

Assessing the Impacts of COVID-19 on Employment in Bangladesh A Pathway to Inclusive and Sustainable Recovery

(Keynote presentation at the webinar on “Impact of COVID on employment and vulnerability of workers with special focus on formal and informal types of workers: A pathway towards an inclusive and sustainable way forward” organized by the Bangladesh Institute of Labour Studies, 20 July 2020)

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Contents

- Introduction
- Impact on employment: immediate (transient), short- and medium-term
- Variation in impact on employment in different categories (location, formal-informal and sector)
- Impact on workers' lives and livelihoods
- Policies adopted
- Regulatory framework
- Way ahead: making economic recovery inclusive and sustainable

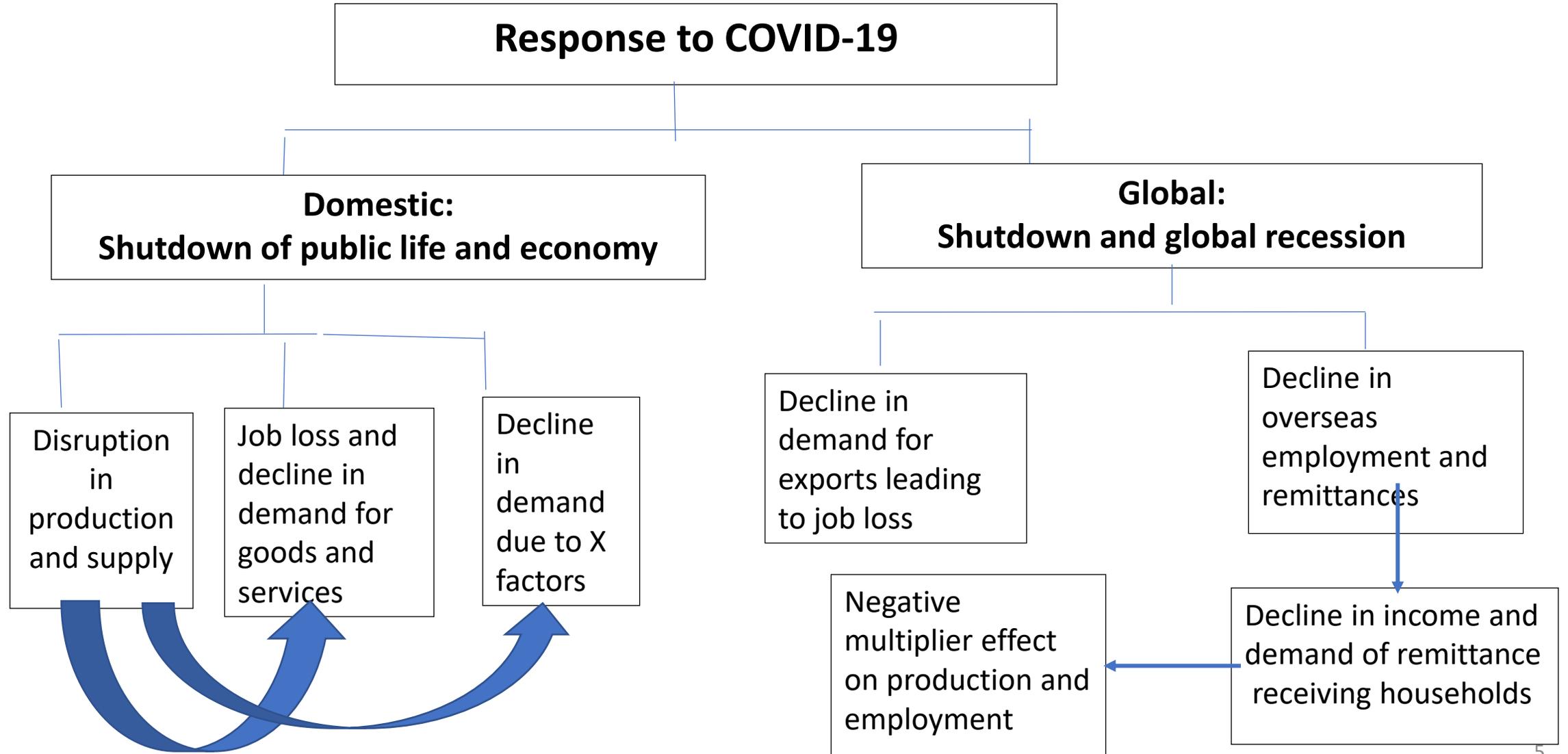
Introduction

- Health crisis created by COVID-19 has led to an economic crisis
- Measures adopted to fight the virus have led to a deep recession in the global economy
