Promotion of employment and decent work in Bangladesh: Macroeconomic and labour policy considerations

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1. Introduction: ends and means

Since its independence in 1971, Bangladesh has made some important strides towards growth and poverty alleviation[2]. However, given the relatively vast size of the population and existing levels of investment and growth, the current pace of economic and social progress does not leave much room for complacency. Nearly two fifths of the population still live below the poverty threshold, and its per capita income is still among the lowest in the world. The development goals and "ends", encapsulated in the Five Year Development plans, remain a far cry. This has called into question whether the instruments and policy "means", currently in practice, are truly adequate in achieving those development goals.

There have indeed been major policy shifts during the mid-1980s and 1990s, when stabilization and structural adjustment programmes came into force, and diminished the large presence of the State and controls, and arguably, even weakened their *functional* roles towards a development agenda.

The policy shift has indeed been designed to move the economy towards greater liberalization, that would potentially encourage allocative efficiency and stability. The achievement of development "ends" came to be predicated on the means and instruments of the "self-regulating market". While stability of markets and prices is indeed critical to growth

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[2] See Khan, A.R. (1996) for a critical account of economic progress over the first quarter century of independence.

and development, it must still be considered as means, rather than end goals of policy planning[3].

The macroeconomic policy stance adopted in Bangladesh since the mid-1980s appears to have unsuspectingly concentrated on prices and stability, and that during this period, a development vision remained somewhat blurred. A development agenda helps articulate economic and social progress in an economy. More significantly, such an agenda tends to identify a policy framework to reflect the concerns and values of the society. In other words, economic and other policy considerations are in principle *embedded* in the overall goals of the society[4].

The objectives, if so identified, would warrant the design of an agenda that fostered progress towards a well-defined and consistent construct of economic and social ends. The ILO's *decent work* (DW) agenda forwards an alternative framework of development, the core objective of which is *to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity*[5]. The agenda is pursued through four inter-related strategic objectives: promotion of *employment* as a central objective of economic and social policy making; promotion and safeguarding of *fundamental rights* at work, emphasizing the need to recognize that all those who work have rights; *social protection*¸ and the promotion of *social dialogue* to forge fair compromises and consensus on otherwise conflicting issues of distribution and conditions of work[6].

Decent work essentially envisions a movement towards a socially just society, a process that would require a close interaction between economic and social policies. Many of the goals set in the context of the DW objectives are already contained in some form or the other in the Five Year Development Plans of Bangladesh, its Constitution, and in its various commitments to national statutes (Labour Code etc.) and international declarations (on human rights; fundamental rights at workplace, etc.). During the past years, progress towards these goals remained somewhat elusive; policies and measures to achieve them were patchy and ambivalent; and a consequent indifference spanned over the successive Plan periods. The DW agenda attempts to provide an *articulation* of these goals and objectives, and calls for

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[3] Cf. Meier and Stiglitz (2001): Easterly (2001); Rodrik (1999).

[4] "Normally, the economic order is merely a function of the social, in which it is contained" (Polanyi, 1944).

[5] See ILO (1999); ILO (2001); Rodgers (2001); Ghai (2002); Anker et al. (2002) for an elaboration of the decent work agenda, its concepts and indicators of measurement.

[6] These are detailed further in section 6 of the paper.

establishing institutional and legal framework to foster and support policies towards attaining, and sustaining these goals. A movement towards DW ends would thus require an "integrated" approach, and the policy instruments need therefore be designed to subserve the economic and social order simultaneously. Thus, in the context of this essay, the macroeconomic policy instruments, tasked with the primary responsibility for stability and growth, must also be "socially responsible"[7]. Similarly, labour policy instruments, usually understood to protect workers and to foster a healthy work environment, need to support the macroeconomic measures and the investment climate. Other policy instruments need to be construed in a similar way.

The present paper attempts to draw up some issues and broad considerations of macroeconomic and labour policies that are central to the promotion of employment and decent work in Bangladesh. It is contended that the neo-liberal paradigm, that informs the current macroeconomic policy and practice, and the implied labour policies, has been neither able to foster adequate growth and investment, nor to connect the social indicators in an effective manner. This is vindicated particularly by the employment and labour market performance over the past decade.

The paper pursues the above issues through the following sections. In section 2, an assessment is made of the stabilization-based macroeconomic reforms, and how far these have succeeded in their immediate goals of stability, and longer-term goals of sustained growth and investment. Section 3 makes a broad analysis of the employment effects of economic reforms, and of the extent to which Bangladesh is moving towards a structural transformation. Section 4 provides some issues and evidence related to labour market development and adjustments, as well as the context of reconsidering labour policies alongside other policy reforms. Section 5 introduces the concept of DW agenda, and provides a broad brush of the country's progress à la the four objectives of the agenda. Section 6 draws up the broad considerations which, as the paper contends, are central to the macroeconomic and labour policy designs towards the promotion of employment and decent work. Section 7 contains a few summary remarks.

[7] See Lustig (2000), for a persuasive account of "socially responsible" macroeconomic policies.

2. Macroeconomic reforms, stability and growth

During the 1980s, and more vigorously during the early 1990s, Bangladesh adopted fairly wide-ranging macroeconomic policy reforms, ostensibly with the objectives of attaining macroeconomic stability, economic liberalization and greater integration of its economy to global trade and investment. Reforms were also introduced to ensure that necessary structural adjustments were undertaken to attain the above objectives.

As has happened in most of the developing countries of the world such reforms were engineered in Bangladesh too under the aegis of the Bretton Woods institutions which "conditionalized" their lending to stabilization and structural adjustment programmes (SAPs). Since the mid-1980s, the blueprint of the so-called Washington Consensus (WC), which focused predominantly on balance of payment stability and on "getting prices right", largely dictated the macropolicy framework of the country. It may be useful to remind oneself that stabilization and structural adjustment programmes were largely predicated on three inter-related elements: (a) *expenditure-reducing* policies to reduce, at least initially, effective demand through restraints on autonomous expenditures, and on exportables, and imports, towards balance of payments stability; (b) *expenditure-switching* policies, largely to encourage shifts in resource allocation towards tradeables, again to improve current accounts; and (c) institutional and structural reforms to remove policy distortions, towards smoother functioning of the markets[8].

The structural adjustment and stabilization programme soon evolved and denominated itself (like "one size fits all") to targeting inflation, fiscal and current account deficits. In fact, specific targets were set and monitored year to year. The real context of these policies needs to be understood well in order to assess what the *preconditions* were that warranted undertaking such reforms. For instance, how severe was the balance of payments crunch? How severe was inflation in Bangladesh preceding the initiatives on macroeconomic reforms? How far was growth, attained till the mid-1980s, "borrowed" in nature, and hence was deemed unsustainable? These, and several related questions, which need to be addressed through serious country-level assessments, are at the heart of the growing disenchantment with the WC macropolicy prescriptions[9].

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[8] There is a voluminous literature on two sides of the WC; see Bredenkamp and Schadler (eds,1999); Banuri (1990); Taylor (1988); Meier and Stiglitz (2001).

[9] See Taylor, ibid.; Easterly (2001); Bird (2001); Muqtada (2002).

In the context of Bangladesh, the major objective of the series of economic reforms was in fact "to put in place a stable, liberalized macroeconomic environment, free from policy induced biases, which would foster a market-led, export-oriented growth" (Rashid, 2002). In fact, prior to the reforms, Bangladesh was indeed following an inward-looking growth strategy, characterized by high import tariffs and foreign exchange controls. The policy shift to an outward-oriented growth strategy, which was inspired by the Asian experience and which evolved as an *advocacy* in the 1970s, now became a *conditionality* for growth during the 1980s.

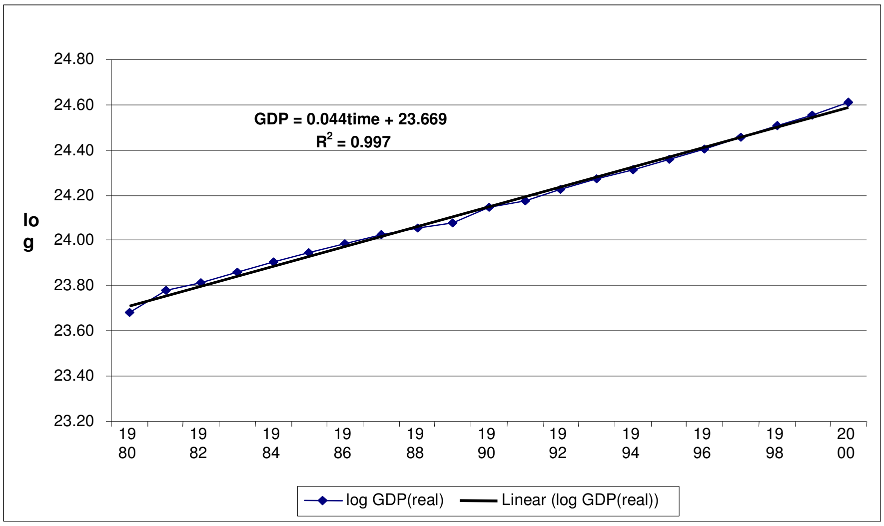
The stabilization and structural adjustment programmes ushered in a series of economic reforms, with specific focus on restraining fiscal and current account deficits, and on lowering the inflation rates. Thus *fiscal* reforms focused on reducing current expenditures, as well as on enhancing the tax-GDP ratio. Fiscal deficits averaged around 5 per cent of GDP during the decade of the 1990s. Efforts at raising the tax-GDP ratio met with little success, and in the process of sustaining (or increasing) recurrent expenditures, public expenditures on development and social and physical infrastructure (as a proportion of GDP) declined (Chowdhury, 2002). Fiscal tightening was accompanied by a tighter *monetary* policy in order to contain broad money supply as well as domestic credit, both of which declined in the early 1990s. Price targeting policies were supported by the introduction of a flexible but managed exchange rate policy, and relaxing exchange controls. There were a number of measures toward *trade liberalization*, e.g. drastic reductions in import tariffs (down from 350 per cent to around 37.5 per cent in 2000). This, together with significant withdrawal of quantitative restrictions, implied a sharp decline in effective protection.

