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The Impact of COVID-19 on Employment in Bangladesh: Pathway to an Inclusive and Sustainable Recovery

By

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The responsibility for opinions expressed by the researcher in this report does not constitute an endorsement by the BILS.



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Contents

Executive Summary	4
1. Introduction.....	7
2. Impact of the COVID Pandemic on Employment	9
3. Impact on Workers' Lives.....	19
4. Policies in Response to the Economic Crisis: How Effective are they to Fight the Adverse Effects on Employment and Poverty?.....	23
5. Towards an Inclusive and Sustainable Economic Recovery	27
Annex 1: Tables	33
Annex 2: Results of the Informed Opinion Survey	36
References	38

Executive Summary

The purpose of the study

The economic crisis that has resulted from the COVID-19 pandemic has severely affected the employment and labour situation – globally as well as in Bangladesh. The present study has been undertaken with the objectives of (i) assessing the impact of the crisis on employment and livelihoods of the working people, and (ii) outlining how the policy and regulatory framework can be geared towards making economic recovery employment-friendly, inclusive and sustainable.

The impact of the pandemic on employment

The adverse effects of the economic crisis are being transmitted to the labour market through two broad channels – domestic and external. On the domestic side, the shutdown of public life resulted in complete stoppage of economic activities during the period which in turn led to loss of jobs and livelihoods for many – especially those working as day and casual labourers, and those in petty self-employment. The sectors that were at high risk included transport, manufacturing, construction and services of various types. With the loss of jobs and incomes and with lingering health crisis, both consumption and investment were adversely affected.

On the external side, the sharp global recession resulted in a steep decline in demand which included the major export item of Bangladesh – ready-made garments (RMG). As orders were being cancelled and new orders dried up, the immediate impact was a closure of many factories and less than capacity operation in many others. The second route through which the jobs situation was affected was overseas employment. As countries dependent on expatriate labour went into recession and demand for workers fell, a large number of workers from Bangladesh lost their jobs and started returning. New jobs abroad are highly unlikely until the economies of those countries rebound.

In the absence of necessary up to date and real time data on the labour market, the present study adopts the approach of combining projections (based on recent labour force data and reasonable assumptions about key parameters) with data on specific aspects like exports of RMG and on overseas employment. A mini survey (with a short questionnaire sent by e-mail) of concerned stakeholders was undertaken to obtain informed opinions. A few key findings of the study are presented below.

Key findings

- The economic crisis caused by the COVID pandemic has resulted in a sharp decline in the growth of the economy and the loss of millions of jobs.
- The sectors most severely affected include manufacturing, construction and services. The urban informal economy has been hit very hard – both during and after the period of shutdown.

- It is estimated (using methodology described in section 2.3) that nearly 11 million jobs were lost during the period of shutdown (April-May, 2020). When the backlog of unemployment of about 3 million people are added to the above, nearly one in five of the labour force may have been without jobs during April-May.
- For 2019-20 as a whole, the loss of jobs is estimated to be over 3 per cent of the labour force. The manufacturing sector is estimated to have lost over half a million jobs while the service sector another 1.23 million.
- The ready-made garment industry is estimated to have shed about 400,000 jobs (methodology of estimation described in section 2.3 under the sub-section on job loss in the RMG industry) . Half the respondents of the opinion survey thought that more than three lakh workers may have lost their jobs.
- The urban informal economy is estimated to have lost 6.78 per cent of its pre-COVID workforce.
- In addition to a loss of jobs and rise in unemployment, the labour market is adjusting through a dampening effect on the growth real wages – especially in construction, manufacturing and service sectors.
- The combination of job loss and decline in wage growth has led to a decline in the incomes of a large segment of the population, which, in turn, has led to a rise in the incidence of poverty.
- For overseas employment, 2020 may be a lost year. While 129,000 jobs were recorded for January and February (according to BMET website), there has been news only of return migration since then. Very few new jobs abroad may be expected during the rest of the year.
- As for recovery of the economy, there is good deal of uncertainty as it will depend critically on how quickly the pandemic can be brought under control. While the government and some international agencies, viz., IMF and ADB, are projecting optimistic scenarios, the World Bank is less optimistic in that respect.
- The opinion survey mentioned above also confirms the uncertainty regarding the timing of the economy's recovery.
- The government has already announced a policy package for economic recovery amounting to Tk 103,117 crore. The package includes schemes to provide low-interest credit to enterprises to aid their recovery as well as social safety nets.
- One of the new safety net measures was a one-off direct cash transfer of Tk 2,500 per person for 50 lakh people. Up to July, only about a third of the target could be achieved. A newspaper report on 11 August mentions that a total of 34,97,353 people received the money – taking the coverage to about 70 per cent.

Pathway to an inclusive and sustainable recovery: policy recommendations

While the implementation of the government's economic recovery package is still at an early stage and it is too early to assess the effectiveness of the various measures included in the package, a few suggestions are made from the point of view of making economic recovery more inclusive.

The present study suggests that the discussion on economic recovery should move beyond an exclusive focus on GDP growth to making growth more inclusive and sustainable. Rather than adopting conventional strategies for recovery and going back to pre-crisis pattern of growth which did not produce the desired impact on employment, there should be specific and stronger focus on employment and social protection. The respondents of the opinion survey were almost unanimous in their recommendation for an employment strategy and completely unanimous on the need for institutionalizing social protection.

As the economy has not yet come out fully from the immediate effects of the shutdown, the present study suggests **a two-phase strategy**.

- The **first phase** will be the time till the virus has been brought under a reasonable degree of control and economic activities have re-started without the constraints of lockdown.
- The **second phase** should begin from the time when economic activities will have re-started fully. Medium-term and longer-term policies/strategies would need to be put in place for making growth more inclusive.

The basic objective of **policy for the first phase** would be to minimize the adverse effects on employment and labour market and the hardship of those who are dependent on labour income. The primary focus should be on

- More effective measures to provide social safety net to the poor and low-income people until the situation returns to normal;
- Measures for quick revival of economic activities (without compromising on safety and hygiene in places of work) including speedy and efficient implementation of the government's economic recovery package;
- Special effort to ensure that petty businesses and micro and small enterprises can access the fund that has been earmarked for credit;
- Efforts to save jobs through measures like sharing of work, and temporary leave with part pay; and
- Emergency employment programmes, especially for the poor who may lose jobs.

Policy during the second phase (i.e., for medium to long-term) should focus on remodelling growth with measures to make it employment-friendly. For that, it would be important to

- Formulate and implement a full-fledged strategy for employment; and
- Include strategies for protection against unemployment and old age.

The need of the time is to have a fully articulated strategy for employment with protection against loss of jobs and incomes integrated into it.

Given the gravity of the challenge and the complex nature of the issues involved, it would be important for key stakeholders, viz., the government, and the representatives of employers, workers and the civil society, to interact and find solutions jointly. Crises are times for more rather than less dialogue; and the present crisis should be no exception.

1. Introduction

The pandemic caused by COVID-19 resulted in a major public health crisis, and the measures adopted to slow down the spread of the virus led to a severe economic crisis, sending the global economy into a deep recession. In its June 2020 update of the world economic outlook, the IMF forecast global output to decline by 4.9% during the year. For Bangladesh, the IMF lowered its forecast for 2020 to 3.5 per cent while the government of Bangladesh lowered it (for fiscal year 2019-20) from 8.2 per cent to 5.2 per cent¹. Globally, as well as in Bangladesh, the economic crisis transformed itself into a crisis in the labour markets with millions of people losing jobs².

Like many other countries, Bangladesh also adopted the policy of shutting down public life and economic activities which started from 26 March and continued till the end of May. Even though economic activities were allowed in a limited way in the second half of May, and were completely freed from 1 June, in view of the continuation of the rapid spread of the virus, restrictions had to be re-imposed from around the middle of June. The experience of Bangladesh with the attempts to shut down public life and opening up even before the spread of the virus could be contained brought out the sharp dilemma between saving lives from the spread of the disease and protecting livelihoods of people endangered by the shutdown. It was clear that in the absence of measures to provide income support to the people whose livelihoods were affected by the shutdown, such a measure could not be continued for too long.

Even after the general shutdown was lifted and economic activities were allowed to start, the economy has not yet come back to its normal path. While the livelihoods of millions of people were in jeopardy during the period of shutdown, the labour market remains in disarray as the economy is struggling to regain its pre-pandemic level. In addition to the loss of jobs in the domestic labour market, tens of thousands of people working abroad are returning as a result of retrenchment in the countries they were working in. Moreover, since global recovery is not anticipated before 2021, there seems to be little possibility of new overseas employment opportunities in 2020.

In the context of the situation described above, it is necessary to look at what is happening in the labour market of the country, how it is adjusting to the new reality and what needs to be done to protect the livelihoods of those dependent on labour. In the broader context of economic recovery, it is important to not only adopt policies aimed at supporting the revival of economic activities but also to ensure that the labour market does not lag behind and recovery does not become jobless.