 - IMF's June projection: **4.9% decline** in world output in 2020
 - Forecast for developed countries indicate sharper declines in GDP growth
 - Positive GDP growth expected only in early 2021
- Bangladesh economy: GDP growth
 - 2019-20: government projection: 5.2%
 - 2020-21: government projection: 8.2%, IMF: 5.7%, World Bank: 1%
- Economic crisis usually gets transformed into a crisis of livelihoods
 - Labour market gets affected quickly
 - And past experience shows that labour markets recover with a lag

Introduction (contd.)

- Need to distinguish between two broad phases
 - During the period of shutdown - the immediate effect
 - Lingering effect after reopening – economic downturn and the cyclical effect
- Different sectors and segments of the economy are facing different degrees of risk
 - Agriculture vs non-agriculture
 - Domestic market vs export oriented
 - Informal vs formal
 - Gender
 - Education

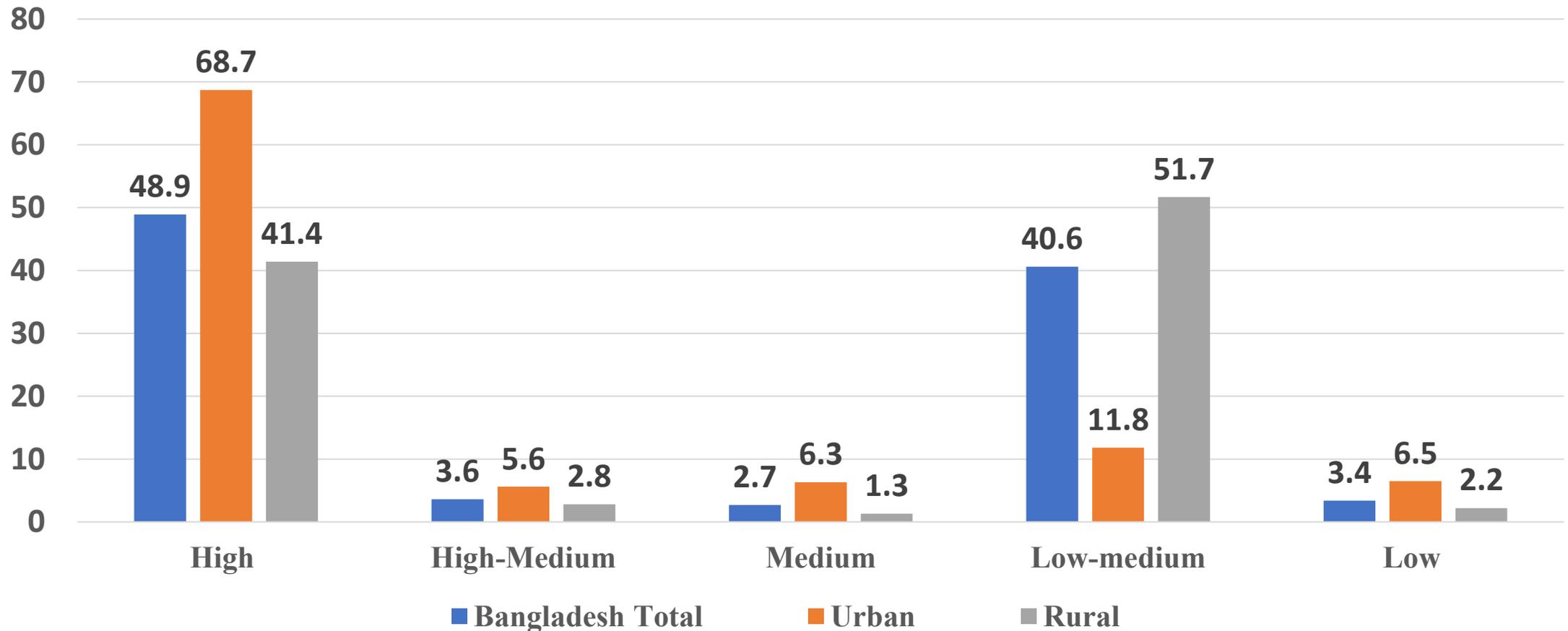
Channels of Transmission: From COVID to Job Loss