Conforming to the tenets of stabilization and structural adjustment, several inter-related measures were undertaken, in support of de-regulation and de-control. These included, *inter alia*, an ambitious privatisation programme (a Privatization Board was set up in 1993), the abolition of agricultural subsidies and privatization of distribution of agricultural inputs; financial sector and other structural reforms; and a call for reforms of the labour policy.

How would an impact assessment be made of these policy reforms? If the intent were on attaining stability, liberalization and greater economic outwardness, these would only appear as *intermediate ends*. How would the *real* economy respond to these processes? A major consideration of the stabilization programme, one may recall, was to take pressures off the balance of payments, by restraining expenditures, and lowering effective demand. This would imply an initial slowdown of growth, which would ostensibly pick up as prices tended to become stable and markets became more efficient. What would happen to employment and poverty alleviation and labour market performances? Stabilization and SAPs are less than explicit on these issues, except what one concludes from the assumptions of neo-classical orthodoxy of full employment equilibrium.

There exists a number of studies which have attempted to assess the impact of economic reforms on macroeconomic stability (often dubbed as macro fundamentals) and economic growth[10]. The verdict appears to be relatively consensual so far as *stability* is concerned, but is mixed, at best, on *growth*. While World Bank (1995) has extended cautious eulogy on Bangladesh's move from stability to growth, others are more sceptic. For instance, Khan (1996) states that "these reforms have so far failed to improve the *rate* and *quality* of growth of the economy perceptively" (italics added). Others contend that investment and growth have been inadequate, and potentially below what could be achieved.

Figure 1. Trend in real GDP, Bangladesh economy



Note: Real GDP values are transformed in logarithm value
Source: World Development Indicators (WDI) CD-ROM 2002.

Figure 1 broadly sums up the trend picture (also see Table 1). The log linear trend registers a long-term growth rate of 4.4 per cent. Growth rate has by and large hovered around this trend, except during the late 1990s when growth exceeded 5 per cent. One thus observes that growth trend has been moderate. There was a mild decline in effective demand during the early 1990s, but it has mildly risen thereafter. More significantly, the trend appears *unremarkable in that the trend value had neither appreciably decelerated nor accelerated*. In such a

[10] See Khan (1996); Mahmud (2002); Mujeri (2000); Rashid (2002); Bhattacharya (2002); WB (1995), among others.

scenario, an issue that possible lingers is whether Bangladesh could have achieved such a trend growth rate *with* or *without* the reforms. How, and when, does one start linking the stabilization outcomes to the growth dividends, and to appreciable trends in investment growth?

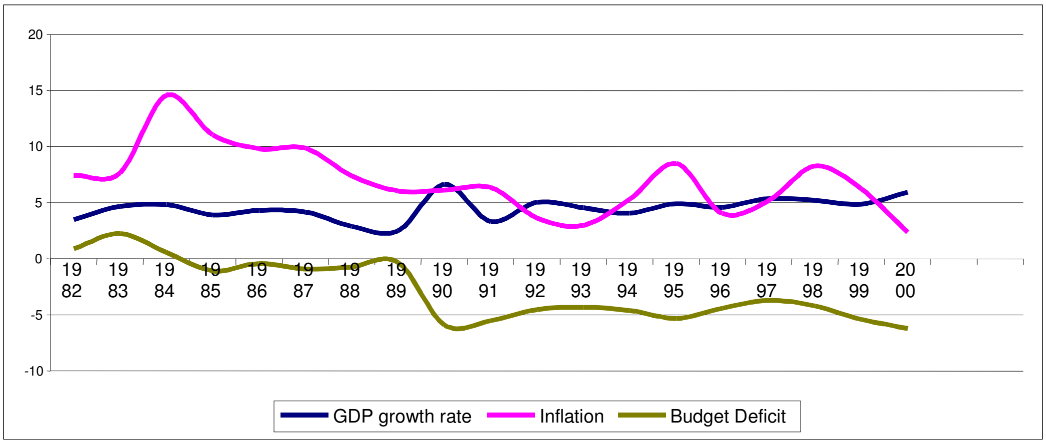
Table 1. Economic growth, inflation and budget deficit in Bangladesh

	GDP growth rate	Inflation rate	Inflation stability	Budget deficit
1982	3.48	7.47	2.35	0.89
1983	4.68	7.67	1.68	2.26
1984	4.85	14.58	-4.46	0.60
1985	3.93	11.07	-0.47	-1.07
1986	4.34	9.81	0.74	-0.41
1987	4.18	9.87	-1.03	-0.90
1988	2.89	7.41	0.44	-0.72
1989	2.52	6.05	1.12	-0.32
1990	6.63	6.13	-0.21	-5.90
1991	3.34	6.36	-1.32	-5.50
1992	5.04	3.63	1.25	-4.50
1993	4.57	3.01	2.36	-4.30
1994	4.08	5.31	-0.40	-4.60
1995	4.93	8.52	-3.30	-5.30
1996	4.62	4.06	2.21	-4.40
1997	5.39	5.21	1.25	-3.70
1998	5.23	8.29	-3.06	-4.20
1999	4.87	6.23	..	-5.40
2000	5.94	2.38	..	-6.20

Note: GDP growth rate, real GDP growth rate (annual % change); Inflation rate, consumer prices (annual % change), and for 1982-86, the data related to GDP deflator due to lack of data on Inflation; Inflation Stability is computed as a deviation of the annual rate of inflation from the 5 year moving average of inflation rate; Budget deficit, budget deficit (% of GDP).
Source: World Development Indicators (WDI) CD-ROM 2002, World Bank, Rashid (2002)

How does the issue of "macro fundamentals" feature in this scenario? The stabilization programme has indeed supported restraining the inflation rate (see Table 1), but the trends in budget deficit seems to have been substantially higher during the 1990s than in the decade prior to reforms. One needs to observe, in this context, that the budget deficit, except during the odd years, hardly exceeded 5 per cent of GDP. Similarly, Table 1 also shows that inflation, in the first place, never exceeded double digits, except during 1984 and 1985. An *instability index,* estimated as the deviation of annual inflation from the 5 year moving average, also shows that Bangladesh never confronted a crisis of inflation such as those familiarly associated with many Latin American countries. Nevertheless, it must be stated that *stabilization has produced a general price discipline* (Figure 2), and the awareness of its effects on real interest rates and exchange rates[11].

Figure 2. Trend in growth and stability, Bangladesh economy



Source: See Table 1

The preceding discussion thus shows that the macro fundamentals in Bangladesh are within reasonably acceptable limits, although the caution remains on how far the recent increases in budget deficit may affect containment of the price stability. The discussion also notes that *stabilization and SAPs, to the extent implemented, do not seem to have produced any perceptible growth dividends.*[12]

Table 2: Explaining growth and stability (post-reform period, 1991-2000)

Independent variables	Dependent variable, Real GDP (of logarithms)				Dependent variable, Real per capita GDP			
Constant	22.551*** (0.219)	24.381*** (0.054)	24.556*** (0.378)	24.443*** (0.077)	-46.052 (67.621)	323.878*** (33.027)	353.226*** (76.656)	335.262*** (16.339)
IGDP	0.090*** (0.017)				18.194*** (3.373)			
ICPI		0.001 (0.025)				-0.062 (5.367)		
BDGDP			0.041 (0.085)				7.559 (17.303)	
CADGDP				0.044 (0.041)				9.567 (8.393)
Number of observations	9	10	9	10	9	10	9	10
R^2	0.805	.001	0.040	0.126	0.806	.001	0.032	0.027

Notes: IGDP: Investment (% of GDP)
ICPI: Inflation, consumer prices (annual %)
BDGDP: Budget deficit (% of GDP)
CADGDP: Current account deficit (% of GDP)
*** coefficients are statistically significant at 1% level. White heteroskedasticy consistent standard errors are in the parentheses.
Sources: IGDP data for 1991 to 1999 and BDGDP data for 1991 to 1999 quoted from Rashid; otherwise data obtained from WDI 2002 CD-ROM, World Bank.

[11] See Khan (1996); Mahmud (2002).

[12] One may take issue with this by arguing that reforms need to “deepen” further, esp. with regard to the financial sector.

In order to assess the "cause" effects of the macro fundamentals on growth, we have estimated the following regressions, taking into account the 1990s as the post-reform period (Table 2). Both GDP growth, as well as per capita GDP growth, are taken as dependent variables, while inflation, budget and current account deficits are taken as independent "stability" variables[13]. One clearly observes that both the explanatory power, as well as the statistical significance of each of these individual variables, are extremely low. In fact, the budget deficit is *positively* (though weakly) related to growth.

What is remarkably observed, however, is that GDP growth is strongly related to investment-GDP ratio (with an $R^2 = 0.81$), although one observes that both these have grown at less than satisfactory rates over the past two decades (for investment trends, see Appendix Table A1). In order to assess the extent to which investment itself may have been affected by the stability variables, we have estimated the following correlation table.

Table 3. Correlation matrix for some macroeconomic variables in Bangladesh

	Investment	Inflation	Budget deficit	Real GDP per capita (log)
Investment	1.000			
Inflation	-0.385	1.000		
Budget deficit	0.176	-0.107	1.000	
Real GDP per capita (log)	0.871	-0.186**	0.042	1.000

Note: ** statistically significant at 5 % level.
Source: see Table 1 and 2.

The coefficients are all insignificant, though a negative correlation exists between inflation and investment. Again, budget deficit is *positively* (but weakly) related to investment. *The empirical analysis thus suggests that the stability variables seemed to have little effect on investment and growth.*

In a recent study, Bhattacharya (2002) has raised a similar concern that while macro-fundamentals of the economy continue to improve, these have failed to act as prime mover of growth and investment. *It is therefore necessary to understand the sources and fundamental foundations of growth, and the critical constraints to investment, whether these constraints are policy induced, structural and/or emanating from external shocks* [14].

