

The low employment growth puzzle



RUSHIDAN ISLAM RAHMAN

THE slow growth of employment between 2013 and 2015-16 is the most important observation emerging from the Quarterly Labour Force Survey (QLFS) 2015-16 data, which was released recently by the Bangladesh Bureau of Statistics. During the two and a half years, employment growth per year was 5.6 lakh -- much lower than the growth during 2010-2013 period, when it was 13 lakh per year. The employment growth was even higher during 2006-2010. The slow employment growth can be explained by: the rising capital intensity of various manufacturing sub-sectors; the jobless growth across all sectors; and preoccupation with GDP growth, leading to disregard for policies related to employment generation. These factors, however, cannot be substantiated with actual data except in case of garment sector, where some data on the rise of capital intensity and stagnation of employment are available. The government's direct employment generation programmes as part of social safety net continued without much change during the period, and in some projects, expansion has taken place. On the front of self/family employment, there is again no reason why the number would decline. Another factor contributing to

the decline of employment may be the reduction of supply. However, this cannot be established on the basis of QLFS data. The indicator of supply is labour force participation rate, which takes the values of 57.1 and 58.5 percent in 2013 and 2015-16 respectively, thus indicating no decline in the supply side. A sharp decline of employment without much change in relevant policies thus remains a puzzle. Under-enumeration can at least partially account for the observed slow growth of labour force and employment. Doubts about employment and labour force data of 2015-16 arise from the fact that the age distribution of the population obtained from the latest and the previous Labour Force Survey (LFS) is drastically different. In 2013, about 30 percent of the population was below the age of 15. This has increased to 33 percent in 2016. With a continuously declining total fertility rate over the last two decades there is hardly any rationale behind the sudden increase in the share of child population. It is likely to be due to under-enumeration of adult population. There are 10.6 crore people aged 15 years and above, according to LFS 2015-16. Soon after the release of LFS data, the BBS released the "Bangladesh Sample Vital Statistics (SVS) 2015", where the size of the same age bracket was given as 11 crore. This suggests the LFS showed 40 lakh less persons in this age group. Assuming the same employment rate for those not enumerated and those actually enumerated, about 22 lakh more would be in employment on the basis of SVS data. This gives a figure of employment growth of about 36.2 lakh in 2.5 years and 14.5 lakh per year during 2013-16, which is slightly higher than the 2010-13 figure. However, this is based on a number of assumptions and can-

DATA ON LABOUR FORCE AGE POPULATION AND EMPLOYMENT

Item (in million)	SVS* 2015	QLFS** 2015-16
Total population	158.9	158.48
Labour force age population (15 years and above)	109.96	106.0
Employed population	61.72 (estimated)	59.50

*SAMPLE VITAL STATISTICS

**QUARTERLY LABOUR FORCE SURVEY

not be confidently used as a basis for policy guidance. Moreover, if the proposition of under-enumeration is valid, then one cannot obtain the distribution of employed population by sector, status and so on from the revised data proposed here. It is likely that those left out would have a larger share employed as self/family worker. This may explain why the current QLFS shows a decline in this type of employment. During the last few years, various policy documents including the seventh five-year plan of Bangladesh have highlighted the prospects of utilisation of youth labour force, often termed as a demographic dividend, for acceleration of GDP growth. It has been envisaged that in the coming years youth labour force will continue to grow and the increasing size of the youth labour force will provide an elastic supply of labour for the modern sectors of the economy. However, the size of youth -- those between the ages of 15 and 24 years -- labour force was 1.34 crore in 2013 and 1.17 crore in 2015-16. This implies that the demographic dividend is on the wane. Nonetheless, even the revised estimate of larger size of employment may not imply an overall positive scenario of the labour market. The most important indicator of improvement in this context is income from wages, and data from the two LFS show that between 2013 and 2015-16 the average earnings rose 12 percent

in nominal terms. In real terms, there is hardly any increase since inflation during the two and a half years was more than 12 percent. Stagnation of real wage is likely to be associated with the expansion of labour supply at a rate higher than the demand for paid employment. Therefore, a sustained growth of real wage requires creation of paid jobs at a faster rate. LFS data for the unskilled occupations show that real wage per month has gone through a decline, which is in conformity with other data on wages provided by the BBS. Given the uncertainty about working age population and employed population, the question is how to use LFS data for further policy related analysis. Since BBS has plans to conduct LFS every year, it is being proposed that a fresh round be conducted immediately. This should not be based on panel survey using earlier sample, which then will have the same problem related to enumeration. For simplifying the data collection and tabulation process, a much shorter questionnaire with selected key questions may be used. There is a risk that this may again introduce a bias to show high employment growth. Steps must be taken to remove biases from such preconceived notions. The writer is a director of the Bangladesh Bank board and executive chairperson of the Centre for Development and Employment Research.