The performance of the economy of Bangladesh with regard to employment was disappointing even before the pandemic hit. And now with the decline in growth and struggle for reviving economic activities, there is a danger that the labour market may

¹ According to data provided by the Bangladesh Bureau of Statistics (BBS), the actual GDP growth in 2019-20 is 5.24 per cent.

² Since the breakdown of the pandemic, ILO has been bringing out periodic reports analyzing the impact of the crisis on employment and labour market. See ILO (2020 a, 2020 b, 2020 c, and 2020 d).

take time to recover even to its pre-crisis level unless specific attention is devoted to this aspect.

In the context of the background mentioned above, the present study has been undertaken with the objectives of (i) assessing the impact of the pandemic on employment and livelihoods of the working people, and (ii) outlining how the policy and regulatory framework can be geared towards making economic recovery employment-friendly, inclusive and sustainable.

The paper is organized as follows. Section 2 presents assessments of the impact of the pandemic and the resulting economic crisis on employment and livelihoods of the poor people. In doing so, attention is given to employment as a whole as well as in major sectors of the economy and the informal economy. Section 3 looks at the impact of the crisis on workers' lives and livelihoods – pointing out their fall into poverty and the mechanisms they use for coping with the situation. A brief overview of the government's economic recovery package is presented in section 4 and the problems in their implementation are also identified. The existing policies and regulatory framework are examined and gaps are identified in the same section. Section 5 examines the prospects of economic recovery and argues that the debate should move beyond an exclusive focus on growth to making growth inclusive and sustainable. A two-phase strategy for making economic recovery inclusive and sustainable is recommended in that section.

2. Impact of the COVID Pandemic on Employment³

There are different channels through which the impact of the pandemic is being transmitted to the labour market. They include the lockdown in the country and its immediate effects, the indirect effects on the economy via the decline in demand for goods and services, and the impact of the global economic recession. In any economic crisis, different sectors and groups in the labour market face different degrees of risk; and the severity of the impact varies accordingly. The present chapter first analyses the channels of transmission of the pandemic on employment and then presents some estimates of job loss. The latter is done for the economy as a whole as well as for major sectors including the ready-made garment industry.

2.1 Channels of Transmission of the Effects of the Pandemic-Induced Economic Crisis to Employment

Figure 1 depicts a picture of how the interplay of various factors affects output and employment in the economy. On the domestic front, the lockdown in March-April resulted in the closure of economic activities, an immediate impact of which was loss of jobs in a wide range of economic activities.

In addition to the direct loss of jobs due to the shutdown, there were indirect effects also. When jobs were lost and incomes declined, that created a negative effect on demand for goods and services, and thus on production also. In addition, when countries closed their borders, restrictions were put on travel, large gatherings were banned, airlines stopped flights, and people cancelled travel, demand for a wide range of goods and services was affected. Furthermore, restrictions on public life, the fear that got instilled into people's psyche, and uncertainties created by the situation - factors that may be described as "X factors" (See Figure 1) – are also creating a negative impact on the demand for goods and services⁴.

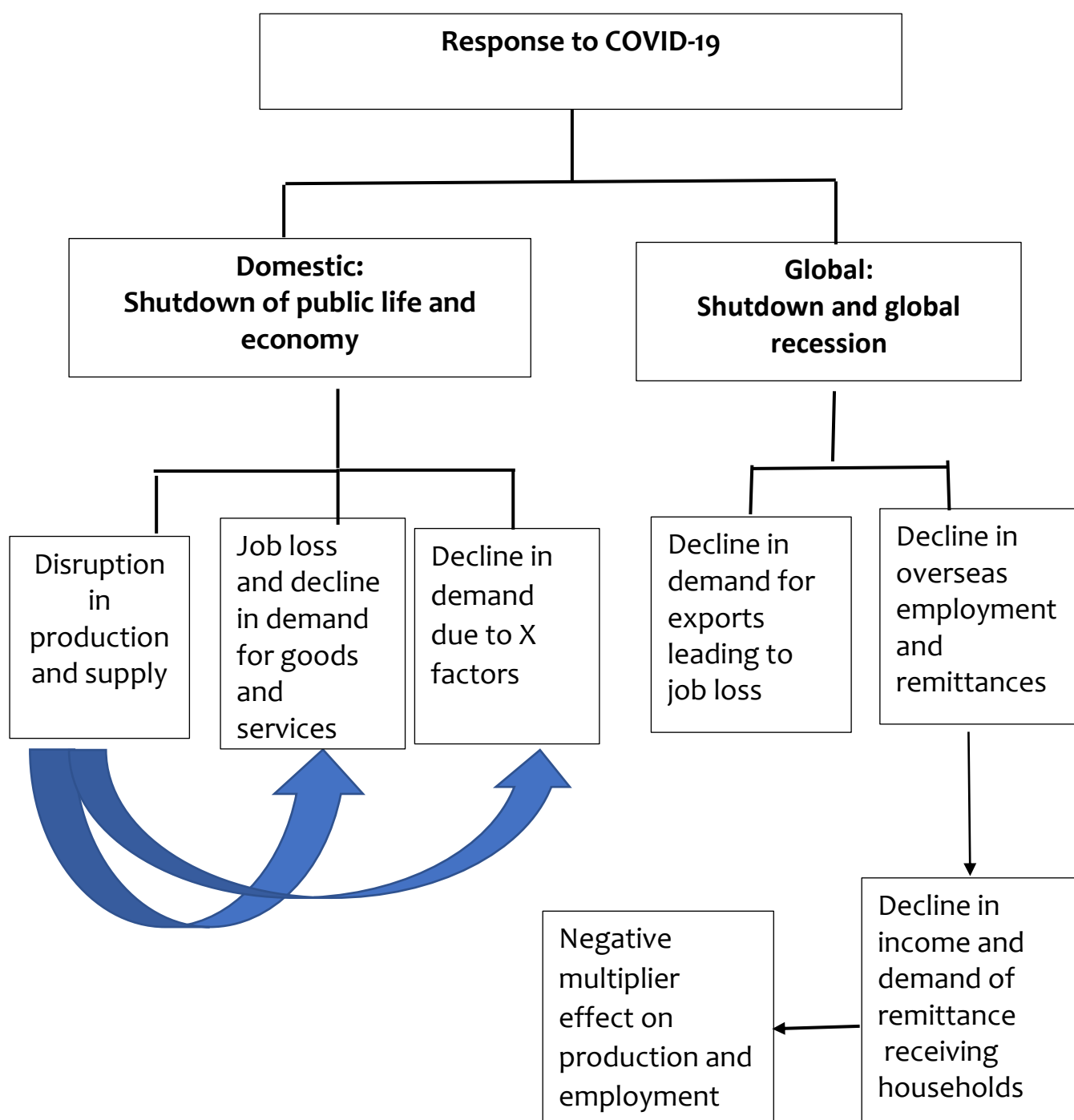
Thus, measures taken to fight the health crisis created a dampening effect on jobs, incomes and demand for a wide range of goods and services including those of manufacturing, construction, trade, transport, recreation, education, personal services, etc. In sum, while stoppage of economic activities created a supply shock, the indirect effects started affecting demand also. And now the economy as well as the labour market is facing pressures from both the supply and demand sides.

³ This section draws on Islam and Rahman (2020).

⁴ Reluctance in opening retail shops even during the major religious festival and the absence of the usual rush of shoppers in places where stores did open, lack of passengers in public transports like buses, trains and airplanes, dearth of patrons in restaurants even after economic activities were allowed to re-start are symptomatic of this X factor. There is anecdotal evidence of these in numerous media reports.

On the external front, the major markets of Bangladesh's export goods, viz., USA and European countries plunged into recession due to shrinking demand resulting from shutdown in their own countries. As a result, the suppliers in Bangladesh were confronted with cancellation of orders from buyers. Thus, the economy of Bangladesh was hit by disruption in the demand for export goods, especially ready-made garments.

Figure 1: Channels of Transmission of the COVID Crisis Response Measures to Employment



Source: Author's elaboration

An additional factor on the external front is overseas employment and remittances sent by those working abroad. Countries that are major employers of workers from Bangladesh, especially those in the Middle East region have also been hit by the COVID pandemic and are facing recession. As a result, they have not only stopped recruiting workers from abroad but are also sending laid off workers back to their countries of origin. Anecdotal evidence, especially media reports indicate that large numbers of migrant workers have been returning since April. The other side of this adverse effect on a major source of employment is the possibility of a decline in remittances. For the families of migrant workers who remain behind in the country, remittances are a major source of income. And uncertainty in that source is bound to have an adverse effect on the demand for goods and services among such households, which, in turn, is going to weaken the multiplier effect of income/consumption on output and employment.