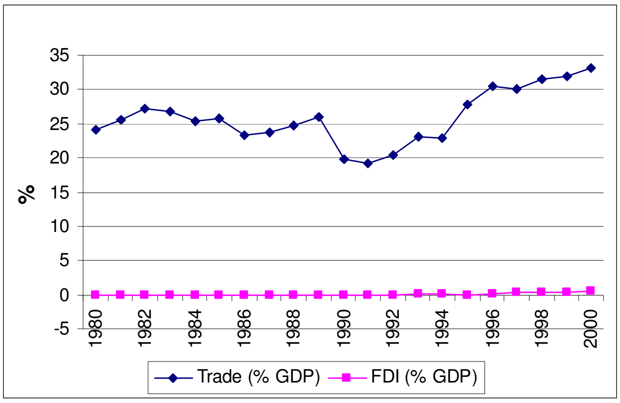
A related objective of the macroeconomic policies over the recent years has been to liberalise trade for greater global integration and participation. Policies have indeed resulted

[13] See Fischer (1993). He uses a regression analog of growth accounting, with panel data from a large number of countries to establish how growth is affected by stability variables.

[14] See Meier and Stiglitz (2001); Easterly (2001).

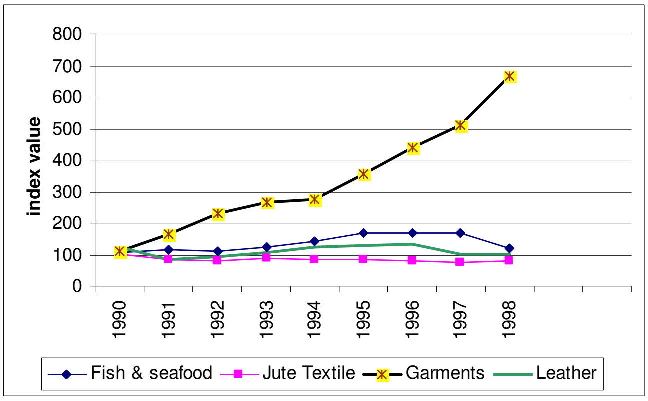
in lowering trade protection, although their true economic and social outcomes are yet to emerge. Trade openness has increased, and thanks to the RMG (see Appendix Figure A1, for the overwhelming growth in the share of total exports), exports growth has surged considerably.

Figure 3. Trend in trade openness



Notes: Trade openness is defined as the share of total export and imports as a ratio of GDP and also share of FDI in total GDP
Source: World Development Indicators (WDI) CD-ROM 2002

Figure 4. Trend in major export industries



Source: Data from Rashid (2002)

Trade openness indices, however *neither* provide an understanding of how the liberalisation reforms have led to more effective participation in global trade and investment, *nor* how far the trade impulses have effected growth of the tradeable sector (see later), and the economy in general[15]. True, several measures have been adopted to encourage RMG exports (export guarantee schemes, back-to-back L/Cs; bonded warehouse etc.), but these are unrelated to the measures introduced to encourage the 'overall tradeable' sector. The great surge in RMG exports (now more than three-quarter of export earnings), helpful as it has been for the economy, had been contingent on several conjunctural factors (quota free market access and special privileges, for example), and does not provide a yardstick of what liberalisation measures have achieved so far. A quick glimpse on the investment, industrialization and trade structures would attest to this observation.

One significant observation with respect to the economic performance of Bangladesh is the relatively fast growth in *per capita GDP*. Relative to overall GDP growth, per capita GDP has grown faster (Figures. 5 and 6). The demographic factor, often neglected in growth analysis seems to have played a significant role. In fact, Bangladesh would appear to provide an example of 'demographic transition' in a relatively low-income economy.

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[15] Muqtada et al (2002).

Figure 5: Trend in real GDP

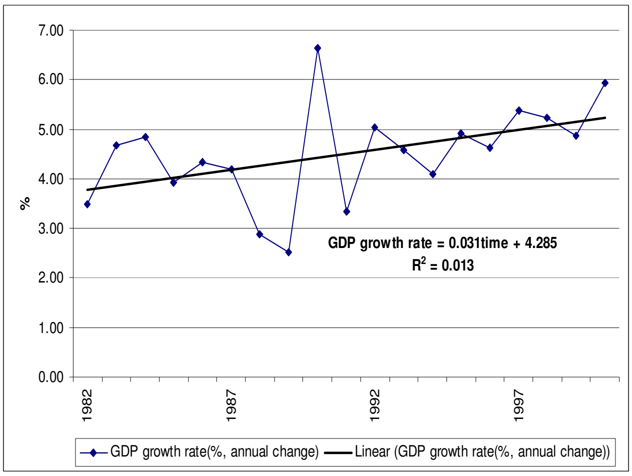
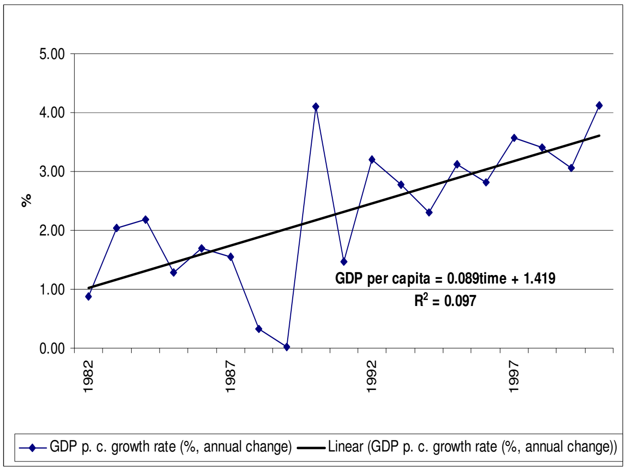


Figure 6:GDP per capita growth rate



Source: World Development Indicators (WDI) CD-ROM 2002

The population growth is declining perceptibly within a dynamic of declining mortality and fertility rates. There are several externalities of such a demographic transition. One dimension has been that while overall GDP growth has been modest, the per capita GDP rate has risen from 1.7 per cent in 1980s to nearly 3 per cent during 1990s (Table 4).

Table 4 : Determinants of growth in Bangladesh: Demographic factors

	1990	2000
Growth in total population	2.1	1.6
Life expectancy	54.7	61.0
Total fertility rate (birth per woman)	4.6	3.7
Infant mortality rate (per 1000 live births)	90.55	60.00
Age dependency rate	0.90	0.70
Urbanisation (urban population % of total population)	19.30	24.50
Labour force participation	49.3	72.1
Real GDP growth rate	4.17	4.80
Real GDP per capita growth rate	1.65	2.98

Note: Growth in total population related to 1985-90, 1995-2000 figures. Real figures: average for 1983-1990, and 1991-2000.
Source: World Development Indicators (WDI) CD-ROM 2002, World Bank, Bangladesh LFS 1999-2000, UNDP 2002.

3. Employment effects of macroeconomic policies

The discussion in the previous section has attempted to underscore that over the past decade or more stabilization and structural adjustment programmes in Bangladesh have yielded a reasonable degree of price discipline. However, these have failed to show how stabilization connects growth, investment and employment. Since employment crucially depends on the level and growth of aggregate demand, the inadequacy of growth, relative to the high levels of poverty and underemployment), would account for less-than-potential employment generation in the economy. In a labour-surplus country like Bangladesh, therefore, there is thus *the need to consider the goal of sustained labour demand as central to the objectives of macropolicy designs*. In fact some have argued that the aim of achieving labour shortages must lie at the heart of a development strategy[16]. Growth of output, however, by itself would not automatically produce desired levels of employment. It is also the *pattern* of growth, the technology, and capital-labour distribution associated with growth, that are equally significant. For instance, if macroeconomic and trade openness policies influence greater outwardness of the economy, the employment scorecard would depend on how far employment is gained or lost in shifting investment from non-tradeables to the tradeable sectors. Critical to bringing about *structural transformation* in the Bangladesh economy, would require not only *sustained labour demand,* but also *shifts in labour demand*, away from low-wage, low-productivity sectors to relatively higher wage, higher productivity sectors. Liberalization and trade impulses may help in such transformation, but need not *automatically* do so.

The evidence on the *net* employment effects of stabilization and adjustment is difficult to compile except through indicative measures, and broad statistics. The gains in employment have been estimated by individual authors from recorded output growth, aggregatively or disaggregated by sectors, and by applying past estimates of employment elasticities. Alternative estimates are suggested in the rather spaced-out Labour Force Surveys (LFS). Both can yield biases. The former can provide divergent employment figures since these are sensitive to slightest variations in the estimates of employment elasticities. The latter (LFS) often suffer from definitional inconsistencies, e.g. the introduction of “extended definition” to

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[16] Godfrey (1991); also see Bruton (2001) and Seers (1971) for persuasive arguments on why and how growth must be employment-focused.

employment and unemployment[17]. The most recent LFS report provides an employment growth rate of around 3 per cent for the period 1995 to 2000. In an ILO/UNDP study, using the employment-elasticity method, employment growth during 1990/91-1995/96 was found to be 1.7 per cent. It is not clear how and where such a jump in employment growth took place between the first and second half of the 1990s. The latter study tries to provide examples of some perplexing, and often contradictory figures[18].

Employment *losses* from stabilization and liberalization programmes are also gauged by the increase or decrease of disaggregated sectoral growth. What is often not so evident is the employment effects of shifts in investment from non-tradeable to tradeable goods. While the RMG sector shows perceptible employment gains, several industries have suffered decline due to import competition. Furthermore, substantial employment losses are associated with public sector downsizing, privatisation as well as restructuring of private enterprises. It is difficult to compile a total picture, given the lack of appropriate information.

The depth of the unemployment problem in Bangladesh is often elusive. Even if one were to accept 3 per cent employment growth as reasonable, one would note that it is still below the current labour force growth rate (3.4 per cent; Cf. LFS[13]). Thus, even with such a *relatively* high employment growth, the economy would not restrain a rise in the stock of unemployed let alone make any reduction possible in underemployment. Open unemployment has thus risen from 1.8 per cent to 4.9 per cent, during the past years. Even then, open unemployment at less than 5 per cent of the labour force is a rather spurious reflection of changes in the living standards. Open unemployment, given its definition, fails miserably to capture extensive work sharing and casual work practised in Bangladesh. In fact, the underemployment rate, which is around 31 per cent (Cf. LFS[13]), approximates far better the existing poverty incidence.