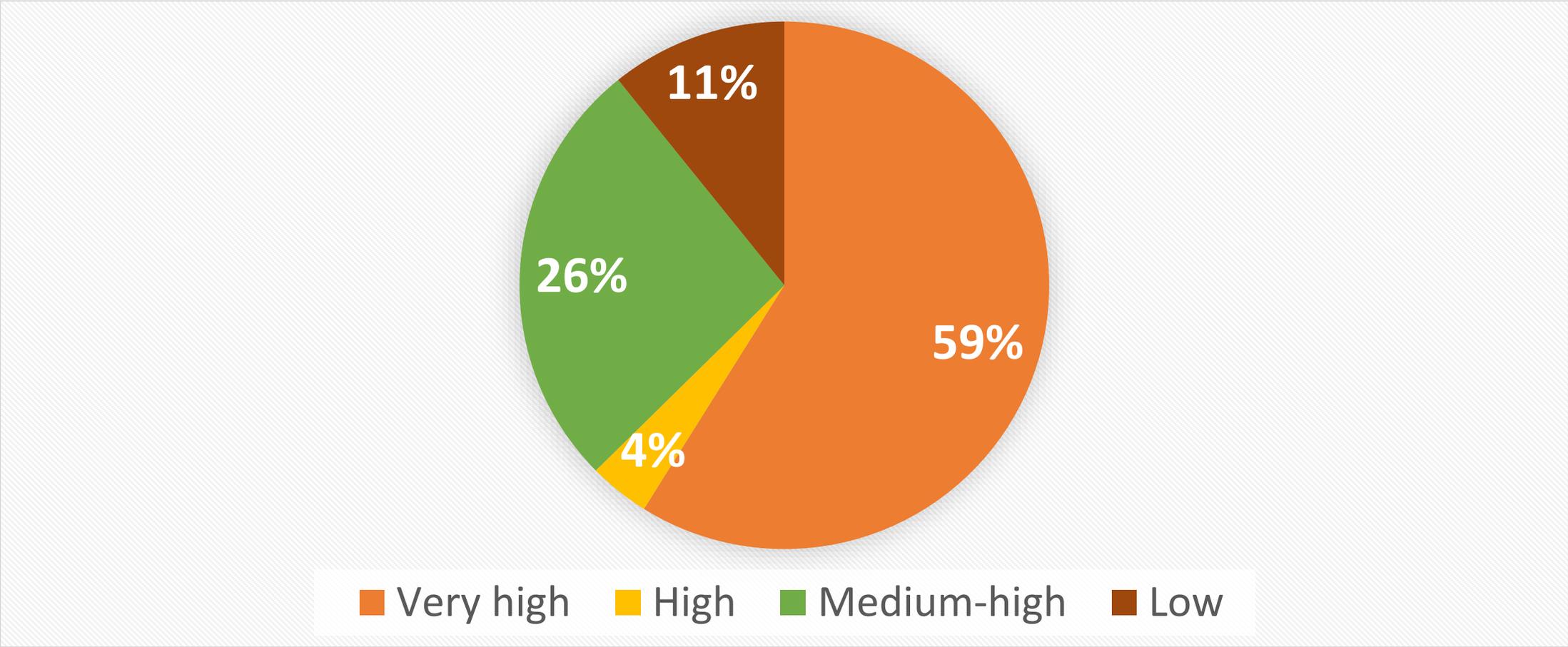
Degree of Risk Faced by Various Sectors

Sector	Severity of Impact	
	During shutdown	During recovery after the end of shutdown
Agriculture	Low-medium	Low-medium
Manufacturing	High	High
Construction	High	High-medium
Transport	High	High-Medium
Wholesale and retail trade	High	High-Medium
Hotel and restaurants	High	High-medium
Finance	Medium	Medium
Real estate	High	High-medium
Education	High	High-medium
Health	Low	Low
Public administration	Low	Low
Personal services	High	Medium
Domestic service	Medium	Medium