2.2. Variation in the Impact on Different Sectors and Categories of Workers

Different sectors of the economy are facing different degrees of risk during the current economic crisis. Given the manner in which the economy was hit, especially during the period of shutdown, activities located in the urban areas were immediately and more severely affected. In terms of people, those who are employed as daily wage-based or casual labourers and those who run their own petty enterprises were more adversely affected. As mentioned already, recession in the global economy has led to a decline in the demand for exports from Bangladesh which in turn has affected the ready-made garment industry severely. Following is a summary description of the degree of risk faced by the broad economic sectors and the severity of impact on them,

High risk and severity of impact

Manufacturing, construction, transport, wholesale and retail trade, food and accommodation services, and personal service

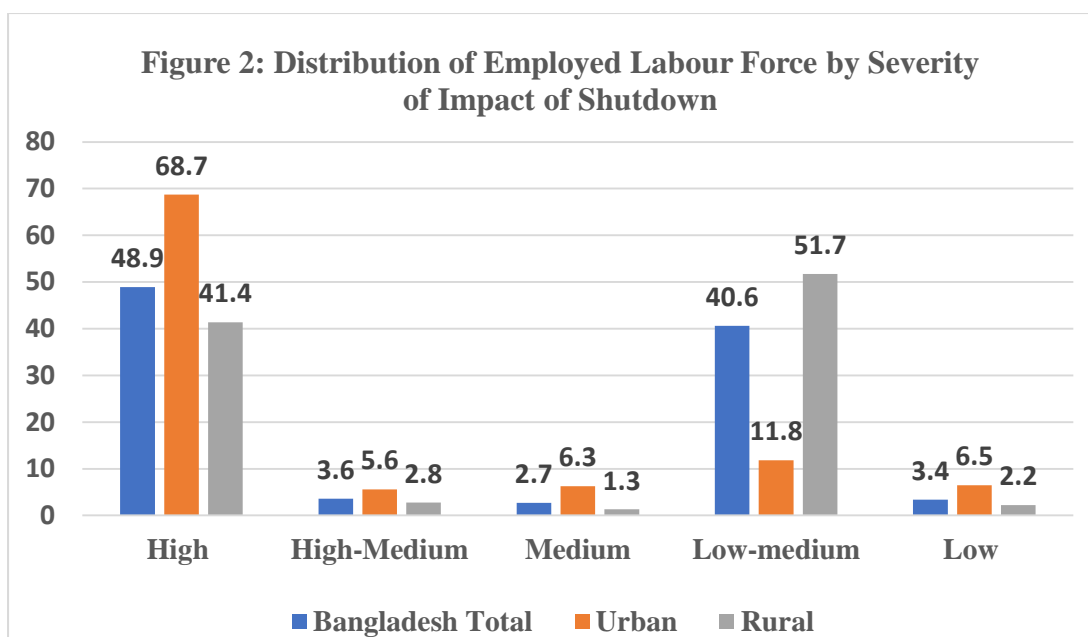
Medium-high risk and severity of impact

Finance, domestic service, real estate, education

Low risk and severity of impact

Agriculture, health, information and communication

Based on the above classification of sectors and proportion of labour force employed in them (according to the labour force survey of 2016-17), it has been estimated nearly 69 per cent of those employed in urban areas faced high risk (Figure 2). For the country as a whole, this proportion is about 49 per cent.



Source: Calculated by using Labour Force Survey data presented in Annex Table A-1 and the categorization presented in the text.

2.3. Estimates of Job Loss

Before going on to the estimates of job loss, it is important to note the difference between the situation that prevailed during the period of shutdown and the one after restrictions were withdrawn. While all economic activities except for essential services came to a standstill during the former, it was possible to restart them once opening up was allowed⁵. So, the type and magnitude of the impact must be different during these two periods. Separate estimates for the two have also been made. One estimate is for the period April-May 2020 while the other estimate is for the year 2019-20, taking into account the decline in output growth over the year.

The immediate (or transient) effects

As the impact of the shutdown was like a strike in a flash, there was no opportunity for the labour market to adjust, and the impact was entirely quantitative, i.e., loss of jobs and increase in unemployment, even if that was temporary. During this period, those most severely affected included the casual daily wage-based workers in urban and semi-urban areas, those who were self-employed in their own petty activities, as well as those who were employed with precarious contracts in various sectors.

Regular cyclical effects

⁵ Area-based lockdown in selected areas for specific periods continued even after the general shutdown ended. As a result, economic activities continued to be affected even after May.

When the shutdown ended and economic activities gradually opened up, a part of the labour market also recovered. However, the process of recovery is still under way, and the important question is about the pace and extent of recovery. As the economy continues to go through the downturn, some sectors (or parts) will continue to feel the adverse effects and will lay off workers/employees.

In the absence of any official data on how the COVID-crisis is affecting the employment and labour market situation in the country, an estimate has been made on the basis of certain assumptions.

For the immediate effect during the period of shutdown, the following assumptions were made:

- (i) Work in most urban economic activities came to a standstill during the shutdown period. So, those who are employed on a daily basis or on precarious contract were without jobs.
- (ii) In the above context, we take note of the numbers engaged as day labourers, e.g., in construction, informal service, and transport as well as the numbers in petty self-employment in retail trade, food service, repairs, etc.
- (iii) It has been assumed that those engaged in organized manufacturing would be able to go back to their existing jobs and lay-offs will be limited to about ten per cent of their workforce,
- (iv) Based on data from the 2016-17 labour force survey, following are the projected (for 2020) number of “employees” in selected sectors that are likely to have been hit hardest:

Table 1: Estimated Number of “Employees” in 2020

	Proportion (%) of employees in total employment	Estimated number of employees (million)
Construction	80	2.75
Transport	25	1.32
Trade	20	1.75
Accommodation and food services	30	0.342
Total		6.16

- (v) Estimated numbers of “day labourers” (using the proportion of employees from the LFS 2013) are as follows:

Table 2: Estimated Number of “Day Labourers” in 2020

	Percentage	Estimated number of day labourers (million)
Construction	100	2.75
Transport	50	0.65
Tarde	50	0.90
Accommodation and food	50	0.17
Total		4.47

- (vi) The number of the self-employed in urban areas is 6.05 million of which 85% (i.e., 5.19 million) are informally employed.
- (vii) Assuming that 10% of those employed in the manufacturing sector have been laid off, the number works out to be about 0.9 million

The total number of workers who may have lost their jobs: Total of (v) + (vi) + (vii). That gives us: $4.47 + 5.19 + 0.9 = 10.56$ (million).

The effect of decline in economic growth during 2019-20: some projections

While the above estimate provides a picture of the situation prevailing during the period of shutdown, this does not necessarily reflect the employment situation for the year (fiscal year 2019-20 or calendar year 2020) as a whole. For example, if the fiscal year is considered, economic activities took place at normal pace up to the end of February (2020). Also, from May onwards, the engines of the economy restarted although the full pace has not been gathered. When these factors are taken into consideration, the situation for 2019-20 is likely to be different from that in April-May 2020. However, as the overall economic growth for the year has been projected to be much lower than targeted, employment generated must also have been lower. Projections of employment have been made in order to estimate the probable loss of jobs due to the decline in economic growth. In order to do so, first, estimates were made of what would have been total employment and unemployment in the absence of COVID crisis – assuming that GDP growth would have been 8.2 per cent as projected earlier by the government. Next, similar estimates were made using the government's revised growth target. A comparison between the two gives us the quantitative estimates of job loss that is taking place and the rate of unemployment in 2019-20. The alternative assumptions under which projections of unemployment have been made are as follows:

Labour force: Two alternative figures for growth of labour force has been used: (i) The actual growth between 2015-16 and 2016-17 (2.25 per cent) – as has been obtained from the labour force surveys of those years; and (ii) labour force growth projected by the BBS for 2016-2031, which is 2.06 per cent per annum.

Employment: Projections of employment are made by using baseline data on employment from the labour force survey of 2016-17 and the observed relationship

between economic growth and employment growth in recent years⁶. The basic difference between the two alternative projections that are made (Annex Table A-1) are in the amount of employment that will be generated in the agriculture sector. Two assumptions made in that respect are: (i) Employment in the sector will decline at the same rate as observed between 2015-16 and 2016-17; and (ii) the rate of decline in employment in the sector will be less by 1 million. The latter assumption has been made in order to allow for the possibility that the sector will automatically play as the sector of refuge for a large number of those who may return due to loss of their livelihoods in the urban area.

Projection of unemployment

The rates of unemployment derived from the projections of employment and labour force are presented in Annex Table A-1. The main points to note from this table are as follows.

- As a result of the COVID-affected decline in GDP growth, the rate of unemployment could be between 6.74 and 8.71 per cent depending on which of the assumptions mentioned above are used. Comparing these figures with the unemployment rate of 4.3 per cent in 2016-17, it can be seen that the rate of unemployment may have doubled.
- In our projections, the rate of unemployment in 2019-20 in the absence of COVID and decline in GDP growth would have been between 3.73 and 5.71 per cent. If the rates of unemployment in the COVID-affected situation is compared to these figures, the degree of worsening would appear smaller, but still quite high.

Loss of jobs by major sectors

Projections have been made of employment in broad sectors, viz., agriculture, manufacturing, construction and services in order to see the extent of job loss taking place in these sectors. The results are presented in Annex Table A-2. The main points that emerge from this table can be summarized as follows.