Thus, in the recent past, employment appears to have risen relatively satisfactorily compared to those in many Asian countries, but less so when compared to the current labour force growth rate. At the same time, given the recent trends in GDP growth, any further increases in employment growth would imply fall in productivity rates below 2 per cent. With such a current rate of productivity growth, a structural transformation of the Bangladesh economy would remain a rather long process.

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[17] See Bangladesh Bureau of Statistics, LFS (2002).

[18] See ILO/UNDP (2002).

The following table shows the shifts in the sectoral contribution to the GDP. Over the past two decades, agriculture's share has declined from 42 to 25 per cent, industry's has increased from 16 to 24 per cent, while that of the service sector has increased to more than 50 per cent.

Table 5. Sectoral contribution to GDP

	Agriculture	Industry (manufacturing)	Service
1980-85	42.16	16.50 (10.70)	41.34
1986-90	37.31	16.33 (9.56)	46.36
1991-95	26.65	22.56 (14.06)	50.79
1996-2000	24.87	24.42 (15.08)	50.71

Source: World Development Indicators (WDI) CD-ROM 2002, World Bank

Table 6. Sources of employment: changes in sectoral distribution

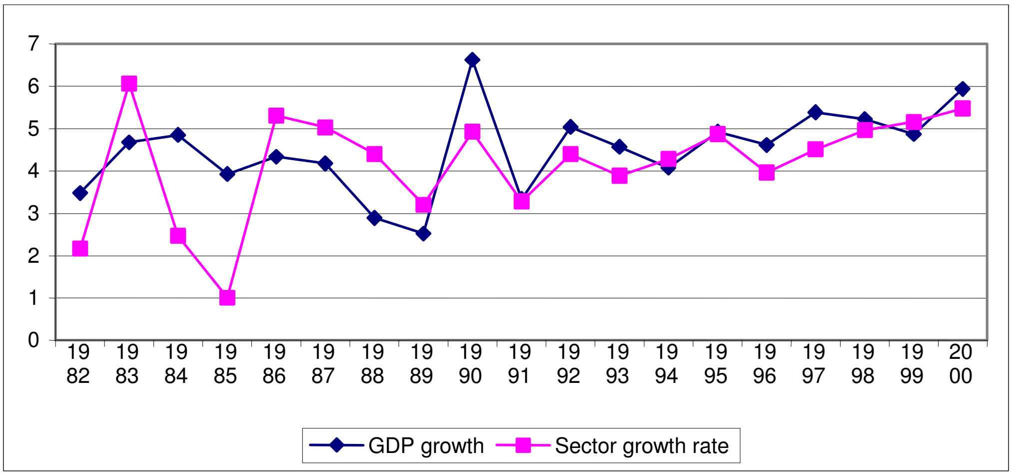
	Agriculture	Industry (manufacturing)	Services
1982	58.80	11.00	24.20
1983	57.70	11.50	26.00
1984	57.10	12.50(9.51)	26.50
1985	57.1	12.5(9.30)	26.5
1988	65.00	15.40	14.80
1989	65.10	15.60(14.00)	19.30
1990-91	65.90	12.90(13.0)	21.20
1995-96	63.20	9.50(7.5)	27.30

Source: World Development Indicators (WDI) CD-ROM 2002, World Bank, Rashid (2002), KILM 2001-02

While the above apparently indicates a substantial change in the sectoral distribution of GDP, structural transformation of an economy would require shifts in labour demand to the higher productivity sectors. Table 6 provides the changes in the sectoral distribution of employment. Contrary to symptomatic trends in development, agriculture's share in employment, instead of declining, has increased from 59 to 63 per cent. The share of industrial employment has declined from 11 to 9.5 per cent, with manufacturing employment accounting for a meagre 7.5 per cent. Service sector employment has risen from 24 to 27 per cent. Given the acceptability of these statistics, one hardly discerns a perceptible change in the structure on the economy. While agriculture has grown by more than 4.5 per cent annually during the past few years, the average productivity remains relatively low. Wages in the sector have hardly risen, but by only 7 per cent of their 1969-70 levels (see Appendix Table A2). The ratio of agricultural to manufacturing wages has been declining. Added to the syndrome of relatively lower wages and productivity, employment in the sector has risen by a higher proportion, often engaged in work sharing.

The service sector accounts for more than 50 per cent of GDP. The service sector in Bangladesh, as is well-known, is curious amalgam of petty services, retail trading, personal, social and community services and several such, mostly informal, activities. Such services have grown both in urban as well as in rural areas (e.g. substantial non-farm and non-agricultural income, may accrue to a household which is primarily considered "agricultural")[19]. In the absence of a sizeable modern service sector, the *productivity* of such petty and informal services is difficult to measure. Though generally dubbed as a low-income and low-productivity sector, one must note that the growth in this sector (accounting for half of the GDP !) has contributed significantly to overall GDP growth over the recent past (see figure below).

Figure 7. Trend in GDP and Service Sector Growth rates, Bangladesh Economy



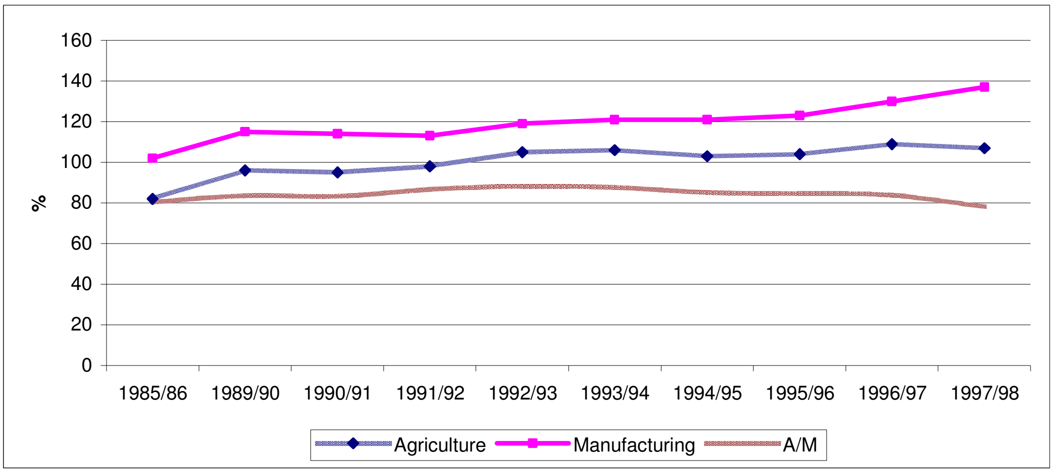
Source: World Development Indicators (WDI) CD-ROM 2002

The dismal employment performance in the manufacturing sector is a great puzzle. Employment in manufacturing has apparently fallen in both *absolute* and *relative* terms, possibly characterizing a syndrome of "de-industrialization" in the Bangladesh economy. This has occurred despite the substantial growth of jobs in the new, export-oriented industries, especially in the RMG sector. Employment has mostly suffered in the traditional sectors, esp. in those industries which have been adversely affected by competition from imports. One must note that while employment in the sector has declined, its relative contribution to GDP has increased, implying a possible rise in relative productivity. This is, to some extent, also

[19] ILO/UNDP (2002).

reflected in increasing wages in manufacturing (see Figure 8; also Appendix Table A2), relative to the near stagnant wages in agriculture. Yet, contrary to received wisdom, à la Lewis and others, labour has hardly moved from agriculture to industry. The reasons for this need to be explored further: some attribute this to the strict labour market regulatory framework ("insider-outsider" theory), others to increasing capital-intensity in the manufacturing sector that is guided by technology and competitiveness considerations. It can be stated, with caution, that if the relative rise in productivity is an indicator of increase in shifts to tradeable goods, liberalization measures may have effected such an outcome. Nevertheless, employment-intensity of such allocative shifts has been negative. Under such scenarios, Bangladesh would require a long time before achieving the preconditions of a labour market tightening towards structural change.

Figure 8. Trend in Agriculture and manufacturing wage rates, Bangladesh Economy

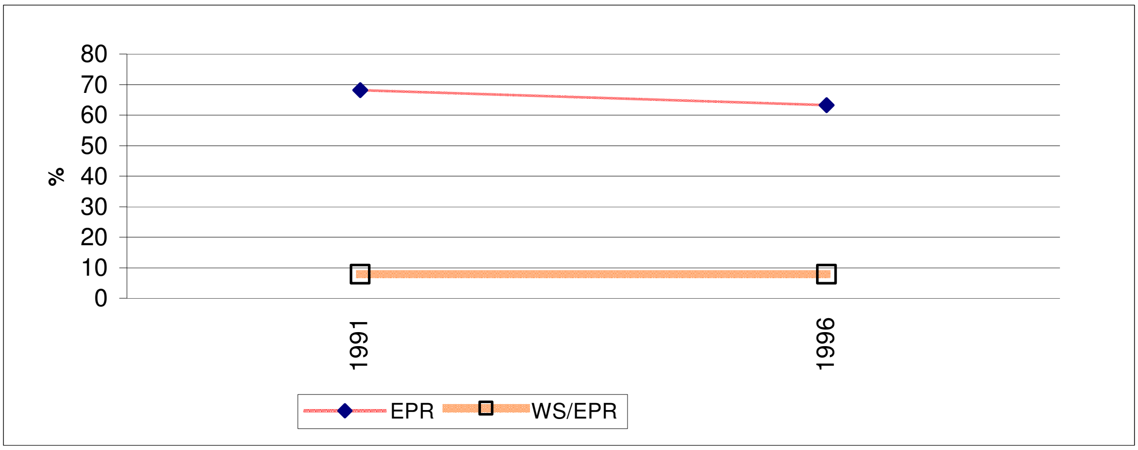


Source: Data from Rashid (2002)

4. Labour market adjustments and the context of labour policies

Employment performance, and labour market developments are significant reflections of the outcomes of various reforms, adopted in the economic, labour policy and institutional fields. We have observed that very little progress vis-à-vis the goal of "full, productive and freely chosen employment", which constitutes one of the four strategic objectives of ILO's *decent work* framework. Unemployment in fact has risen; and underemployment, at 31 per cent, partly indicates the extent of labour *underutilization*. Equally significant, *formal sector employment* has hardly shown any increase (see Figure 9).

