

## BRIDGING THE INCOME GAP

# Policies for equal access to work



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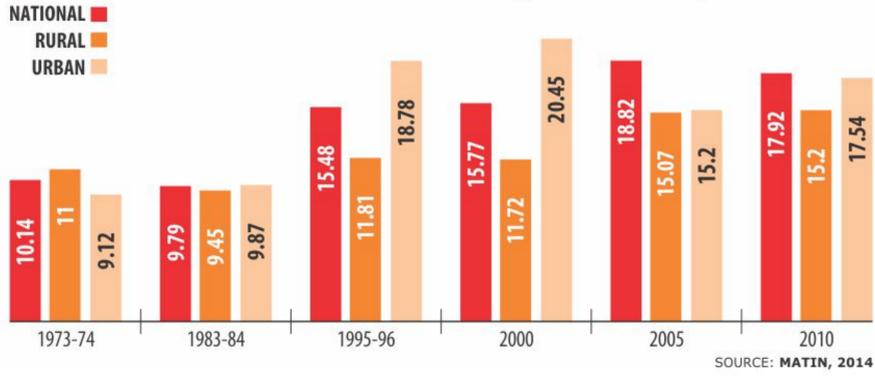
*"We must work together to ensure the equitable distribution of wealth, opportunity, and power in our society." - Nelson Mandela, State of the Nation Address, Parliament, Cape Town, South Africa, February 9, 1996.*

The statement above holds true for all countries irrespective of economic conditions or political system. At the Davos forum this January, Oxfam revealed the alarming fact that the world's eight richest people own as much wealth as the poorest 50 percent. The culprits of the income gap are thought to be aggressive wage restriction, tax evasion and influence of companies on rival producers. Globalisation may have changed the lives of the present generation in positive ways but it is also correct to infer that the benefits of economic processes have been unfairly distributed, affecting poverty reduction efforts and allocation of human capital.

Despite flourishing of growth sectors, inequality within countries has risen. Four-fifths of Asia's population live in countries where inequality rose over the past 20 years, in parallel with economic performance in growth and poverty eradication (Kanbur, et al). Trends in income inequality in South Asian countries during 1980 and 2015 show rising income gaps in Afghanistan, Bangladesh and India. Only in Bhutan and Maldives is there a downward trend in disparity, while in Nepal, Pakistan and Sri Lanka it is steady (*The Daily Star*, September 2016).

Bangladesh, in 2016, for the first time since independence, surpassed seven percent GDP growth but disparity in income has been on the rise since the 70s, as seen in Figure 1. Within a span of 37 years, the national ratio of the income share of the top 10 to bottom 10 deciles increased 77 percent. In 1973 the GDP growth rate was 3.3 percent, while it was 5.9 percent in 2010. Rural inequality seemed to have increased during the aggregate period. Greater urban opportunities and growth of cities eventually decreased

**FIGURE 1**  
**RATIO OF INCOME SHARE ACCRUING TO TOP 10 PERCENT TO BOTTOM 10 PERCENT HOUSEHOLDS: RURAL, URBAN AND NATIONAL (1973- 2010)**



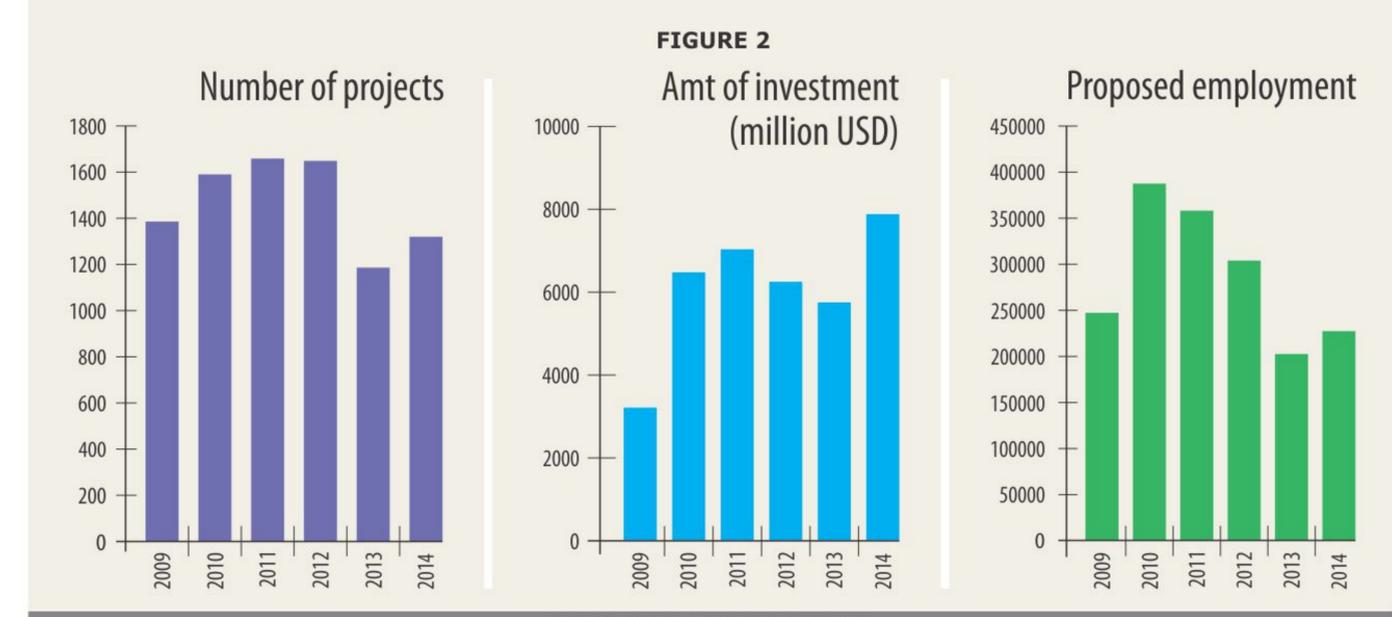
the urban inequality ratio, yet it grew by 92 percent in three decades. Expenditure share of the bottom 40 percent of the households decreased from 23.82 percent in 1973-74 to 21.25 percent in 2010 (Matin, 2014). According to World Bank data, population living in poverty decreased from 63 million in 2000 to 46 million in 2010.