- The total number of jobs lost is likely to exceed 2 million which is 3.14 per cent of total employment under the no-COVID scenario.
- In terms of absolute numbers, the service sector is likely to see the highest number: 1.23 million.
- But in terms of percentage of own sector's employment, manufacturing appears to be the worst sufferer. The sector is likely to lose over half a million jobs – 5.5 per cent of its no-COVID employment.

Loss of jobs in the urban informal sector

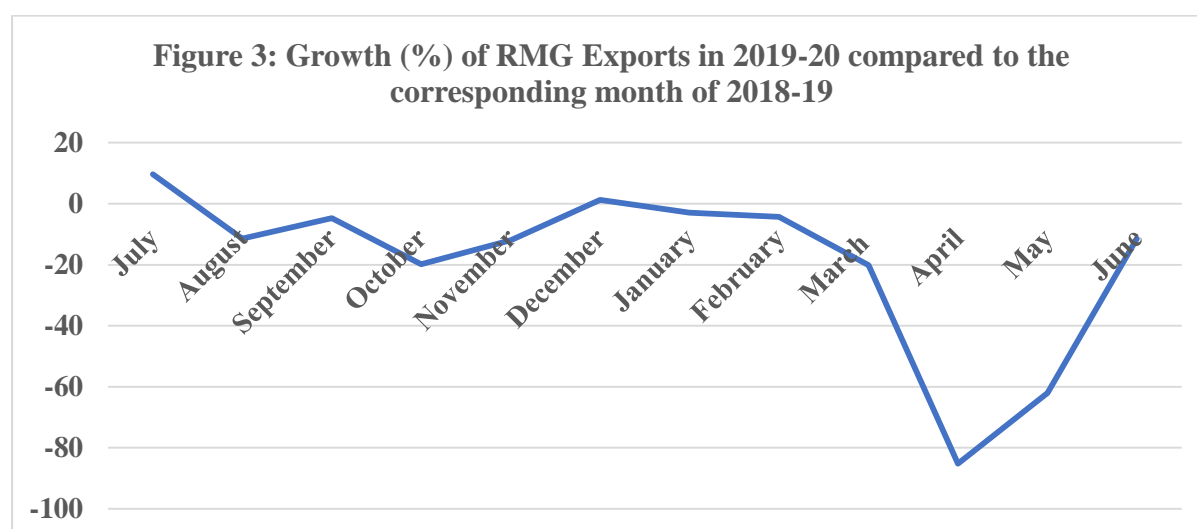
⁶ The methodology used in the projection exercise is described in Islam and Rahman (2020).

The loss of jobs in urban areas is estimated to be 1.25 million which is over 7 per cent of the urban employment in 2016-17. In the urban informal sector, the loss is estimated to be 1.08 million which is over 8 per cent of the sector's employment in 2016-17.

Loss of jobs in the ready-made garment industry

As the ready-made garment (RMG) industry is almost entirely export oriented, disruption in the export market that occurred with the outbreak of COVID-19 in different parts of the world is bound to have an adverse effect on it. But it needs to be noted in this context that the industry was not doing well in exports even before it was hit by the COVID crisis. Out of the first eight months of the fiscal year 2019-20 (July to February), growth of exports was positive only in two months (July and December, 2019). This indicates that the health of the industry was not well⁷.

While negative growth of exports continued through January and February 2020, the real hit came in March from the shock created by the COVID crisis when buyers started to cancel existing orders⁸. The situation went from bad to worse during the subsequent months (Figure 3) – resulting in an overall negative growth of 18.45 per cent for the fiscal year as a whole.



Source: Constructed by the author using data from the BGMEA website. Data for June is from the report of the *Daily Star* on 2 July 2020.

⁷ In the absence of research on possible reasons for the observed decline in export growth, this has been ascribed to factors like the strength of the local currency, competitive advantage received by competing countries (e.g., India and Vietnam) from their weak currencies, excessive dependence on a narrow range of products, etc.

⁸ A number of studies point out how the cancellation of orders affected the RMG industry of Bangladesh. See, for example, ADB (2020 b), Anner (2020) and Jahan et al. (2020).

In a press release on 6 June 2020, BGMEA mentioned that in two months (presumably April and May), 348 factories had to close down and the remaining 1926 are operating at much less than full capacity. That implies that although officially workers may not have been laid off, those who were working in the factories that were shut down must have lost their jobs. In the absence of any further information, it is not possible to say how many workers were affected by such factory closures. Furthermore, in June, national media continued to report layoffs of workers. As there is no official information on these aspects (i.e., closure of factories and workers affected by closures, layoff of workers from factories that are operating), it is difficult to say with confidence how many workers have already lost jobs and how many more are likely to be affected in the near future. But one can at least draw some inferences from existing figures. From the CPD figures on the number of factories (3,856) and the number of workers (3.6 million), the average number of workers per factory turns out to be 933. Closure of 348 factories would then imply that 324,684 workers may have lost their jobs.

An alternative estimate has been made by the authors of the present report on the basis of some assumptions. Since the RMG industry is almost entirely export-oriented, a one-to-one correspondence may be expected between exports and production. That would imply that in 2019-20, output also declined by 18 per cent. If the elasticity of employment with respect to output/export growth is assumed to be about 0.55⁹, export decline of 18.45 per cent can be expected to result in employment decline of about 10 per cent. Depending on whether the base figure is assumed to be 3.6 million or 4.4 million (as mentioned above – CPD estimate and BGMEA President’s statement respectively), the job loss would be 360,000 or 440,000.

To sum up, the estimates of job loss in the RMG industry during 2019-20 are as follows:

Estimate 1 (based on CPD estimate of the number of factories and number of workers):
324,684

Estimate 2 (based on elasticity of employment growth with respect to export growth):
360,000 to 440,000

Even if one does not take the above figures literally, it can be concluded that the decline in export growth of the sector that has taken place up to now may have resulted in a **job loss of about 400,000**.

Overseas employment

Although the number of people with overseas employment fluctuates from year to year, there has been a general rising trend over time. But after reaching a peak (of more than a million workers with overseas employment) in 2017, there was a downward trend during 2018 and 2019.

⁹ This was estimated using the export and employment growth figures for the period 1999-2000 and 2010-11 (ref. Islam and Rahman, 2020).

A few characteristics of overseas employment of Bangladesh's workers are worth noting. First, they are mostly with low level of skills; and there has not been much change in that respect over the past two decades or so. Second, in terms of education, a vast majority – almost three-fourths have less than secondary level of education. Third, the destinations of migrant workers are concentrated in eight countries – Bahrain, Kuwait, Malaysia, Oman, Qatar, Saudi Arabia, Singapore, and UAE. Out of these countries, the ones in the Middle East are dependent on oil, and their demand for expatriate workers fluctuate considerably. Out of them, Saudi Arabia has been hit hard by the COVID pandemic; and as a result, has not only stopped recruiting new workers but is also sending a large number of expatriate workers back.

Although there is no data on overseas employment after February of 2020, one can surmise that very few were able to get such jobs. Moreover, periodic media reports indicate that large of number of workers are returning from abroad¹⁰. Given the global economic situation, it seems that the situation is likely to continue till economic recovery starts in the labour-receiving countries. If the current forecasts of global economic growth made by the IMF and World Bank are any guide (more on this in section 5), it can be assumed that the tap of overseas jobs is unlikely to re-open until about the last quarter of 2020 or early 2021. In that scenario, the number of such jobs for the whole of 2020 is unlikely to be more than three lakhs (the total for January and February was 129,127 – according to data available on the BMET website). If one takes into account the number that are likely to return because of loss of jobs, the net outflow may turn out to be insignificant. So, the current year (2020) is likely to be a lost year as far as overseas employment is concerned. What was once a reliever of pressure on the domestic labour market is going to turn back and play the opposite role.

¹⁰ For example, *Bonik Barta* (June 17, 2020) reported that Saudi Arabia alone may return 12 lakh workers during 2020. See:

https://bonikbarta.net/home/news_description/232813/%E0%A6%9A%E0%A6%B2%E0%A6%A4%E0%A6%BF-%E0%A6%AC%E0%A6%9B%E0%A6%B0%E0%A7%87%E0%A6%87-%E0%A7%A7%E0%A7%A8-%E0%A6%B2%E0%A6%BE%E0%A6%96-%E0%A6%AC%E0%A6%BF%E0%A6%A6%E0%A7%87%E0%A6%B6%E0%A7%80-%E0%A6%B6%E0%A7%8D%E0%A6%B0%E0%A6%AE%E0%A6%BF%E0%A6%95-%E0%A6%AB%E0%A7%87%E0%A6%B0%E0%A6%A4-%E0%A6%AA%E0%A6%BE%E0%A6%A0%E0%A6%BE%E0%A6%AC%E0%A7%87-%E0%A6%B8%E0%A7%8C%E0%A6%A6%E0%A6%BF-%E0%A6%86%E0%A6%B0%E0%A6%AC-

See, also, *The Daily Star*, June 18, 2020, <https://www.thedailystar.net/backpage/news/covid-19-fallout-14000-migrant-workers-return-empty-handed-april-1-1916249>

3. Impact on Workers' Lives

Loss of jobs is only one of the ways in which the labour market adjusts to an economic crisis. Alongside the decline in employment, real wages and salaries of workers and employees may also fall. And as a result, incomes of people, especially of those dependent on wage and salaried employment may decline. The present chapter deals with these issues. It first describes the various ways in which labour markets adjust to economic crisis, and then looks specifically at what has been happening to real wages of workers. It also looks at how incomes of workers and the poor people in general are being affected by the economic crisis.