Distribution of Employed Labour Force by Severity of Impact of Shutdown



Percentage of Non-agricultural Employment in Informal Sector Heavy Activities, 2016-17



An Estimate of Job Loss during the Period of Shutdown

- Assumptions about who lost work
 - Those employed on a daily basis or on precarious contract, e.g., in construction, informal service, transport, etc.
 - Those in petty self-employment in retail trade, food service, repairs, etc.
 - Those engaged in organized manufacturing would be able to go back to their existing jobs
 - lay-offs will be limited to about ten per cent of their workforce
- Using 2016-17 LFS data, projected (for 2020) the number of “employees” in selected sectors that are likely to have been hit hardest
- Estimated the number of “day labourers” (using the proportion of employees from the LFS 2013) – shown in the following slide

An Estimate of Job Loss during the Period of Shutdown

	Estimated number of day labourers (million) (1)
Construction	2.75
Transport	0.65
Tarde	0.90
Accommodation and food	0.17
Total	4.47

- The number of the self-employed in urban areas is 6.05 million of which 85% (i.e., 5.19 million) are informally employed. (2)
- Assuming that 10% of those employed in the manufacturing sector have been laid off, the number works out to be about 0.9 million (3)
- **The total number of workers who may have lost their jobs: Total of (1) + (2) + (3).**
- **That gives us: $4.47 + 5.19 + 0.9 = 10.56$ (million).**

An Estimate of Job Loss during the Period of Shutdown

- Backlog of unemployment: 3 million (approx.)
- New jobless in April-May : 10.56 million
- Total: 13.56 million
- Projected labour force for 2020: 67.51 to 67.88 m
- Unemployment in April-May as % of LF: approx. 20%

Estimates of Job Loss in 2019-20

(by broad sector – figures in million)

	2016-17 (LFS)	Projection for 2019-20 without COVID (GDP growth 8.2%)	Projection for 2019-20 (with COVID-affected GDP growth 5.2%)	Job loss (million)	Job loss as percentage of without COVID projection
	(1)	(2)	(3)	(4) = (2) – (3)	(4) as % of (2)
Agriculture	24.7	22.55	22.55	0	
Manufacturing	8.8	10.31	9.74	0.57	5.55
Construction	3.4	3.91	3.70	0.21	5.37
Services	23.9	27.22	25.99	1.23	4.52
Total	60.8	63.99	61.98	2.01	3.14

Note: Projections reported in this table have been made by using a disaggregated model with sectoral elasticity of employment with respect to output growth