This article will broadly highlight linkages of investment, job creation and enhancing labour market institutions with improving income, thereby mitigating inequality in Bangladesh. Policy initiatives, labour market gaps, and the issue of equal access to work for people beyond the mainstream will also be explored.

### Investment initiatives and inequality

Under the 7th Five Year Plan, the government plans to increase jobs for the large pool of under-employed and new labour force entrants by raising proportion of employment in the manufacturing sector from 15 percent to 20 percent. There is expected to be substantial improvement of export to USD 54.1 billion and a trade-to-GDP ratio of 50 percent by 2020.

Referring to the US Department of



SOURCE: BOARD OF INVESTMENT DATA

State's Investment Climate Statement 2016, it can be seen how Bangladesh is perceived by the West in this regard. It states, "...promising opportunities for investment, especially in the energy, power, pharmaceutical, information technology, telecommunications, and infrastructure sectors as well as in labour-intensive industries such as readymade garments, household textiles, and leather processing. With over six percent annual growth sustained over the past two and a half decades, a large, young and hard-working workforce, strategic location, and vibrant private sector, Bangladesh is likely to attract increasing investment in coming years." The government has taken steps to restructure several state-owned businesses to improve their competitiveness, for example, transformation of Bangladesh Biman into a public limited company. It has recently announced that up to 100 new Special Economic Zones will be formed for the

whom 58 million are employed, 2.6 million are unemployed and 45.6 million are outside the labour force. The four percent unemployment rate is misleading as a large chunk is working in agriculture and informal services, which are characterised by low hours, payment and productivity. Comparative advantage in cheap labour for manufacturing is marred by lower productivity due to the lack of skills development, poor management and infrastructural obstacles.

### Targets, wages and trade

In Bangladesh, growing inequality did not obstruct poverty reduction strategies, thanks to the outreach of the NGO sector, microfinance mechanisms and remittances. Despite challenges, the country fulfilled socioeconomic targets under the Millennium Development Goals (MDGs) and it is expected that the government will adhere to Sustainable Development Goals (SDGs) in various stages of governance. Goal 10 relates to reducing inequality within and among countries; the targets can be perceived from two angles: internal and global mechanisms.

It is essential to maintain income growth of the bottom 40 percent of the population at a rate higher than the national average. In Bangladesh, the USD 68 minimum wage for a readymade garments employee is far below the standards. This was an increase from USD 39 which risked pulling young girls from poor households out of school. Raising the wage in this sector could hamper Bangladesh's competitiveness in the global market. Wage and social protection policies, including elimination of discriminatory legislation are additional targets of Goal 10.

From a macro level, it is recommended to improve the monitoring of financial markets and to increase representation for developing countries in decision-making in global economic and financial institutions. There needs to be differential treatment for developing countries, in particular least developed ones, in accordance with World Trade Organisation agreements.

Development assistance and financial flows, including FDI is to be encouraged in countries that need it most. Since reaching level of lower middle income status in 2014, Bangladesh may be losing out from the list of priority states for development aid and preferential treatment in trade.

Bangladesh has potential to gain from free trade area agreements – of which some are in effect and some in negotiation stage. It is crucial to boost trade with developing countries such as Turkey, Malaysia, and Nigeria, where Bangladesh can have a favourable market. With the Asia Pacific Trade Agreement, there can be greater trade with India, China and Korea, and potential growth in sectors that will generate employment. Once the Bangladesh-China-India-Myanmar corridor is in effect, the country can receive tremendous investment in the infrastructure, energy and tourism sectors. The government can focus on skill building of workers who can cater to the demands of the connectivity agreements for transport, tourism, service sectors.