3.1. Different Ways in Which Labour Markets Adjust to Crisis¹¹

Real wages of workers can come under pressure from two sides. First, the operation of the forces of demand for and supply of labour can lead to a decline in the money wages of workers. Second, even if money wages rise, the rate of increase may fall short of the rise in consumer prices, thus resulting in a decline in real wages.

Changes may also occur in the type of employment contract or work arrangement under which workers are engaged. Shift to part-time work, contract for shorter durations, contract of precarious nature and flexible work arrangements are common during times of crisis.

Other common mechanisms of adjustment, especially in situations where institutional mechanisms for social protection are absent, include falling back on the informal sector (in both urban and rural areas) and reverse migration to rural areas and sharing of work in the traditional sectors. The latter often leads to increased pressure on the rural labour market and a worsening of the condition there. In sum, forces operating from various sides create downward pressure on the incomes and levels of living of workers.

3.2. Real Wages of Workers

As mentioned at the outset, up to date data on the labour market are not available from official sources. Hence it is difficult to say with confidence which of the above mechanisms are in operation in the labour market of Bangladesh. However, useful data are available on wages of workers which combined with anecdotal evidence indicates the operation of this mechanism already - especially for unskilled workers who are employed on a daily basis or under different types of casual arrangement. Using data on consumer price index and wage rate index – for overall wages as well as for broad sectors, viz., agriculture, industry and services – real wage indices have been calculated. A graphic picture of the indices is shown in Figure 4. A few points emerging from this figure may be worth noting.

After stagnating (or rising slowly) for a long period during the 1980s and 1990s, real wages rose substantially after 2005-06. But the primary impetus of that rise – especially

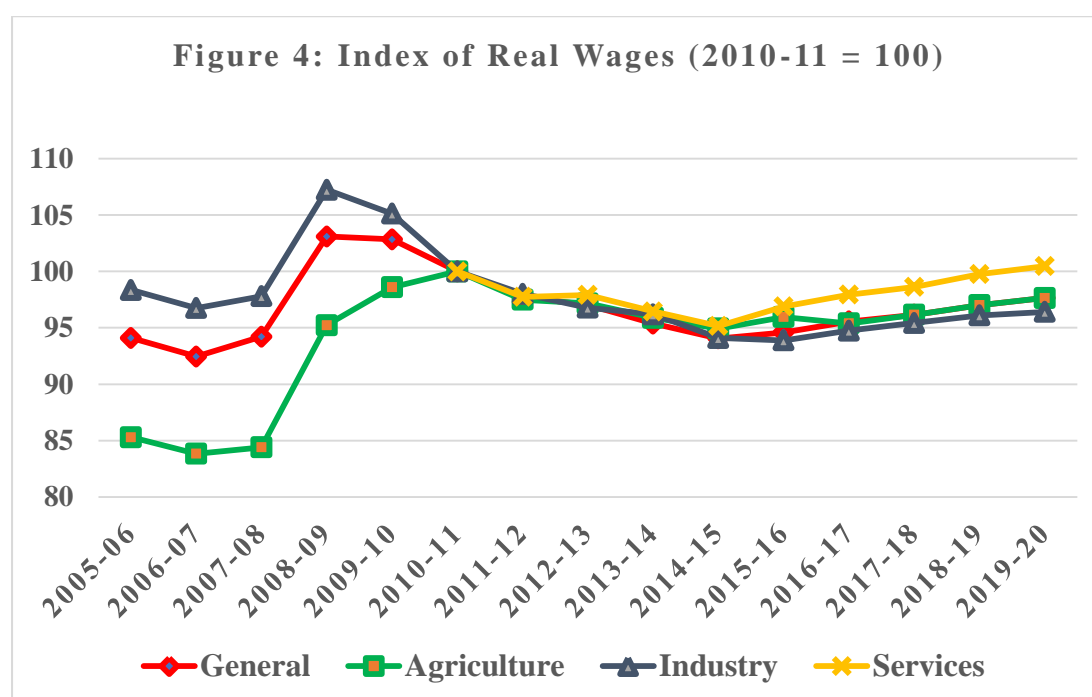
¹¹ For more details on this issue, see Islam (2020).

in agriculture - came from the sharp rise in the prices of food grains in 2008 in the global market as well as in Bangladesh. And the rising trend could not be sustained after 2009-10.

Real wages fell between 2010-11 and 2014-15 for all workers as well as for workers in the three sectors mentioned above. This implies that real wages of workers in Bangladesh did not rise even during the period when economic growth was high and sustained (i.e., during the first half of the decade of 2010).

Starting from 2015-16, the declining trend was reversed in agriculture. For industry and services, recovery started in the following year. But the rise in real wages that took place after 2015-16 was basically helped by low inflation

The rise in real wages continued in 2019-20 as well. But it needs to be noted that the indices for neither overall wages nor for agriculture and industry has yet reached the level of 2010-11. Only for services, the real wage index attained that level.



Source: Constructed by the author by using data from Bangladesh Bureau of Statistics: Consumer Price Index (CPI), Inflation Rate and Wage Rate Index (WRI) in Bangladesh. June 2020.

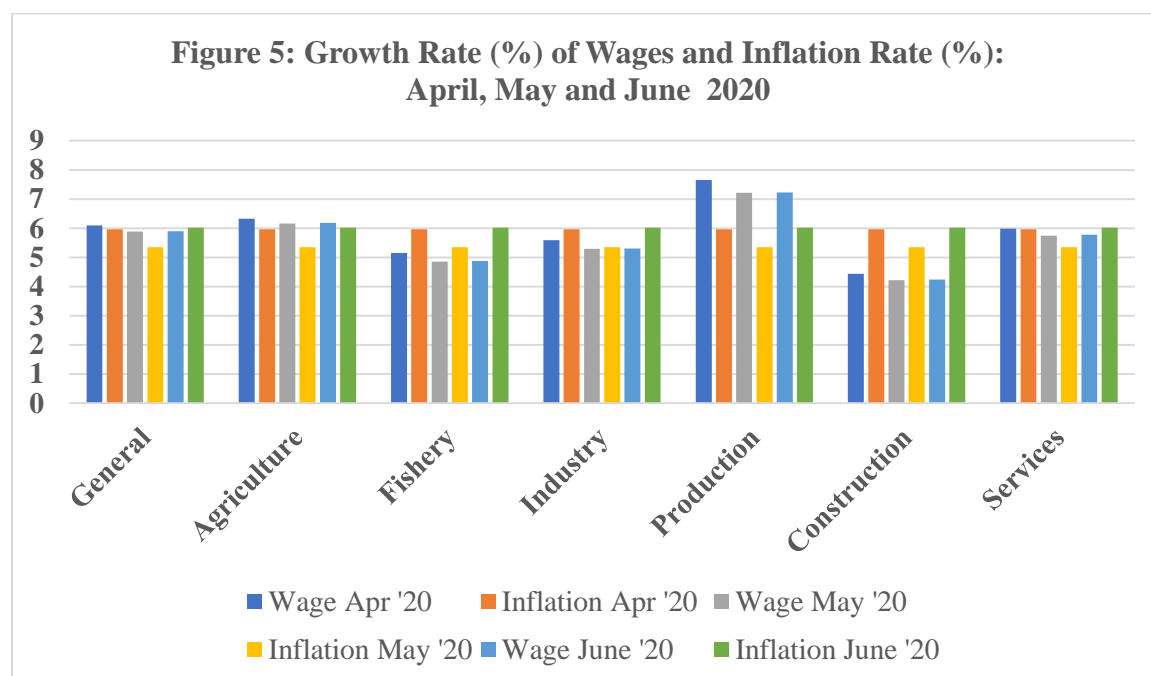
From the above, it might appear that the ongoing economic crisis has not yet had any adverse effect on real wages. But before coming to such a conclusion, one needs to note a couple of points. First, the data for 2019-20 includes only three months (April, May and June of 2020) of the crisis-affected time. Out of that, April and May were peak periods in

agriculture when boro paddy harvest was going on. During such a period, wages in agriculture usually go up.

Second, data for “industry” aggregates data for construction and all manufacturing industries - including micro, small and cottage enterprises. It is in those sub-sectors that wages are more likely to have been affected by the economic crisis. Hence, before concluding that the wage route for labour market adjustment is not in operation, it would be important to (i) look at what happens during the rest of the year 2020, and (ii) examine what has been happening to wages in sub-sectors that are likely to be more vulnerable.

Fortunately, the BBS reports mentioned above provide data for the last three months of 2019-20 (i.e., April, May and June) and for sub-sectors like fishery, and construction for short periods. A few observations may be made on the basis of those data (presented in Figure 2).