Figure 9. Employment population ratio (EPR) and Wage employment (% EPR)



Source: KILM CD-ROM 2001-02.

As a consequence of stagnant or slow growth of formal sector jobs in the public or private manufacturing sector, and increasing labour supply pressure in the agriculture sector, there has been an expansion in informal sector activities. These developments would only exacerbate the *dualism* that currently exists in the labour market. A fundamental objective of both macroeconomic and labour policies would lie in narrowing the formal-informal sector divide, through increased labour demand on the one side and through enhancing the quality of employment[20].

The decent work strategy indeed warrants an understanding of how macroeconomic and labour policies would interact to produce better employment and labour market outcomes. Employment, one would reckon, has both economic and social connotations; the latter deriving from the concept that *labour is not a commodity*[21], and that policies towards labour markets could not be the same, or have similar effects, as those towards other factor or product markets[22]. And it is precisely within this context that labour market institutions and the labour regulatory framework (the "Labour Code") have evolved[23].

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[20] From the vantage point of ILO, this would warrant promoting *decent work for all*.

[21] Cf. the Philadelphia Declaration.

[22] See Coates (2000).

[23] "If neo-liberal intellectuals genuinely want labour to be efficient, they have to treat workers as people, and not simply as commodities; and yet that is something which neither their theoretical systems nor their policy predilections encourage them to do." See Coates (2000).

These considerations are conspicuously absent or muted in the neo-liberal underpinnings of stabilization and liberalization. The macroeconomic policy stance here, which warrants an initial depression of effective demand (to ease a balance-of-payments crisis!), would thus imply an adjustment of labour supply and demand through lowering of wages and costs. If wages are sticky downwards, this would lead to further unemployment than warranted by the initial fall in effective demand. Further, in this orthodox framework of liberalization, wage declines are deemed necessary to sustain gains (esp. in the tradeable sector) from such expenditure-switching measures as devaluation[24].

The labour policy, dictated by the stabilization framework, thus calls for *flexibility in real wages*, and variability of labour costs, through which firms would adjust to price fluctuations. (It is important to note here that labour demand is influenced more by product market variations than wages). The labour policy further advocates *employment flexibility* and a reduction of the influences of labour market norms and institutions. Wages and employment flexibility together would then allow both short-term price adjustment as well as longer-term restructuring of enterprises.

In Bangladesh, it is difficult to compile hard evidence on how far labour markets were deemed "rigid", and to what extent flexibility, both in terms of wages and employment, was achieved. The cursory and anecdotal information available point to a rather mixed picture. As noted earlier, real wages in the manufacturing sector somewhat increased, while agricultural wages remained largely static. Jobs appeared to have declined in the formal sector, through shedding of labour in civil service, privatization processes and restructuring and closure of enterprises.

Although there was a call from the protagonists of stabilization and liberalization reforms to flexibilize labour markets, there were no new immediate enactments. However, initiatives were taken to define new labour policies, and functional roles of the relevant stakeholders, through drafting a new Labour Code in 1994, in order to align labour policies to the new "liberalized" economic framework[25]. This regulatory framework is yet to be finalized and endorsed. Here, one must note that the above would apply to only a small fraction of protected labour in the formal sector[26]. According to some rough estimates, only *a fifth of the*

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[24] If the price of tradeables increase due to a wage increase, prices of non-tradeables are likely to rise. This would reduce the effects of nominal devaluation. Cf. Fallon and Riveros (1989).

[25] Muqtada et al (2002).

[26] Ibid.

manufacturing sector workers and less than 3 per cent of all workers are protected by labour laws[27]. The vast majority of workers, in the agriculture sector, rural non-farm sector, urban informal sector, casual labourers, own-account workers, are outside the confines of the regulatory framework. It needs to be noted, though, that there are mandated statutory minimum wages, etc. for rural and agricultural workers. There, the issue is one of non-compliance.

The rigidity of the *formal labour market*, it is often argued, stems from the following:

- inability of firms to exercise numerical flexibility (hiring and firing) often hindering major restructuring;
- wage indexation, linked often to rising inflation and not to productivity;
- non-wage costs, as mandated, (and which may not be linked to performance) hindering cost competitiveness.

There, however, exist very few searching reports to suggest that these elements, over the years, have led to labour market rigidity in general. Certainly, in specific public sector enterprises, banks and insurances, there is evidence of over-manning, and privatization of these is proving to be difficult. Politically lax decisions at the time of creating random employment in SOEs would now need to be matched by equally firm political negotiations and close social dialogue. Barring these, it would be difficult to establish that formal sector employment thus far is being inhibited by the labour regulatory framework[28]. Further research is needed to understand whether alleged labour rigidity is providing a “scapegoat” to greater recourse to capital-intensity in the private formal sector, which has registered substantial productivity growth in the recent years.

Nevertheless, workers in the organized sector are certainly better off in real wage bargains, which also tend to widen wage inequality between formal and informal labour, and more significantly, to restricting labour mobility. One must also note that even in the so-called protected sectors, there are inadequacies of the labour regulatory framework (lack of unemployment insurance; restricted social security coverage).This is particularly observed in cases of lay-offs/retrenchments. Retrenched workers may receive compensation, but little else in terms of their rehabilitation in the labour market[29].

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[27] Cf. Mondal (2002).

[28] See Freeman (1994); Camargo et al. (1995).

[29] ILO/UNDP, op. cit.

All these labour market issues have profound implications for reviewing existing labour market policies and *devising a comprehensive labour market policy framework that would relate well to the macroeconomic reforms, to focused development of competitive skills, as well as to ensuring of adequate protection to all workers and vulnerable groups,* especially those susceptible to random macroeconomic shocks. Devising such a comprehensive labour market framework would constitute a critical instrument in the attainment of desired employment outcomes.

5. Towards decent work: A cursory view

The various issues discussed above concerning employment and labour market performances, at once, underpin *economic* and *social* concerns, and once again remind us of the need for simultaneously achieving material and social progress. These have been after all among the end objectives of past planned development in Bangladesh, as abundantly recorded in the country's previous 5-year Development Plans. Perhaps it would not be an exaggeration to suggest that a focused pursuit (that was potentially possible, but often gone patchy) of these goals came to be superseded by the prerogatives of the stabilization and liberalization programmes. The fragile empirical foundations of these economic reforms, as noted earlier, have reinforced concerns over "development: which way now"[30].

The "decent work" agenda of ILO, introduced at the outset of this paper, attempts to resurrect the rationale and content of a development strategy in today's era of stepped-up globalization. Through the simultaneous pursuit of its four strategic objectives – employment, social security, fundamental rights at work and social dialogue – the agenda demands a close *interaction* of economic and social policies. If negative social effects are seen linked to, and originating from the economic order (as often attributed to macroeconomic policy reforms), it is perhaps not enough to confine simply to mitigating these negative social effects. A close interaction of economic and social policies would thus imply seeking not simply a social legitimacy of economic policies, but also *a priori determining economic legitimacy of the social order* that a country envisions through its development framework. The DW agenda provides, in the world of work, a broad-based (unlike narrowly-defined targets) objective that

[30] Cf. Sen (1983); this is, in fact, the title of his article reflecting on the fundamental goals of development. Also see Ocampo (2002); Meier and Stiglitz (2001).

is in conformity with the emerging international order towards *integrated* economic and social progress, underpinned by campaigns (at the national and international levels) against mass poverty and unemployment/underemployment, and breach of fundamental human rights.

In this section we shall provide a brief cursory account of where Bangladesh locates itself in the DW agenda, esp. in the pursuit of the four inter-related strategic objectives. A few cautions and caveats are in order. *First,* DW does not conform to achievement of a single statistic (e.g. per capita GNP) nor (as yet) to a composite index (e.g. the HDI of the UNDP). *Second*, since by its very nature, DW encapsulates outcomes of economic, social, legal and institutional changes (hence positive and normative elements), identification of relevant variables, and indicators of progress in each pose enormous challenges (Anker et al, 2002). *Third*, while research is underway at the ILO to identify key measurable indices of DW the present author has made some estimations, based on variables identified in Anker et al. (see Appendix Table A3 for a full list of the DW indicators currently in focus). One must note that many of these indicators are *individually*, widely in currency; these are often not pieced together towards a succinct picture of social and material progress. *Fourth,* there are a lot of problems in respect of data availability, and in some cases, proxy variables or some subjective measurement need to be introduced. The significant point to note is that these variables largely attempt to capture the *quantity* and *quality* of employment.

Let us briefly scan through the *broad changes* in these variables, discussed along the four strategy objectives of DW. Table 7 provides a summary of statistics, that are built around Anker et al (2002)[31].

The first element concerns **rights at work** (note: “labour is not a commodity”), and is subsumed within a country’s overall commitments to upholding and promoting fundamental human rights. These rights are, in fact, constitutionally guaranteed at the national level, and contained in various universal declarations and conventions to which Bangladesh is committed. The ILO’s core labour standards, which form the basis of the first dimension of DW, are in conformity with these principles to foster respect for the fundamental rights in the world of work.

The core labour standards relate to promotion and safeguarding of *freedom of association*, and to the progressive elimination of *child labour*, *forced labour and discrimination at work*. So far as statistics are concerned, Bangladesh has ratified seven of the

[31] These statistics do not claim to provide any *definitive* DW picture, for which a much more in-depth statistical and analytical enquiry is necessary.

eight conventions that relate to the above rights. It is yet to ratify convention No. 138 (Minimum Age convention), one that underpins concerns over the use of child labour.

Ratifications of conventions is only part of the scenario. What is more important is their pervasive application and effective implementation. In addition to the legislative fiats and enactment of bills, a thorough policy mechanism and institutional framework are needed to be put in place. Thus, despite clear commitment of the government to eliminate child labour, the incidence of child labour remains high. It must be noted, though, that Bangladesh has taken several measures to combat child labour, and it may require some time before the benefits are registered. Again, while freedom of association is safeguarded, there are significant handicaps to development of healthy labour institutions and movements. On must note here that the labour market regulatory framework caters to less than 3 per cent of the workforce. The bulk of the workforce is outside the purview of whatever legislations exist. Moreover, in the recent past, there had been great inertia in introducing workers rights, esp. freedom of association in the fast-growing RMG sector in general, and in the EPZs in particular[32]. The government has lately committed itself to introducing trade union rights in the EPZs.