### Education, wages and compliance

Education and its access can be a way

out of poverty; there needs to be distribution of the mainstream school system for tackling inequality of opportunities. We see that the share of the education budget in the aggregate national budget decreased to 11.6 percent in the outgoing FY 2015-16 from 15.9 percent in 2006-07 budget, according to an analysis of the Centre for Policy Dialogue and Campaign for Popular Education. Education spending forms two percent of the GDP, which remained almost static for the last 14 years. This is contrary to commitments to international platforms to allocate six percent of the GDP or at least 20 percent of the national budget for education. Expenditure on schools is still not considered investment, as evident in the low quality of teachers and classrooms, low salaries and dropout rates.

The overall wage system has to be streamlined to adjust to the price level and provision made for workers to be members of unions, so that their voices for fair wage can be heard. Only about 10 percent of Bangladesh's 4,500-plus garment factories have registered unions. In July 2013 the Bangladesh government committed to a Sustainability Compact with the European Union. Yet laws and rules governing labour rights and export processing zones still have union constraints, in violation of international law.

After noteworthy disasters in the readymade garment premises, the Bangladesh government made legal reforms that have helped increase the number of unions. Despite this, workers met with threats and intimidation when trying to form unions according to a Human Rights Watch report titled, *Whoever Raises Their Head, Suffers the Most: Workers' Rights in Bangladesh's Garment Factories*. This report highlights the violations suffered by workers in Bangladesh, including physical assault, verbal abuse, forced overtime, denial of paid maternity leave, and failure to pay timely wages and bonuses. If this is the case in the sector that emerged as a significant earner of foreign currency, it speaks volumes about the overall working conditions in Bangladesh.

### Situation in the fringes

SDG 10 also refers to efforts towards eliminating discriminatory laws, policies and practices. At the same time countries are to promote appropriate legislation, strategies and action that can foster inclusive development. Additionally, fiscal, wage and social protection policies are to be implemented so as to achieve greater equality. Do all sections of the Bangladeshi society get equal access to work and education opportunities for that matter? This country of 166 million population has the mainstream and minorities. Gender, race, religions, orientations that bring diversity into a constituency that ultimately face barriers.

Women, being half of the population of Bangladesh, still account for only about a third of the labour market, according to International Labour Organisation estimates. Countless work at the lowest level of the job pyramid or in the informal economy, and are deprived of security, social protection and legislation. There is scope in the development sector to campaign for women's participation and gender equality in the trade union movement.

Those who migrate overseas for domestic work find themselves victim to exploitation, and trafficking of women from Bangladesh remains a matter of concern. Refugee and Migratory Movements Research Unit estimates that women migrants form about 18 percent of the total flow but also remit 90 percent of their incomes. For betterment of migrants, it is important to deliver skill based training, especially for women. There remains governance issues in this regard, e.g. lack of vigilance on irregular migration to Malaysia, lack of capacity to provide updated passports, and to have proper recruitment of trainers at the manpower training centres. Bangladeshi embassies abroad can ideally have female labour attaches to conveniently address problems of female migrants.

Economic, social and political marginalisation is a reality for the indigenous population living in Bangladesh. Their existence is at stake, let alone opportunities for livelihoods; their rights have to be uplifted by capacity building and greater advocacy. The Human Rights Commission can play a crucial role in advocating for their rights to land ownership and security. People with disabilities are also on the fringes of economic activity. According to data of Handicap International, 15 percent of the population lives with a disability. Of the nearly 30,000 NGOs that exist in the country, around 300 deal with this matter, mainly providing capacity development assistance. Persons with disabilities now have a right to work in the Bangladesh Civil Service. Even then, it is important to have amended infrastructure allow people with challenges get access to the workplace.

In spite of transgender people being referred to as members of a third gender and recognition in state documents such as passports and IDs, they are not welcomed in the workplace due to rigid ideas of gender etched in the societal psyche. The state must rethink sectors where they can make valuable contribution. Dialogue with positive examples can gradually ease the acceptance. For instance, there has been the refreshing initiative of the government to recruit transgender people in the traffic police force, as a means of rehabilitation and independent existence.

Despite political will for enhanced growth and greater employment, it is evident that there is a great scope for improvements in Bangladesh regarding mechanisms which could address inequality issues. Parallel to fiscal or private sector reforms and adjustments to foster growth, there should be greater socioeconomic attention on poverty and its eradication should thrive.

Stringent policies are crucial to empower the bottom percentile of income earners and to promote economic inclusion of all regardless of gender, race or ethnicity, and emphasis is needed on economic growth that is inclusive and contains the holistic dimensions of sustainable development.

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