- General wage growth in April and May (2020) was barely above the inflation rate; but in June, it could not keep up with inflation – thus implying a decline in real wage rate as a whole.
- Wage growth in construction and in fishery declined sharply.
- In May and June, growth of wages in major sectors, viz., agriculture, production industry and services was lower than in April.



Source: Constructed by the author using BBS data (as for Figure 4).

It is thus clear that not only were jobs lost, those who were lucky to be in their jobs saw their wages facing downward pressure. The labour market of the country is adjusting to the crisis through both quantity (amount of employment) and price (wage) routes.

3.3. Income and Poverty

As labour is often the only source of incomes for most workers, loss of jobs for them means loss of income as well. Likewise, low wages and wage growth falling behind growth of consumer process may adversely affect their condition of living. Even under normal circumstances, many workers remain poor despite their being employed because there are jobs that do not guarantee a minimum income needed for moving out of poverty. For such workers, loss of jobs implies getting deeper into poverty. But there are those whose incomes may have been above the poverty line, but the loss of their jobs would push them below the line. Decline in real wages may also have an adverse effect on incomes.

One study (Sen, 2020) based on the Household Income and Expenditure Survey of 2016 (which is a nationwide survey carried out periodically by the Bangladesh Bureau of Statistics) carried out simulation exercises of the possible impact of the corona pandemic on the incidence of poverty in the country during the second quarter of 2020. While several alternative scenarios are constructed in that study, the base scenario is based on the assumptions of 80 and 20 per cent declines in the incomes of the working classes in urban and rural areas respectively. In the base scenario, the incidence of poverty is estimated to have increased by 9.1 percentage points compared to what it was in 2016. That implies that an additional 16.38 million people had joined the ranks of the poor during the second quarter of 2020.

Coming to the impact of the crisis on the livelihoods of the poor people, one study (BRAC-BIGD and PPRC, 2020) based on a rapid response survey carried out during 4-12 April provides useful insight. The survey was purposive, covering households in slum areas in both urban and rural areas. As nearly 70 per cent of the respondents reported wage/salaried work and casual labour as their principal occupation, it can be surmised that the survey basically covered those who are dependent on wage labour. On the whole, 63 per cent of the respondents reported being rendered economically inactive during the shutdown. In the urban slums, the figure was 71 per cent while in the rural sample it was 55 per cent. The respondents from the urban slums reported a 75 per cent drop in incomes compared to the last week of February.

As for coping mechanisms employed by the poor in response to the crisis, 47 per cent of the urban slum residents and 32 per cent of the rural residents reported reduced food intake. Drawing on own savings was reported by 67 and 82 per cent respectively. But they also mentioned that from this source, they would be able to feed themselves for another 8 and 13 days respectively (in urban slums and rural households). It is thus clear that in the absence of any social safety net, the working people have very little staying power in the face of a crisis like the one caused by the corona pandemic.

4. Policies in Response to the Economic Crisis: How Effective are they to Fight the Adverse Effects on Employment and Poverty?

In order to minimize the adverse effects of the pandemic on the economy, the government has come up with a set of measures for supporting the revival of economic activities and for providing safety net to the poor (the latter, in addition to the existing safety net programmes). The present chapter first presents a summary description of the government's policy package for economic recovery and then looks at their effectiveness with particular focus on two schemes: (i) support to the export-oriented industries and (ii) the scheme for providing cash transfer to the poor. The policy and regulatory framework governing the world of work is also examined briefly.

4.1. The Policy Package

In response to the economic crisis caused by the COVID pandemic, the government has adopted a four-pronged strategy that may be summarized as below:

- Discourage luxury expenditure and prioritize government spending that creates jobs;
- Create loan facilities through commercial banks at subsidized rates for affected industries and businesses so that they can revive their economic activities;
- Expand the coverage of social safety net programmes to protect the extreme poor and low paid workers of the informal sector from the sudden loss of their sources of earnings; and
- Increase money supply to the economy while maintaining a delicate balance between increasing money supply and possible inflationary pressures.

The policy package for economic recovery amounting to Tk 103,117 crore includes the following:

- 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
- Tk 2,000 crore: low-interest credit for poor farmers, returning migrant workers, and unemployed youth

The social safety net programmes include:

- Free food and subsidised food for the poor;
- Widening of social safety net for the poor – includes;
 - ❑ Direct cash transfer - Tk. 2,500 each for 50 lakh households;
 - ❑ Old age allowance: coverage to be expanded by adding 5 lakh more people to the existing 40 lakh.

Other measures include:

- Increase in subsidy for agriculture;
- Tk 5,000 crore agriculture refinance;
- Tk 2,000 crore subsidy for suspended interest;
- Incentive for health sector workers

4.2. Adequacy and Effectiveness of the Policy Package in Addressing the Challenges of Job Loss and Poverty

While the implementation of the package is still at an early stage and it is too early to assess the effectiveness of the various measures included in the package, a few observations are made below with regard to two specific measures. This is done basically to illustrate the limitations of the policy package in the face of the enormity of the challenge – both in terms of coverage and implementation. The schemes selected for this purpose are the (i) Tk 5,000 crore for payment of wages and salaries of workers in export-oriented industries, and (ii) direct cash transfer of Tk 2,500 per person to 50 lakh poor people so that 50 lakh families (or 2 crore people) are covered.

Support for payment of wages and salaries in export-oriented industries

This scheme is supposed to be in the form interest-free loans with a service charge of 2 per cent, and is expected to cover wages for three months.

In a press release of the BGMEA (dated 6 June), it was mentioned that the monthly wage bill of the industry is TK 4,000 crore. It would thus appear that although the government's allocation of TK 5,000 crore was designed to assist all export-oriented industries to pay wages and salaries for three months, the amount was far from adequate¹². Furthermore, the wages of the workers were to be paid directly to their bank/mobile financial accounts. Although there have been media reports from time to time about the progress in making the payments, there were also reports of controversies over whether payments of full or partial wages would be made¹³ and

¹² A report by BRAC-BIGD (2020) estimates that this amount is about half of what is needed to cover three months' minimum wages of the workers in the sector.

¹³ For example, Jahan, et al (2020) reports workers getting 60 per cent of their April salaries. *The Daily Star* (<https://www.thedailystar.net/frontpage/news/rmg-workers-demonstrate-demanding-full-wages-190120>) reported on 10 May that the government, on April 29, directed RMG factory owners to pay their workers 60 percent salary for April. The same report mentions that workers of factories in different industrial zones demonstrated demanding full payment of their gross salaries for April as opposed to 60 percent.

whether the payment would be only for April. The author of the present report is not aware of any consolidated report either by the BGMEA or the government on this issue. While uncertainties continued about the duration and amount of wage payment, there were reports in the media that layoffs of workers had already started in May¹⁴.

Cash transfer of Tk 2,500 per person for 50 lakh people

The first point that needs be mentioned about this scheme is its coverage. As its target is to cover 50 lakh people, and it is assumed that one person per household will be paid, the number of people targeted would be 2 crores (assuming 4 persons per household). On the other hand, the total number of poor is estimated to be about 5 crores (including the new poor). One can thus see that less than half of the households who are in need were targeted by the programme.

As for the amount needed by the poor who lost their jobs and incomes, if the poverty line income per person is used as the basic requirement and the average household size is taken to be four persons, projection based on the figures from the HIES of 2016 indicates the poverty line income per household to be Tk 10,000 per month. Thus, the amount of support (which was one-off) comes to a fourth of what is required per month.

While the support was really needed by the targeted people in April-May, the programme was launched on 14 May; and up to early July, 16.16 lakh beneficiaries are reported to have received the cash¹⁵. A report in August¹⁶ mentions the number to be 34,97,353 (which is about 70 per cent of the target). Media reports indicate a high “inclusion error” in the implementation of the scheme.

4.3. The Policy and Regulatory Framework for the World of Work

The basic policy and regulatory framework for the world of work is provided by (i) the Bangladesh Labour Act (BLA) 2006 and its subsequent amendments, and (ii) the 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 in the Act were brought through

¹⁴ In early June, the President of the BGME said that a number of workers in the garment industry may lose jobs although she was not specific on this. This was quoted in a report of the *Daily Star*, June 5, 2020. <https://www.thedailystar.net/business/news/good-number-rmg-workers-may-be-terminated-jobs-rubana-huq-1909005>

Vernacular daily, *Prothom Alo* reported on 27 June 2020 that during the first three weeks of June, over ten thousand workers have been retrenched from the RMG industry. See : <https://www.prothomalo.com/economy/article/1665394/%E0%A6%95%E0%A6%B0%E0%A7%8B%E0%A6%A8%E0%A6%BE%E0%A7%9F-%E0%A6%AA%E0%A7%8B%E0%A6%B6%E0%A6%BE%E0%A6%95%E0%A6%B6%E0%A7%8D%E0%A6%B0%E0%A6%AE%E0%A6%BF%E0%A6%95-%E0%A6%9B%E0%A6%BE%E0%A6%81%E0%A6%9F%E0%A6%BE%E0%A6%87-%E0%A6%AC%E0%A6%BE%E0%A7%9C%E0%A6%9B%E0%A7%87>

¹⁵ *The Daily Star*, July 9, 2020.