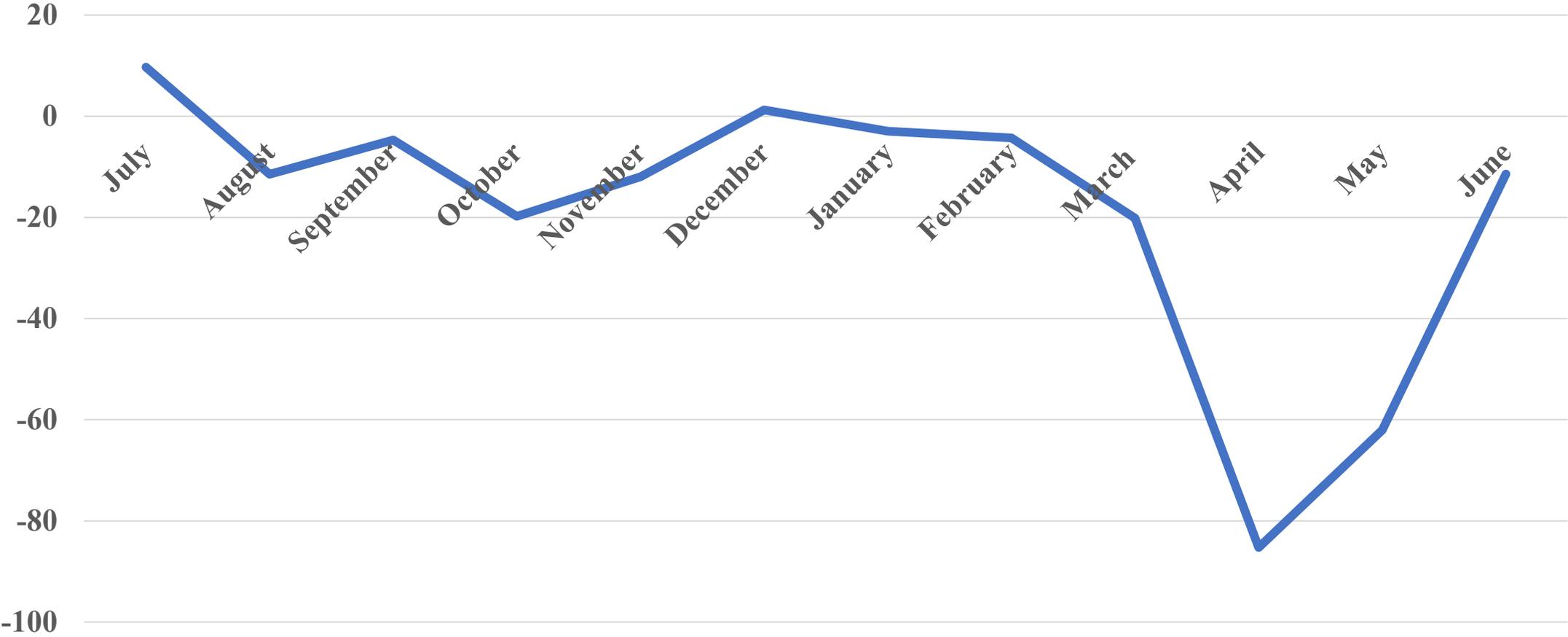
Estimates of Job Loss: Rural and Urban

(Figures in million)

	2016-17 (LFS)	Projection for 2019-20 (Without COVID, GDP growth 8.2%)	Projection for 2019-20 (COVID- affected, GDP growth 5.2%)	Job loss (million)	Job loss as percentage of (3)
	(1)	(3)	(4)	(5)	
Rural	43.9	45.20	44.70	0.50	1.11
Urban	16.9	20.18	18.93	1.25	6.19
Urban informal	13.09	15.92	14.84	1.08	6.78

Note: Projections reported in this table have been made by using an aggregate model with elasticity of total employment with respect to GDP growth

Growth (%) of RMG Exports in 2019-20 Compared to the Corresponding Month of 2018-19



Job Loss in the RMG Industry

- BGMEA press release (6 June) mentioned that in two months (April and May), 348 factories closed down
- Closure of 348 factories would imply that 324,684 workers may have lost their jobs
 - (average number of workers per factory, according to a CPD study, is 933).
- Remaining 1926 are operating at much less than full capacity;
 - Which means some in those factories may have lost their jobs

Livelihoods of Workers

- Worst affected:
 - Workers working on daily wage or casual basis
 - Self-employed in petty business, repairs, and various informal services
- BRAC-BIGD survey (5471 slum households) on the impact:
 - Wage and casual labourer: 70%
 - Petty business: 18%
 - 71% of those in urban slums lost jobs
 - Drop in income in April compared to February
 - Urban slumdweller: 75%
 - Rural slumdweller: 63%

Livelihoods of Workers (contd.)

- BIDS study (Binayak Sen): Short term impact during Q2 of 2020
 - National headcount poverty incidence is likely to have increased by 10.4 percentage points
 - From 20% the headcount may have gone up to over 30%
 - An additional 16.4 million people may have joined those already poor

Livelihoods of Workers (contd.)

- How are the poor and new-poor coping? BRAC-BIGD survey finds:

	Urban (%)	Rural (%)
Reduced food intake	47	32
Used own savings	67	82
Resorted to borrowing	52	36
How many more days households could feed with available income	8 days	13 days

Policy Measures Adopted

- Economic recovery (stimulus) package of Tk, 1,03.117 crore
 - Tk 5,000 cr.: Export-oriented industries – for payment of wages and salaries
 - Tk 30,000 cr. : Loan at subsidised interest for large industries
 - Tk 20,000 cr. : Loan at subsidised interest for CMSMEs
 - Export Development Fund raised from USD 3.5 b to USD 5 b
 - Agricultural credits increased to Tk 9,500 cr.
 - Tk 3,000 cr. refinance scheme for small farmers and small traders in agriculture
 - Low-interest credit for poor farmers, returning migrant workers, and unemployed youth

Policy Measures Adopted (contd.)