Table 7. Selected Decent Work Indicators for Bangladesh*

	1985-90	*1995-2000*	*Level (Change)*
Employment opportunities			
Labour force participation rate	49.30	72.10	+
Employment population ratio	45.70	63.20	+
Unemployment rate (%)	1.80	4.90	-
Underemployment rate (% of total labour force, working < 35 hours in a reference week)	16.6/ 31.9		
Ratification of ILO's core labour standards	Ratified 7 out of 8 core conventions, except C138 (Minimum Age convention, 1973)		
Unacceptable work			
Children in wage employment (%, by age)	12.20	12.90	-
Adequate earnings and productive work			
Real manufacturing wage Index (1969/70=100)	102	137	+
Decent hours			
Excessive hours of work (% employed)	36.40	39.00	-
Stability and security at work			
Temporary work (% of employees)	15.10	23.83	-
Fair treatment in employment and at work/ Gender equality			
Female labour force participation rate (%)	61.60	51.80	-
Female/Male in major occupation (%)	16.66	25.38	+
Ratio of Female/Male average wage rate (day labourers)		58.46	
Female employment in RMG industry (% of total employment)	85	90	+
Female unemployment rate (% of total female labour force)	1.9	2.3	-
Female/Male in Professional, technical occupation (%)	41.86	31.38	-
Ratio of Female to Male (%, Primary school enrolment)	86.67	96.00	+
Ratio of Female to Male (%, Secondary school enrolment)	50.60	111.11	+
Share of women in Public Service (%)	6.3	9.1	+
Share of women in the total primary school teachers (%)	12.9	27.5	+
Share of female members in the Parliament (MPs)(%)	10.3	11.2	+
Women participating in the national election (%)	1.7	1.9	+

[32] See Hossain (2002); Mondal (2002), op. cit.

Gender Development Index	0.339	0.468	+
Social protection			
Social Security benefits expenditure (% of GDP)	2.10		
Health expenditure, total (% of GDP)	2.75	3.61	+
Public educational Expenditure % of total government expenditure	9.9	13.8	+
Total social sector allocation in annual development program (%)	11.00	24.10	+
Formal sector employment (% of total employment)	11.7	13.1	+
Self-employment (% of total employment)	26.8	32.3	+
Unemployment benefit (establishments under regulation)	Labour Act of 1965 provides ½ average basic wage for 120 days for monthly rated (permanent) workers; 60 days for casual workers; and 30 days for temporary workers.		
Social dialogue and work place relations			
Union density rate	15.30	4.30	-
Number of strikes and lock outs	95.00	5.00	+
Workers involved in strikes and lockouts ('000)	198.00	6.00	+
Workdays not worked as a result of strikes and lockouts ('000)	285.00	3.00	+
Collective wage bargaining coverage rate	Trend in past 10 years, increase in both national/sectoral level, and company/plant level.		
Economic and social context of decent work			
GDP growth rate (% annual change, real)	4.25	4.80	+
GDP per capita growth rate (% annual change)	1.65	2.98	+
Output per employed person	4265.00	4790.00	+
Inflation (% annual, CPI)	9.87	2.38	+
Adult Literacy (%)	32.0	41.30	+
Composition of employment –agriculture	57.10	63.20	+
Composition of employment –Industry	12.50	9.50	+
Composition of employment –Services	26.50	27.30	+
Access to safe water (% of population)	80	97	+
Persons per hospital bed	3635	3307	+
Persons per physician	6886	4915	+
Daily per capita calorie intake (k.cal)	2191	2244	+
Income inequality ratio (ratio of top 10 % to bottom 10%, income or consumption)	7.00	8.80	-
Gini index	25.90	31.60	-
Poverty (< 1 USD/day or 2)		29.10	
Population below poverty line, national (%)	47.80	35.60	+
Human Development Index	0.318	0.480	+

Notes:* There are some key indicators, currently under research at the ILO, to chart a country's progress towards "Decent Work". Anker et al (2002) provides a detailed account of key DW indicators (see Appendix Table A3) from which the above indicators are taken and/or modified in keeping with data availability. Labour force participation rate, Unemployment rate (usual definition), Children in employment (5-14 years % of total labour force), Excessive hours of work (average hours of work in week), temporary work (day labourers % of total employment), female labour force participation rate (%, extended definition), female-male ratio in major occupation (%), female-male ratio in professional, technical occupation data are obtained from LFS 1999-2000. GDP growth rate, Inflation, Health expenditure, total (% of GDP), Public education expenditure (% of total government expenditure), composition of employment data are obtained from WDI 2002 CD-Rom. Total social sector allocation in annual development program (%), Population below poverty line (%, national) are quoted from Rashid 2002. Female employment in RMG data quoted from Khundker. Social Dialogue and work place relations are obtained from World Employment Report 1997. Adult literacy (%), HDI, GDI, data are obtained from HDR-UNDP. Formal sector employment and self-employment data are from IMF 2002.Income inequality ratio; Gini index and per capita output data are from ADB and WB. Access to safe water, Persons per hospital bed, persons per physician, daily per capita calorie intake (k.cal) data are obtained from BBS.
(+) implies progress of the indicator, and (-) vice-versa. Data are shown for the latest years available in the given period.
Sources: LFS 1999-2000, ILO WLR 1997-98, WDI 2002, IMF 2002, UNDP HDR 2002, Rashid 2002, ADB 2002.BBB/Planning Commission.

Discrimination at workplace is another important dimension of respect for basic rights, gender discrimination in particular. Several studies appear to show that despite pervasive discrimination that still exists, Bangladesh has shown perceptible progress[33].

Several statistical indicators on gender equality provide key focus on the relative opportunities of females with respect to males in the labour market, and also in the society in

[33] See B. Sen (2000).

general. The data indicate that except for female labour force participation rate[34], female unemployment rate, and female-to-male ratio in professional/technical occupation, all the other indicators registered varying degrees of progress over the years. In term of educational progress, both in primary and secondary school enrolment ratio (gross), there has been a steady increase in female enrolment. Moreover, indicators on political participation also showed some sort of a positive outcome, with overall Gender Development Index, assessing the relative position of the women in the society in terms of men, improving from 0.339 to 0.468[35].

Employment. A second element of DW is work and employment. The employment performance has been discussed in the previous sections. It may be noted that the employment objective as stated in ILO's convention 122 (yet to be ratified by Bangladesh) refers to a commitment to achieving "full, productive and freely chosen employment". Bangladesh's unemployment rate (less than 5 per cent) would appear to rank the country among the developed full-employment economies. We have noted the "flaw" in such estimates, and further that the time-related underemployment rate of nearly 31 per cent approximates the poverty levels in the country.

Of equal concern is that formal sector job growth has been stagnant. Formal sector job growth also allows possibility of *formal employment relationships* to emerge, which in turn could support the extension of the labour regulatory framework and decent work. The modern sectors have added very little to job creation, and public sector employment has fallen with the sector's downsizing.

With the existence of extensive surplus labour, mostly work sharing in agriculture or informal activities, there has been an increase in the use of subcontract, temporary and casual work. Table 7 shows that temporary workers as percentage of employees rose from 15 per cent to around 24 per cent. Such a feature also contributes to increased *insecurity* and vulnerability among the workforce.

Another work-related feature, viz. the number of hours worked by and individual worker, also showed a deterioration in working conditions (see Table 8). The latest LFS reveals that close to three-quarters of the employed workforce, whether in agriculture, industry or services, work for more than the standard 40 hours per week. This, in view of the

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[34] The decline in female labour force participation is not easily understood. LFS has often changed definitions of what constitutes female labour.

[35] See Table 7, and source quoted therein.

high and persistent poverty, implies that work is not adequately *remunerative*, and that there is high incidence of the *"working poor"*[36].

Table 8 : Employed persons aged 15 years and over by weekly hours worked, 1999-2000
(Percentage distribution)

	Male	Female	Total
<15HRS	0.92	5.99	1.95
15-19	0.38	8.26	1.97
20-29	6.07	38.56	12.65
30-39	8.25	15.47	9.71
40-49	36.47	19.96	33.13
50-59	28.42	7.57	24.20
60-69	11.62	2.43	9.76
70 & ABOVE	8.19	1.75	6.63

Source: LFS (2002), Bangladesh.

Employment, as noted, appears to have grown at around 3 per cent annually over the past few years. This appears as a fairly high growth rate, but not so considering the current labour force growth rate, and that much of this employment took place in low productivity informal sector activities. Nevertheless, if such a labour demand can be sustained through a higher growth rate (say 6-7 per cent), Bangladesh could perhaps experience a labour market tightening over the next few years[37]

Social protection. A third dimension of DW is *social protection*. At the outset it should be noted that social protection, as exists in the advanced Western European countries, is in a miniscule state in Bangladesh. The protected workers in the civil service, public enterprises, autonomous agencies and limited private sector firms enjoy varying scheme of pensions, provident fund, health and group/life insurances. The Labour Act of 1965 provides for some unemployment benefits to workers of establishment that come within the purview of the labour code. Social protection, thus defined, fails to cover the bulk of the workforce anywhere else.

In the absence of any formal mechanisms of social protection, *almost the entire workforce is in some sense vulnerable*, and hence there is little basis to report progress on. Nevertheless, Bangladesh has over the past decades supported a large number of *surrogate* approaches, including the well-known micro-finance and multi-purpose programmes (BRAC, Grameen Bank are some laudable examples), to protect incomes and jobs of the poor. These

[36] See Majid (2001) for details on the concept and the measurement of the *working poor*.

[37] See ILO/UNDP (2002) for some employment projections under alternative growth scenarios.

include special employment schemes, expenditures directly targeted to the poor, income transfers, public works programme, training and access to assets, etc. While the bulk of these projects, whether conducted by the government or NGOs, have been under scrutiny concerning their coverage or inadequacy of benefits, a few have indeed made perceptible impact.