¹⁶ *Prothom Alo*, August 11, 2020.

amendments in 2013 and 2018. An important aspect of the improvement is that in 2018, the condition of a minimum of 30% of total number of workers for forming a trade union was relaxed to 20%. Despite such improvements, difficulties in forming trade unions continue to persist and the proportion of workers covered by trade unions remains low¹⁷.

The National Labour Policy 2012 outlines the government's objectives and commitments in a number of areas including

- promotion of employment and decent work;
- skill development;
- wage determination;
- ending gender discrimination;
- elimination of child labour;
- social protection; and
- rights and welfare of informal sector workers.

However, they remain at the level of pronouncements, and are not often backed by concrete programmes of action. For example, in the area of promoting employment and decent work, the government's Seventh Five-Year Plan did include it as one of the major objectives and set a target of 10.9 million additional jobs for the plan period (i.e., over 2 million jobs per year). But the strategy for attaining the goal was kept at a general level of mentioning export-oriented industrialization. In reality, the actual achievement fell short by a wide margin: in 2016-17, the number of new jobs created was 1.4 million – which is way below the target of 2 million.

¹⁷ For a detailed analysis of the situation in this respect, see Moazzem and Azim (2018).

5. Towards an Inclusive and Sustainable Economic Recovery

Although the virus that caused the COVID-19 pandemic is still playing its course, public life and economic activities have been allowed to start, albeit with restrictions – especially with regard to practices concerning health and hygiene. In that context, discussion has started on the speed of economic recovery and on when the economy is likely to get back to its normal level. However, an important question in that respect is whether putting the economic back to its growth path would be enough or whether the new growth path should be more inclusive and sustainable. How economic growth can be made more inclusive is indeed an important question that needs to be addressed, and the present chapter is devoted to a discussion on this. It starts by looking at possible alternative scenarios of economic recovery, and in that context, reports the results of a mini survey of informed stakeholders undertaken by the author. The basic features of inclusive growth are described and a pathway towards such growth is outlined.

5.1 Alternative Scenarios of Economic Recovery

Recovery of economic activities will depend on a variety of factors, the most important of which is the spread of infection from the virus. And it is difficult to predict with a degree of confidence when the spread can be brought under a reasonable degree of control. In addition, since a good part of the economy has become dependent on export markets, revival of growth will also be influenced by recovery in the economies of the countries that are major markets of the exports of Bangladesh.

If one looks at IMF's forecasts (ref *World Economic Outlook*, June 2020), one may note that the earliest global output is expected to turn the corner is the first quarter of 2021. For Bangladesh, different international agencies have come up with different forecasts, some of which are presented in Table 3. The government's forecasts are also presented in this table. Since the basis of the forecasts and the methods used are not described in the reports, it is difficult to comment on the strengths and weaknesses of these forecasts. However, these forecasts show substantial variation in the perspectives of the organizations making them.

Table 3: Projections of GDP Growth (%)

	IMF	World Bank	ADB	Government of Bangladesh
2019-20	3.8	1.6	4.5	5.2
2020-21	5.7	1.0	6.8	8.2

Sources: (i) IMF: *World Economic Outlook Database* April 2020; (ii) World Bank: *Global Economic Prospects*, June 2020 (Chapter on South Asia); (iii) ADB: *Asian Development Outlook*, September update, 2020; (iv) Government of Bangladesh, Ministry of Finance: *Budget Speech 2020-21*.

It is well-known that the debate on the timing and nature of economic recovery revolves predominantly around the question of the shape of the English letter it will follow – V, W, U or L. Implicit in each of these letters are assumptions about how quick recovery will start and how sharp it will be¹⁸. Out of the forecasts presented in Table 3, all except the World Bank's seem to hope for a V-shaped recovery, while the World Bank's appear to suggest a U or even L-shaped outcome.

5.2. Economic Recovery and its Social Dimensions: What do Informed Opinions Indicate?

As already mentioned at the beginning of the present paper, there is hardly any real time data on the employment and labour market situation of the country, and hence, we had to make projections and estimates of the likely impact of the pandemic-led economic crisis on employment. Likewise, the projections of GDP growth presented above are also subject to considerable degrees of uncertainty as they are based on different assumptions about the beginning and pace of recovery.

In order to check the above-mentioned figures against the ground reality, the present author conducted a mini survey¹⁹ of a few persons from a cross section of well-informed people of the society. The idea was to cover four broad groups viz., government officials, and representatives of employers, workers and researchers; the goal was to cover a total of 24 persons – six from each of the above categories. Opinions were sought on a range of issues including the prospects and timing of economic recovery, possible impact on employment as a whole and in the RMG industry, the implementation of a couple of items of the government's economic recovery (stimulus) package, and the need for employment and social protection strategies. The respondents were requested to fill in a structured questionnaire (Annex 2) with multiple choice of responses. The survey was carried out during 7 July to 6 August 2020. In all, 19 respondents took part in the survey. Following is a breakdown of the respondents by category.

Government: Two (2)

Employers: Four (4)

Workers: Six (6)

Researchers: Seven (7)

¹⁸ While V-shaped recovery implies quick start and sharp revival of an economy, W implies that after a start, the economy is likely to lose steam and go into another recession before recovering again. U-shaped recovery depicts a situation where the economy stalls for a while at its bottom and then starts to recover. On the other hand, L-shaped recovery actually means no recovery; the economy remains at its trough for a while.

¹⁹ Given the difficulty in finding the targeted respondents in their physical places of work (because even after the end of shutdown, many are/were still working remotely), the questionnaire was sent to them by e-mail with introduction and follow up by telephone. Officials of BILS provided valuable assistance in undertaking the survey which was conducted during 7 July to 6 August 2020.

A couple of general remarks may be made about the results that emerge from the survey mentioned above. First, on a few questions, there is consensus among respondents. They include:

- Whether the economic and employment situation has returned to normal levels after the opening up;
- The degree of success in implementing the cash transfer scheme;
- The need for a full-fledged employment strategy; and
- The need for institutionalizing measures for universal social protection.

Second, there are questions on which there is not much of consensus. These are questions on the current situation, when it might become normal, job losses in the RMG industry and the possibility of this industry regaining its pre-pandemic position.

On the current situation in terms of the level of economic activities, the majority - 12 out of 19 thought it was between 50 and 70 per cent of the normal level. A good number felt that it was below 50 per cent of normal.

As for job loss in the RMG industry, responses varied with almost equal numbers saying less than three lakh and more than that. Regarding the prospect of the industry for bouncing back, respondents were circumspect, and only eight (out of 19) thought the prospect was good. Another 10 thought the prospect was moderate.

Regarding the ability of small entrepreneurs to access credit facilities available under the government's recovery package, as many as ten respondents said there was "very little possibility" – thus confirming the widely expressed view on this issue.

On when normalcy is likely to return, the responses varied. While a third thought normalcy could return before the end of 2020, nearly half thought it would be by mid-2021. There were those who thought it might be as late as the end of 2021. If one juxtaposes these responses on the different projections reported in Table 3, one can see support for forecasts of both V and U (or L) shaped recovery. That, in turn, reflects the degree of uncertainty that characterizes the current situation and the outlook for future.

On the question of employment, except one respondent, the rest (18 out of 19) opined that a strategy for employment is needed in addition to the measures adopted for economic recovery. On the issue of social protection, all the respondents were in favour of institutionalizing a universal social protection system.

5.3. The Case for an Inclusive and Sustainable Economic Recovery

From the point of view of the lives and livelihoods of people, and especially of those who are dependent on their labour for a living, it is important to not just look at economic recovery and growth but also on whether and how the labour market is recovering and how inclusive economic recovery is going to be. Empirical evidence in studies carried out in the early 2000s showed that high rate of economic growth is a necessary condition for the generation of productive employment and poverty reduction, but not sufficient. The

pattern of growth is important in that respect. And it will be even more so in the context of recovery from the present downturn because of several reasons.

First, although high rate of economic growth was attained during the pre-pandemic period, that did not help in attaining the employment target (as mentioned in section 4.3 above). Second, experience with previous economic crises in various developing countries shows that recovery in the labour markets follows economic recovery with a lag, and it takes a while before the pre-crisis situation is reached (Islam, 2011). The current global crisis is frequently referred to as the most severe since the second World War; and in the case of Bangladesh, the decline in GDP growth witnessed in 2019-20 is one of the sharpest witnessed since the 1990s. Third, for the first time in several decades, there has been a reversal in the trend of poverty reduction; and special efforts will be needed to stop this slide and attain the pre-pandemic rate of poverty reduction. Fourth, the sustainable development goals (SDGs), the target date for achieving whom is 2030, include, in addition to reducing poverty and inequality, productive employment and decent work for all. It would have been a challenge to attain that goal even without the pandemic-induced economic crisis. Now the challenge will be even more formidable.

