

# DIGITISATION AND INCLUSIVITY: TAKING EVERYONE ALONG

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## Informal economy and economic inclusion

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populations. The informal economy has become an important characteristic of all sectors, with economic units employing millions of workers. All sectors in Bangladesh are characterised by dualistic structures, i.e. the prevalence of formal and informal activities. The LFS 2016-17 shows that 95.4 percent of all employment in the agriculture sector is informal employment, followed by 89.9 percent in industry sector and 71.8 percent in the services sector. Further, informal work covers a vast spectrum of activities, ranging from fairly basic survivalist labour to sophisticated and skilled craft work.

What induces entrepreneurs to hire contract workers? Major suspects are the rigid labour regulations, increasing import penetration leading to substitution of regular workers by contract workers due to lower wages of the latter, and effect of staffing companies. Further, formal firms may hire more contract workers to curb the bargaining power of regular workers for keeping their wage demand in check and use them as an alternative workforce to their strategic advantage against unionised regular workers.

Employees of the informal economy are not protected by law and as a result stand at risk of being exposed to different forms of abuse and exploitation. Additionally, expansion of this sector potentially has the ability to intensify problems connected with slums, congestion and health already plaguing the major cities in the country. Furthermore, informal economic activity severely limits tax revenues, most in need for a stable tax base in Bangladesh.

### TECHNOLOGY AS THE DRIVER OF ECONOMIC INCLUSION

In the coming years, the present 4IR



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will bring an unprecedented pace of technological change, building on the digital revolution to combine technologies and transform systems, production structure in agriculture and other sectors—including the Bangladesh society itself. For Bangladesh, advances in computing power, connectivity, artificial intelligence (AI), biotechnology and GIS, and more capable technologies hold tremendous promise of

generating decent employment, especially in the rural areas. This will accelerate inclusive agriculture, rural growth and structural transformation to high-productivity agriculture and rural nonfarm activities. One key policy for realising the positive outcomes of 4IR is to bridge the widening gap between skilled and unskilled labour. For reaping the benefits of technology, the key will be to transform the country's rural

economy and create skilled jobs in rural areas. The need is to ensure more investments in transportation, power, and internet access to create more employment for women and youth in the rural areas.

Agriculture and food processing represent an untapped reservoir of opportunities for the rural youth for economic inclusion. While local and regional demand for food is rising, the scope for developing and integrating

rural youth into the local value chains remains largely underexploited. Most rural youth engaged in agriculture are currently involved in production and very few are involved in downstream activities in the value chain. There are many reasons why investing in local value chain development in the agri-food sector could become an engine for decent job creation and food security. From

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