These targeted programmes, inadequate as they are in coverage, have been among the only source of "protection" from the vulnerabilities and shocks that have arisen out of the stabilization and liberalization processes[38]. In point of fact, these appear to constitute a critical basis of management of natural disasters which so frequently afflict people's employment and income entitlements. A well-designed and well-coordinated safety net programme could ensure wider coverage and more systematic protection.

In terms of public expenditures, those on education and health have registered an increase during the two time periods considered (see Table 7). Social sector allocation in the ADP has also gone up substantially.

Strategic thinking is needed on how best Bangladesh could make the first steps towards devising a *comprehensive approach to social protection*, how far this could be made feasible given financial and institutional constraints, and how the various stakeholders (business and workers groups, public expenditure support, civil society), could come together proactively in such an initiative.

Social dialogue. The fourth dimension of DW concerns social dialogue, an instrument that fosters democratic principles, and cooperation among the business groups, workers groups and the government. Again, as transparent from the discussions of the three previous elements of DW, the extent of tripartism and/or bipartism is confined to the very small formal sector. Public and private sector employees together constitute less than 5 per cent of the workforce. Of that less than 3 per cent have union membership[39]. The bulk of the workforce are thus not formally organized, which restricts their ability to negotiate.

Within the unionised workforce, the density rate has declined over the two periods at stake (Table 7). The number of strikes and lockouts, and workdays lost as a result of such strikes, appears to have declined. While these features bode well, it may be noted that most often such (general and industrial) strikes are triggered more on political beckoning than on

[38] See Ahmed (2002).

[39] See Mondal (2002).

considerations of real demands of the common employee/worker. The multiple national federations of trade unions have close affiliation to major political parties.

Another important feature of the weak industrial relations system concerns representation and voice of women workers, who are entering into wage work in fairly large numbers. This trend has come about with the upsurge in RMG manufacturing and exports. Until recently, RMG sector was exempted from introducing trade union rights, and even now, there is pervasive fear among women workers to organize. In fact women workers are more vulnerable in such industries, and all the stakeholders need to recognize and support their basic rights at workplace.

While the new Labour Code (drafted in 1994) is in the process of finalization, one must note that its effectiveness would lie in building social consensus on its details, and forging of fair compromises on potentially conflictual situations, such as observed in the process of privatisation. A healthy labour movement should be encouraged, not discouraged; an efficient industrial relations system should be extended, not weakened; labour market institutions should be de-politicized, and not abused towards political gains.

In lieu of conclusion. The brief and fleeting glance on how Bangladesh has performed on account of the DW agenda shows a mixed picture[40]. This is further evident from Table 7 that summarizes key development, positive and negative. Pending further articulation of these indicators towards a more composite understanding, the interpretation of the statistics needs to focus on simultaneous progress along the four stated objectives. Some of the broad conclusions are already stated in the preceding paragraphs, and need not be repeated here.

There is certainly tangible interrelatedness among the indicators of these objectives[41]. For instance, an increase in gender development index is closely associated with an increase in females in educational enrolment. Similarly, a stationary state in the growth of formal modern sector jobs is associated with a sharp increase in temporary and insecure jobs. While these positive associations may connote elements of "synergy", there may be others that denote "trade-offs"[42]. *A cautious interpretation and conscious choices may be necessary to*

[40] The government, in collaboration with the ILO, has recently initiated a DW plot programme, from which a fuller DW account is expected.

[41] A composite understanding could be enhanced through a possible formulation of a DW index; alternatively through research on simultaneous equation models, or latent variable approaches (cf. Basu, 2002) to capture broad inter-relatedness of the objectives.

[42] Cf. Rodgers (2000).

judge progress on the DW agenda, viewing that such progress is predicated on policy, legal and institutional measures.

6. The design of macroeconomic and labour policies: broad considerations

In Bangladesh, a primary goal of paramount priority lies in achieving "full, productive, fully chosen employment" if it were to achieve sustained poverty reduction. Formulating such an employment strategy would require articulating the combination of macroeconomic and labour policies which would engage the labour force in expanding productivity and national wealth, ensure their basic social protection and develop the necessary policies and institutional framework for resolving distributional conflicts[43] . While decent work *for all* would necessarily tend to imply employment for all (i.e. *full employment*), there are indeed questions of trade-offs and sequencing here. Is there an issue of jobs first, good jobs later? This has possibly been the trajectory followed in some of the South-east Asian countries where growth and employment were generated under strictly controlled labour policy regimes. However, the social consequences of the Asian economies crisis tend to bear out that "administered" labour market flexibility and lack of appropriate social safety mechanisms created much more vulnerability among the workforce than if these mechanisms were in place[44]. The need for building up social safety net measures and social protection framework alongside economic and employment performance has been greatly reinforced by the recent volatile record of globalization. Greater integration with the global econoy is required, but it is also necessary to create safeguards to withstand greater exposure to external shocks.

Macroeconomic policy considerations. As argued in an earlier section, the WC-based framework of macroeconomic policy reforms was largely focused on getting prices right, and on maintaining a stability in balance of payments. Within this framework, prices *have* stabilized to a large extent, but growth and investment have been less than adequate. It is, in fact, a pervasive disenchantment on price fetishism that has made way for the PRSPs (poverty

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[43] See Rodrik (1999) for persuasive arguments on this.

[44] Cf. Lee (1998). This has also been somewhat true of the USA in the recent past, where job insecurity has grown perceptibly with the economic slowdown since early 2002.

reduction strategy papers) to "succeed" the WC programme[45]. In Bangladesh, as possibly in other PRSP countries, *there are innate tensions between the price-focused macro reforms and the macro strategy that would foster the development agenda behind the PRSP*. Unless alternative macro models are formulated to address the poverty strategy, the PRSPs will be simply reduced to social programmes and social "add-ons"[46]. The formulation of a macroeconomic policy framework must be central to the PRSP strategy. *In order to accommodate the goal of poverty reduction and full employment, there is a need to think afresh the stabilization targets and standards, such that a relatively greater "fiscal space" can be created in order to finance development, and foster investment and employment growth.*

Our arguments thus far suggest that the design of macroeconomic policy framework would need to factor in the following considerations:

- A macroeconomic framework needs to be accountable to the economic and social objectives. A return to the goal of full employment, being echoed by many, provides an alternative objective[47]. Such an objective needs to be fostered within a longer-term framework of sustained investment and growth, and not through "short-termist dashes"[48]. If the DW and other indicators are seen linked to and emanating from the economic policy framework, it is necessary to address the *disease* (lack of remunerative employment; social protection, etc.) side by side with the provisions for treating the symptoms (targeted poverty programmes, etc.).
- An employment centred macroeconomic strategy would then require a reconsideration of Keynesian demand-management policies, alongside price stability considerations.
- In setting macro-targets, one should consider that these are feasible and are flexible within bounds of alternative growth and employment scenarios. Here, for instance, a useful guide would be on identifying the toleration limits (of inflation and budget deficits), and drawing up alternative scenarios of getting the labour force fully employed.

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[45] See Ames et al (2001) for an understanding of the shifts in macroeconomic policy stance of the Bretton Woods institutions.

[46] Cf. CPD (2002).

[47] See, for example Krugman (1999), Tobin (1996), Bruton, *op. cit*.

[48] Cf. Brown (2002).

- The macro instruments, fiscal strategy in particular, would need to be related to an appropriate *financing of the development strategy*. This would depend not only on markets, but also on prudent public interventions – in physical and social infrastructure, as well as in other fields to *induce* further private investments. In Bangladesh, public investment has remained virtually constant while private investment has risen, rather modestly (see Appendix Table A4). The evidence, if any, on the *correlation* between public and private investment is largely one of "crowding in" effect. An effort to enhance effective demand would require an increase in autonomous expenditures, esp. through prudent and *focused* public expenditure and through enhancing private investment.
- A mildly expansionary fiscal policy may entail a degree of inflation, but so long as it is within bounds of tolerable price rise and debt service ratio, it can, in fact, be *conducive* to reducing idle capacity and unemployment.

  It is now fairly evident that creating a stable environment is only part of the story. There is equally a need for understanding the broader environment that supports the macro fundamentals to prove effective. There is no automaticity that (i) getting prices right will *sustain* stabilization, (ii) stability will usher in growth, and (iii) growth will lead to employment generation. All these imply that the macropolicy framework needs to be supported by a number of other policies, microeconomic and institutional.

Articulating labour market policies. It is in the above context that labour policies assume crucial significance. Currently, the LMP framework in Bangladesh is largely informed by a *regulatory* framework, the Labour Code, and a range of varying policies and services, such as regards vocational and skills training, targeted employment and income schemes, and public employment services. Active labour market policies (ALMP), and associated rules and institutions, as conventionally understood in the advanced industrialized countries, are either non-existent, or only partially developed. Some of the critical considerations in the formulation of a labour policy framework (LMP) are set out below.

- A dominant consideration of an articulated LMP would lie in its ability to facilitate matching of supply and demand for labour, under constantly shifting market signals and firm-level restructuring. Notwithstanding that, in Bangladesh, the LM *regulatory* framework itself relates to a small fraction of the workforce (organized labour), the LMP framework would need to be developed, and meaningfully linked to macroeconomic policy measures towards the fundamental goal of "full, productive freely-chosen employment"[49].