In the context of the situation described above, it is extremely important to move the debate on recovery and revival of the economy from an exclusive focus on growth to inclusive and sustainable recovery. Rather than adopting a “business as usual” approach and allowing recovery to become jobless, it is essential to adopt pro-active policies for making recovery inclusive and sustainable. As already mentioned above, the results of the mini survey of stakeholders carried out by the present author show that almost all respondents pointed out the need for institutionalizing social protection and all but one suggested a strategy for employment promotion.

While inclusive growth can be looked at from different perspectives and defined to include a number of characteristics²⁰, in the current context of Bangladesh, the following elements should be regarded as basic minimum (of course, in addition to growth of output):

- Productive employment and decent work;
- Reduction of poverty and inequality;
- Social protection (including protection against unemployment and old age);
- Basic health care; and
- Education (up to secondary level).

²⁰ For a detailed discussion on the concept and definition of inclusive development, see Islam and Islam (2015), chapter 2.

5.4. Pathway to Inclusive and Sustainable Recovery:

While the implementation of the government's economic recovery package is still at an early stage and it is too early to assess the effectiveness of the various measures included in the package, a few suggestions are made from the point of view of making economic recovery inclusive and sustainable.

First, there should be specific and stronger focus on employment and social protection. The respondents of the opinion survey undertaken for this study (who represented a broad cross-section of relevant stakeholders) were almost unanimous in their recommendation for an employment strategy²¹ and completely unanimous on the need for institutionalizing social protection.

Second, as the economy has not yet come out fully from the immediate effects of the shutdown, **a two-phase strategy would be needed.**

- The **first phase** will be the time till the virus has been brought under a reasonable degree of control and economic activities have re-started without the constraints of lockdown.
- The **second phase** should begin from the time when economic activities will have re-started fully. Medium-term and longer-term policies/strategies would need to be put in place for making growth more inclusive.

The basic objective of **policy for the first phase** would be to minimize the adverse effects on employment and labour market and the hardship of those who are dependent on labour income. The primary focus should be on

- More effective measures to provide social safety net to the poor and low-income people until the situation returns to normal;
- Measures for quick revival of economic activities (without compromising on safety and hygiene in places of work) including speedy and efficient implementation of the government's economic recovery package;
- Special effort to ensure that petty businesses and micro and small enterprises can access the fund that has been earmarked for credit;
- Efforts to save jobs through measures like sharing of work, and temporary leave with part pay; and
- Emergency employment programmes, especially for the poor who may lose jobs.

Policy during the second phase (i.e., for medium to long-term) should focus on remodelling growth with measures to make it employment-friendly. For that, it would be important to

- Formulate and implement a full-fledged strategy for employment²²; and

²¹ Only one of the respondents mentioned that the employment goal could be attained without a separate employment strategy if the economic recovery programme is tuned to that goal.

²² Ministry of Labour and Employment, Government of Bangladesh – with technical support from the ILO and the World Bank – has been working on such a strategy since early 2019. That exercise

- Include strategies for protection against unemployment and old age.

The strategy for employment should be based on **three pillars – two for domestic employment and one for overseas employment. The pillars for domestic jobs** would be:

- Policies (at the macroeconomic and sector levels) for accelerating economic growth and boosting the growth of jobs that result from output growth, and
- Active labour market policies (ALMPs) that would include programmes for job creation, skills development, and employment services for job matching.

The pillar for overseas employment should include strategies for safe migration at low cost and for reintegrating returning workers into the domestic labour market. It should develop a strategy to raise the levels of education and skills of potential migrants and to lower the cost of migration. As demand for expatriate workers in labour-receiving countries is likely to be weak in the post-pandemic period, special efforts will be needed to explore potential markets and tap new markets. Efforts should also be made – including through diplomatic channels - to negotiate retention of jobs abroad. The period until full recovery of the overseas labour market may be utilized to upgrade skills of the returning workers and potential job-seekers.

The need of the time is to have a fully articulated strategy for employment with protection against loss of jobs and incomes integrated into it.

All stakeholders will have to play a role.

Given the gravity of the challenge and the complex nature of the issues involved, it would be important for key stakeholders, viz., the government, and the representatives of employers, workers and the civil society, to interact and find solutions jointly. Crises are times for more rather than less dialogue. And the present crisis should be no exception.

(MOLE, 2020) could now take into account the situation created by COVID-19 and broaden its scope to include social protection.

Annex 1: Tables

Table A-1: Alternative Projections of Unemployment, 2019-20

	Unemployment rate (%) for 2019-20 assuming no COVID (GDP growth 8.2%)		Unemployment rate (%) for 2019-20 with COVID-affected GDP growth (5.2%)	
	P 1	P 2	P 1	P 2
Labour force growth observed between 2015-16 and 2016-17	5.71	4.26	8.71	7.25
Labour force growth projected by BBS for 2016-2031	5.21	3.73	8.22	6.74

Note: (i) See Islam and Rahman (2020) for a description of the methodology of employment projection and derivation of the unemployment rates. (ii) P 1: projection of employment based on the assumption of decline in agricultural employment at the rate observed between 2015-16 and 2016-17; (iii) P2: projection of employment based on the assumption of a slower decline in agricultural employment than observed between 2015-16 and 2016-17.

Table A-2: Projections of Employment by Broad Economic Sectors 2019-20 (Million)

	2016-17 (Actual – 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

Notes: Figures for output growth in various sectors have been worked out by using the sectoral employment elasticity for the period 2010 to 2016-17 (Annex Table A-1), and three-year average of growth rates for the sectors (for column 2).

Source: Islam and Rahman (2020).

Table A-3: Projection of Employment and Estimate of Job Loss in the Urban and Urban Informal Sector

	2016-17	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

Source: Islam and Rahman (2020).

Table A-4: Index of Real Wages (2010-11 = 100)

	General	Agriculture	Industry	Services	Consumer price index
2005-06	94.1	85.3	98.35		64.4
2006-07	92.45	83.83	96.75		70.7
2007-08	94.21	84.4	97.8		77.6
2008-09	103.1	95.23	107.25		84.3
2009-10	102.84	98.6	105.13		91.5
2010-11	100	100	100	100	100
2011-12	97.75	97.49	98.02	97.74	108.7
2012-13	97.04	97.16	96.78	97.91	116.1
2013-14	95.38	95.89	96.2	96.45	124.6
2014-15	94.06	94.93	94.09	95.16	132.6
2015-16	94.59	95.96	93.89	96.89	140.4
2016-17	95.56	95.39	94.75	97.95	148.4
2017-18	96.16	96.16	95.43	98.62	156.6
2018-19	97	97	96.1	99.76	165.2
2019-20	97.64	97.64	96.41	100.47	174.5

Source: Constructed by using data available in Bangladesh Bureau of Statistics (2019, 2020).

Table A-5: Money Wage Growth (%) and Inflation Rate (%) in April, May and June, 2020

	Wage growth (%) Apr 2020	Wage growth (%) May 2020	Wage growth (%) June 2020
General	6.1	5.89	5.9
Agriculture	6.33	6.16	6.18
Fishery	5.15	4.86	4.88
Industry	5.59	5.29	5.31
Production	7.66	7.22	7.23
Construction	4.44	4.22	4.24
Services	5.99	5.75	5.78
Inflation Rate (%)	5.96	5.35	6.02

Source: Same as for Table A-4.

Annex 2: Results of the Informed Opinion Survey

1. After the end of general holiday and lockdown, have economic activities and the employment situation returned to the normal level?

Responses	Number (Total responses: 19)
Almost normal	1
70-80 % normal	1
50-70% normal	12
Less than 50% normal	5

2. By when do you think the situation may return to the normal level?

Responses	Number (Total responses: 19)
By December 2020	4
By March 2021	5
By mid-2021	3
By end-2021	7

3. Will the employment situation become normal along with the economic situation or separate measures are needed?

Responses	Number (Total responses: 19)
No separate measures are needed	1
Special strategy is needed to promote employment	18

4. In 2019-20, export of ready-made garments has declined by 18.45%. Many factories have closed down. How many workers may have lost jobs due to that?

Responses	Number (Total responses: 19)
Less than two lakh	6
Two to three lakh	4
Three to four lakh	3
More than four lakh	6

5. Do you think that the RMG industry will be able to return to its previous situation?

Responses	Number (Total responses: 19)
Certainly	2
Good prospect	6
Medium prospect	10
Unlikely	1

6. Out of the government's economic recovery package, one scheme provides for credit to small entrepreneurs. Do you think that really small businesses are being able to benefit from this scheme?

Responses	Number (Total responses: 19)
Without doubt	1
Quite possible	2
Somewhat possible	6
Very little possibility	10

7. The government has announced a one-time cash grant of Tk 2,500 for 50 lakh people. Do you think this has reached the target population?

Responses	Number (Total responses: 19)
Almost 100%	1
90 to 100%	1
80 to 90%	1
Less than 80%	16

8. Do you think this kind of grant is adequate for providing social protection to the people or an institutional system is needed which will be universal and regular?

Responses	Number Total responses: 19)
This kind of grant is adequate	0
Universal and institutional system of social protection needed	19

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