- Social safety net
 - Free food and subsidised food for the poor
 - Widen social safety net for the poor – includes:
 - ❑ Direct cash transfer - Tk. 2,500 each for 50 lakh hhs
 - ❑ Old age allowance : 5 lakh added to the existing 40 lakh
- Other measures
 - Agriculture refinance
 - Incentive for health sector workers

Implementation of the Recovery Package

- Export-oriented industries
 - Allocation supposed to cover three months' wage/salary payment
 - Not clear whether full or partial wage payment
 - BGMEA says: monthly wage bill of the RMG industry is TK 4,000 crore
 - Payment to be made directly to bank/MFS account of workers
 - Any information about progress made?
- Cash transfer (Tk 2,500)
 - 50 lakh families would cover 2 crore people – Total poor 5 crore (including the new poor)
 - Poverty line income per household is Tk 10,000 per month
 - 16.16 lakh families received up to 8 July (*Daily Star*, 9 July 2020)
 - High “inclusion error” in the list of recipients

The Policy and Regulatory Framework

- The basic framework provided by
 - Bangladesh Labour Act (BLA) 2006 and subsequent amendments
 - National Labour Policy (NLP) 2012
- BLA 2006 includes wide ranging provisions governing the world of work
- But faced criticism as being anti-labour and not conforming to a few basic international labour standards
- Improvements brought through amendments in 2013 and 2018
- The condition of a minimum of 30% of total number of workers for forming a trade union relaxed to 20% (in 2018)
- But the proportion of workers covered by trade unions remains low

The Policy and Regulatory Framework (contd.)

- NLP 2012 outlines the government's objectives and commitments
 - promotion of employment and decent work
 - skill development
 - wage determination
 - ending gender discrimination
 - elimination of child labour
 - Social protection
 - Rights and welfare of informal sector workers
- But many of these remain at the level of declared objectives

Economic Recovery: Alternative Scenarios (Projections for GDP Growth %)

	IMF	World Bank	ADB	GoB
2019-20	3.8	1.6	4.5	5.2
2020-21	5.7	1.0	7.5	8.2

Making Economic Recovery Inclusive and Sustainable

(Results from telephone interviews/mini survey)

- Seven out of 12 say the current situation is 50-70% of normal
 - One-third say less than 50% of normal
- Five out of 12 think normalcy will return by mid-2021 (only 4 say by Dec 2020)
- Half the respondents say over three lakh RMG workers will lose jobs
- Only one-third say RMG sector has good prospect of returning to the pre-COVID situation
- Possibility of CMSMEs benefiting from govt stimulus rather slim: (9/12)
- The effort for a one-off small cash transfer has had limited success
- **All respondents said strategies are needed for employment and social protection**

Beyond Growth: Making Economic Recovery Inclusive and Sustainable

- The current debate about recovery focuses on its shape: V, W, U, L, I
- The debate needs to move beyond exclusive focus on growth
- Questions should be:
 - Jobless and protection-less recovery or inclusive recovery?
 - Return to the pre-COVID pattern of growth or make it more inclusive?
- Basic characteristics of inclusive and sustainable growth
 - Productive employment and decent work
 - Reduction of poverty and inequality
 - Social protection (including protection against unemployment and old age)
 - Basic health care

Making Economic Recovery Inclusive and Sustainable: What Needs to be Done

- GoB five-year plans include employment in their objectives and set targets
- The budget for 2020-21 mentions employment promotion alongside economic recovery (stimulus) package
- But we need a detailed strategy for employment – like the one being done by MOLE in collaboration with ILO and World Bank
- Including strategies for protection against unemployment and old age
- Need of time: an integrated strategy for promoting employment and social protection

What Role Can Stakeholders Play?

- Fight the virus together
- Work together to find solutions to the complex problems
- Talk among themselves
 - To find ways and means of avoiding lay-offs and retrenchments
 - To find ways of avoiding jobless recovery
 - And to develop feasible measures of social protection
- Time of crisis is the time for more rather than less dialogue