- The LMP framework would indeed have to reflect and safeguard constitutional guarantees on basic human rights (as mirrored in workplace rights), as well as those needed to give effect to international commitments, such as ILO's Fundamental Principles and Rights at Work. The LMP framework, in order to promote decent work *for all*, would also need to focus on facilitation of job creation, income support and greater mobility of labour, especially across the *formal-informal sector divide*.
- As a significant ingredient of the LMP, *special targeted* programmes would need to be designed and extended to provide employment and income support and security, especially to the more vulnerable groups. The extent to which such programmes can offer coverage would be guided by the fiscal space and priority.
- The LM *regulatory* framework attempts to ensure that labour is not treated as a commodity. Regulations, however, do not imply that all wages and hiring/fixing should be strictly institutionally mandated, without any relationship to productivity. It can then lead to, as indeed has happened in many state-owned enterprises, labour becoming a *fixed cost*, and the economy being saddled with sick industries. A sound LMP needs to avoid such a zero-sum, often conflictual, situation. At the heart of the problem is the need for a regulated *numerical flexibility,* the lack of which appear to affect employment generation, investment growth and firm-level restructuring.
- Most importantly, numerical flexibility would call for an a priori design of social *safety nets*, such as through *unemployment insurance*. Other active labour market policies, e.g. *retraining* and *redeployment* mechanisms would need to be embedded in a renewed LMP framework. Innovative programmes would need to be designed to cast a wider safety net to include informal workers.
- Similarly, the *wage-setting mechanism* must be reviewed to ensure that wages have a fair correspondence with productivity gains, and to allow greater labour mobility and employment generation. The existing LMP framework provide for a *minimum wage* as a social protection and a poverty measure, although this does not quite apply to the majority of the unskilled workers (in the non-formal sectors) who need it most. Mechanisms and institutions need to be devised for ensuring wider coverage, and better implementation and compliance.

[49] See ILO's convention No. 122.

- In increasingly opening up its economy, Bangladesh will need to formulate a LMP that would draw clear lines in respect of the apparent trade-off between competitiveness, on the one hand, and the need to ensure minimum labour standards. There is already a growing awareness, as regards FDIs, for example, that "cheapening the cost of labour and "worsening" the conditions of work are poor alternatives to expansion of human skills and productivity in developing international competitiveness. A critical challenge in the future design of LMP would perhaps be in fostering employer/employee partnerships to anticipate and prepare for changing skills competitiveness.
- Effectiveness of LMP would be judged by the extent of their implementation which, in turn would depend on the strength of LM institutions as well as on the extent of consensus achieved through social dialogue. The design of ALMP must also, therefore, include development and strengthening of institutions especially with regard to pubic employment services, social security provisions, monitoring labour market information, and promotion of tripartism.

7. Summary remarks

If the ultimate objectives of growth and development are shared prosperity and social justice, policies and reforms, whether in macroeconomic, labour or other fields, need to be designed to serve these objectives. In fact, these policies need to be consistent, and mutually supportive. From the vantage point of the world of work, the ILO's decent work agenda provides an articulation of pursuing these economic and social objectives simultaneously.

This paper has attempted to provide some arguments and evidence to contend that the macroeconomic policy framework in Bangladesh, overarched by considerations of stability and liberalization, has yielded less than satisfactory economic growth. The tangible *per capita* GDP growth has been influenced more by favourable demographic factors. Investment, which has risen weakly, does not appear to be significantly affected by stability factors. Employment growth has occurred in agriculture and services sectors, mostly in informal activities. Industrial employment has been stagnant. There is an entrenched dualism in the labour market. The decent work indicators show mixed progress. The persistently high levels of un/underemployment and poverty, and unsatisfactory *quality* of employment, coupled with lack of sustained economic growth, provide a strong rationale to rethink the objective of macroeconomic policy in the country.

The paper calls for a return to the goal of full employment as a central objective of macroeconomic planning. This would warrant raising effective demand, and autonomous expenditures, largely through efforts to raise private investment as well as through a *focused* public spending that would be employment-friendly and would crowd-in private investment (such as those on infrastructure). Such an employment-focused macroeconomic stance need to be supported and facilitated by consistent labour policies and labour market institutions towards more and better jobs. The paper draws up a number of broad considerations toward the design of such policies.

In a final analysis, policies towards poverty alleviation, full employment and decent work would require a collective choice, i.e. a political charter, and involve making hard choices on reforms and potential trade-offs, such as on issues of distribution, privatisation, public expenditure priorities, conditions of work, etc. Management of these trade-offs and effective implementation of policy and institutional reforms, would in turn require a strong and efficient governance and public action[50].

[50] See Sobhan (2000) for an account of the state of " governance" in Bangladesh.

Appendix

Table A1: Growth and investment in Bangladesh

	GDP per capita growth rate	Investment
1982	0.88	15.30
1983	2.03	13.36
1984	2.19	12.22
1985	1.29	12.94
1986	1.69	12.54
1987	1.56	12.89
1988	0.33	12.44
1989	0.02	12.92
1990	4.10	12.50
1991	1.47	18.70
1992	3.20	18.80
1993	2.78	18.90
1994	2.30	19.00
1995	3.12	20.00
1996	2.82	20.80
1997	3.57	21.50
1998	3.41	20.20

Note: Real GDP per capita growth rate; Investment, (% of GDP), and gross fixed capital formation figure is used for investment (public plus private) for the years 1982-1989.
Source: World Development Indicators (WDI) CD-ROM 2002, World Bank, Rashid (2002).

Table A2. Wages in Agriculture and Manufacturing sectors
(Real wage index, 1969-70=100)

	Agriculture wage index (a)	Manufacturing wage index (b)	Ratio of (a/b)
1985/86	82	102	80
1989/90	96	115	83
1990/91	95	114	83
1991/92	98	113	87
1992/93	105	119	88
1993/94	106	121	88
1994/95	103	121	85
1995/96	104	123	85
1996/97	109	130	84
1997/98	107	137	78

Source: Rashid (2002), CPD (2002).

Table A3. Decent Work Indicators

Employment Opportunities	**Safe work environment**
Labour force participation rate (%)	Fatal injury rate (per 1000 employees)
Employment population ratio (%)	Labour inspectors (inspectors per 1,00,000 employees, and per 1,00,000 covered employees)
Unemployment rate (%)	Occupational injury insurance coverage (% of employees covered by insurance)
Youth unemployment rate (%)	Excessive hours of work (% employed, by status in employment)
Time-related underemployment rate (%)	**Social Protection**
Share of wage employment in non-agricultural employment (%)	Public social security expenditure (% of GDP, separately for total, health, services, and old-age pensions)
Female share of non-agriculture wage employment (%)	Public expenditure on needs-based cash income support (% GDP)
Unacceptable work	Beneficiaries of cash income support (% of poor)
Children in wage employment (%, by age: <14 years)	Share of population over 65 benefiting from a pension
Adequate earnings and productive work	Share of economically active population contributing to the pension fund
Time related underemployment rate (%)	Average monthly pension (% of median/minimum earnings)
Employees with recent job training (in last 12 months provided or paid for by employee or state)	Occupational injury insurance coverage (%)
Inadequate pay rate (% of employed below ½ of median or an absolute minimum, whichever is greater, by status in employment)	**Balancing work and family life**
Average earnings in selected occupations	Employment rate for woman with children under compulsory school age (ratio to rate for all woman aged 10-49)
Excessive hours of work	Excessive hours of work
Decent hours	**Social dialogue and work place relations**
Excessive hours of work (% employed, by status in employment)	Union density rate
Time related underemployment rate (% of employed population working less than threshold, but available and waiting to work additional hours)	Collective wage bargaining coverage rate
Stability and security of work	Strikes and lockouts (per 1000 employees)
Tenure less than one year (by age, by status in employment)	**Economic and social context of decent work**
Temporary work (% of employees who classify their work as temporary)	Output per employed person
Fair treatment in employment and at work	Growth of 0utput per employed person (total, and manufacturing)
Occupational segregation by sex (% of non-agricultural employment in male and in female dominated occupations; index of dissimilarity)	Inflation (Consumer Price Index, %)
Female share of employment in managerial and administrative occupations (ratio to female share of non-agricultural employment)	Education of adult population (adult literacy, secondary schooling)
Share of women in non-agriculture wage employment	Composition of employment (agriculture, industry, services)
Female/male wage or earnings ratio, by selected occupations	Income inequality ratio (ratio of top 10 % to bottom 10%, income or consumption)
Female/male ratios or differences for other indicators	Poverty (percent of population subsisting on less than 1 USD/day or 2 USD/day)
	Informal economy employment (% of non-agriculture or urban employment)

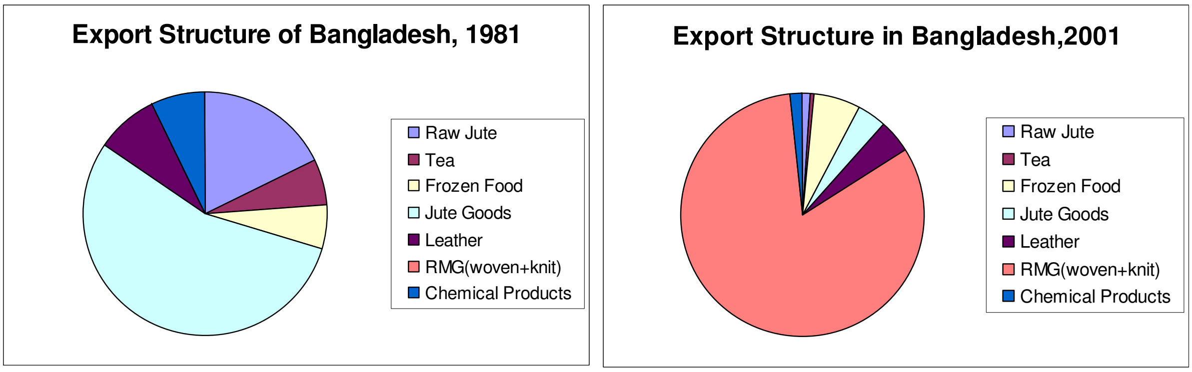
Note: This table is a compilation of the indicators suggested in the paper, “Measuring Decent Work with Statistical Indicators”, Anker et al (2002), ILO.

Table A4. Trend in Private and Public Investment in Bangladesh

	Private investment (% of GDP)	Public investment (% of GDP)
1986-90	6.30	6.20
1991	12.00	6.70
1992	11.80	7.00
1993	12.40	6.50
1994	12.30	6.70
1995	13.20	6.80
1996	14.40	6.40
1997	14.40	7.10
1998	13.60	6.60
1999	15.50	6.70
2000	16.00	7.00
Correlation coefficient, private and public investment= 0.581, significant at 10% level		

Source: Rashid (2002), CPD (2002).

Figure A1. Share of RMG export in the total export in Bangladesh



Source : Data obtained from Bhattacharya and Rahman (2002)

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