
- There were some incidences where buyers asked for discount on an item even after it was packed and ready for export. Under such scenario, manufacturers were compelled to sell at a lower price which otherwise could result in stockpile and complete loss. This is also a reason for declining export earnings from jute and jute goods.
- There are some incidences of job cuts. However, this is limited to contractual/shift workers; permanent workers are still outside of any retrenchment.
- Workers understand the facts about the crisis and they have compromised that production should be reduced due to the crisis.
- In view of the rising cost of production and declining profit by the entrepreneurs, the government needs to take immediate measures to reduce interest rate on credit to support private investment in the sector.

RMG Sector

- Total export has fallen in this sector but investment and employment scenario remains unchanged. On the other hand job cut is very difficult due to the fact that this might cause unrest in the sector. However, recruitment of new workers was stopped and thus vacancies have been created in the factories.
- Usually RMG factories are concentrated to few locations in Dhaka and Chittagong. Therefore, if there is unrest in one factory or one factory is shut down, the impact may immediately spread among the other ones in the vicinity.
- Government should provide monetary support to help owners of RMG factories pay their workers in time and refrain from adopting any retrenchment measure.

Tea Sector

- This sector has not been affected as it has large domestic market. About 80 per cent of tea produced in Bangladesh is consumed domestically. However, if price of sugar and milk rises in the near future, consumption of tea will fall which might induce the entrepreneurs to adopt various measures to maintain their profit margin and sustain performance of the sector.

APPENDIX 3: FGD WITH RETURNEE MIGRANT WORKERS: MAJOR FINDINGS

A focus group discussion (FGD) was held with returnee migrants on 4 May 2009 in the village of *Vanua* of *Sadar Upazilla* of *Gazipur* district. The FGD was jointly organised by CPD and the Welfare Association of Repatriated Bangladeshi Employees (WARBE), Bangladesh. All the seven returnee migrant workers who took part in the FGD had been overseas for less than a year and returned to Bangladesh between January to April, 2009.

Summary of Key Findings

- Bangladeshi workers, returning back to country since the beginning of the crisis, belongs to two groups- those who had worked overseas for more than a year or two, and others who could stay overseas for less than a year only.
- Those stayed for a relatively longer period (about a year) were at least somehow able to recover part of the cost incurred for visa and other expenses. However, the situation was different for the second group who sometimes were unable to stay even a month. They not only incurred serious financial losses due to early return, but were also heavily indebted on account of substantial loans that they had to take to pay for travel and sponsorships, often at high interest.
- It was very difficult for those who returned early to settle down due to financial constraints. A large number of these people remain unemployed for a substantial period of time while some of them either start working as day labourers or engage in running small businesses.
- Some of the major problems faced by migrant workers going abroad include excessively high payment for processing of visa, harassment by local recruiting agencies and their commission agents after returning back, misinformation/false information as regards availability and nature of the job abroad, and harassment by outsourcing agencies in labour service in the importing countries. There should be provisions in our legal system to severely punish the manpower exporting agencies those deceive people by cheating and giving false information.
- Most of the migrant workers from Bangladesh are non-trained and less than qualified for better job opportunities in the overseas market. This is also responsible for low level of salary earned by Bangladesh workers compared to workers from countries like Egypt, India and Pakistan.
- It is mostly the foreign workers who are retrenched if the employing company faces any adverse situation including financial crisis.
- Most of the Bangladeshi diplomatic mission located in the Middle East and South-East Asia are less than responsive to the needs of the migrant workers. Government needs to adopt strict monitoring mechanism to assess the performance of these institutions with regard to serving the Bangladeshi workers in the respective countries.
- The Bangladesh government should use the existing expatriate welfare fund to provide loan/credit to the returnee migrants to start businesses of their own.
- The system of sponsorship by overseas companies is sometimes detrimental for migrant workers. On many occasions, sponsors confiscate workers' passports to stop them from trying for better opportunities. This deprives the workers from getting new work visa from a different employer when the contract with the initial employer comes to an end. The Bangladesh government needs to use diplomatic strategies to pursue the manpower importing countries to change such systems.

APPENDIX 4: SECTORAL COMPOSITION OF EMPLOYMENT (4-DIGIT) (% OF TOTAL EMPLOYMENT)

	Bangladesh	Urban	Rural
Cotton Textiles Except Handlooms	0.40	0.27	0.48
Dyeing, Bleaching & Finishing of Textiles	0.10	0.12	0.10
Jute Textiles except Handlooms	0.23	0.34	0.16
Silk, art silk, Synthetic Textiles	0.05	0.05	0.04
Narrow Fabrics except Handlooms	0.02	0.02	0.01
Woolen Textile	0.05	0.03	0.06
Carpets, rugs & mats	0.10	0.04	0.14
Cordage, Rope, Twine	0.19	0.09	0.25
Pressing and Bailing of Jute	0.21	0.30	0.15
Textiles, n.e.c	0.02	0.02	0.02
Knitted Fabrics & Articles	0.40	0.77	0.17
Wearing Apparel	4.53	7.36	2.75
Embroidery Textile Goods	0.24	0.42	0.12
Dressing Dyeing	0.05	0.09	0.03
T.D of Leather	0.10	0.25	0.00
Luggage, H. Bag	0.02	0.04	0.01
Leather Footwear	0.26	0.28	0.24
Pharma, Medicinal	0.25	0.45	0.13
non-ref. ceramic ware	0.18	0.06	0.26
Ceramic Products	0.80	0.19	1.19
Bicycles	1.11	0.13	1.73
Wooden Furniture	1.45	1.00	1.73
Food, Beverage and Tobacco	0.74	0.80	0.71
Textile, Yarn & Thread	0.07	0.11	0.05
Footwear	0.03	0.03	0.03
Leather & Leather Products	0.01	0.02	0.01
Textile, Clothing, Hosiery	2.76	3.31	2.42
Washing, Cleaning of Textile Products	0.36	0.40	0.33

Source: Labour Force Survey, 2005-06

APPENDIX 5: WORKERS' PERCEPTION ON DIFFERENT FACILITIES AND INCENTIVES, 2005 (IN PERCENTAGE)

Facilities/Incentives	Large	Medium	Small
Availability of govt. holiday	61.5	42.9	40.0
Availability of annual leave	64.3	57.1	20.0
Availability of sick leave	71.4	92.3	60.0
Availability of maternity leave	83.3	50.0	60.0
Maternity leave with payment	88.9	54.5	40.0
Medical leave facility	64.3	38.5	20.0
Child care facility	42.9	23.1	
Dining/canteen facility	83.3	35.7	
Appointment letter/contract paper provided to workers	14.3		
Service book provided to workers	38.5	30.8	
Identity card provided to workers	57.1	50.0	
Eid bonus to the workers	92.9	71.4	80.0
Transport facility provided to workers	28.6	28.6	

Source: CPD (2008)

APPENDIX 6: WORKERS' RESPONSE AS REGARDS WORKERS' RIGHT TO FORM TRADE UNION IN THE GARMENT FACTORIES (IN PERCENTAGE)

Different Items	Large	Medium	Small
Workers' right to form trade union inside factory	7.1	0.0	0.0
Threat from management not to form trade union	50.0	45.5	80.0
Legal benefits in the case of dismissal from work	28.6	14.3	0.0
Dismissal from work because of absence in 1 day	18.2	30.0	0.0
Deduction of attendance for 1-4 days in the case of 1-days absence	78.6	92.9	80.0
Dismissal from job in the case worker's age crosses the limit of 35 years	85.7	71.4	80.0

Source: CPD (2008)