US launches formal trade investigation into China

AFP, Washington

THE United States on Friday formally launched a trade investigation into China's intellectual property practices and forced transfer of American technology, which President Donald Trump had called for this week. "On Monday, President Trump instructed me to look into Chinese laws, policies, and practices which may be harming American intellectual property rights, innovation, or technology development," US Trade Representative Robert Lighthizer said in a statement. "After consulting with stakeholders and other government agencies, I have determined that these critical issues merit a thorough investigation." Foreign companies have long complained about Beijing's failure to protect know-how and patents, and in some cases forcing firms to share information with domestic partners as the price for doing business in the massive

Chinese market. But they also have been timid about pressing too hard for their governments to take action, for fear of losing access to China. But "Washington will turn a blind eye no longer," Trump insisted on Monday. "We will safeguard the copyrights, patents, trademarks, trade secrets and other intellectual property that is so vital to our security and to our prosperity," he said. America, he added, will no longer tolerate Beijing's "theft" of US industrial secrets. Lighthizer is launching the investigation under Section 301 of US trade law, which addresses intellectual property. Beijing this week fired back, warning that "everybody will lose" in the event of a trade war between the world's two largest economies. The United States is China's second-largest trading partner after the European Union, and had a deficit of nearly \$310 billion last year.



United States Trade Representative Robert Lighthizer speaks at a news conference prior to the inaugural round of Nafta renegotiations in US.

Apple's deep pockets could take on Hollywood, Netflix



Apple could get the same kind of results in streaming video, not overtaking Netflix over the short term but quickly becoming a force to be reckoned with in the market, analysts said.

THE potential move of Apple into streaming video could reshape an industry which is already feeling the impact from new players like Netflix. While Apple has not revealed any plans publicly, a report that the iPhone maker could spend a billion dollars on its own shows suggested more disruption for a sector seeing rapid changes. The move by deep-pocketed Apple would challenge entrenched services such as Netflix, YouTube, and Amazon Prime, which have been increasingly challenging the established media-entertainment world of Hollywood. Apple declined to comment on a Wall Street Journal report on its billion-dollar budget for new content. Analysts consider original, exclusive content imperative for fielding a viable video streaming service, something that Apple has yet to do despite being early to market with an Apple TV set-top box linked to the internet. "If Apple wants to stay relevant they have to go into the subscription streaming space, and that means original content," said Jackdaw Research chief analyst Jan Dawson. Analyst Paul Verna at eMarketer said video fits nicely into Apple's business strategy: "Content is a vital missing link that could help Apple complete a powerful ecosystem of programming, devices and services," he said. Global streaming television king Netflix is expected to spend about \$7 billion this year on content, with slightly less than half of that money going to making its

shows it can distribute how and where it wishes. Netflix recently ordered a new animated adult comedy from "The Simpsons" mastermind Matt Groening. The Silicon Valley-based company is also buying comic book publisher Millarworld, creator of popular series including "Kick-Ass" and "Kingsman." Netflix said in a statement the deal was part of the company's effort "to work directly with prolific and skilled creators and to acquire intellectual property and ownership of stories featuring compelling characters and timeless, interwoven fictional worlds." Netflix describes itself as the world's leading internet television network, with 104 million members in more than 190 countries. During a recent quarterly earnings call, Amazon executives once again vowed to ramp spending on original shows this year as the internet giant chases after Netflix with its Prime service. While Amazon doesn't reveal exact figures, its budget for shows is said to be in the billions of dollars. Google continues to make a priority of content for YouTube, which features a subscription service along with free shared video posts. Facebook too is rolling out a new video service offering professionally produced shows in a challenge to rivals such as YouTube, and potentially to streaming providers like Netflix. The Facebook service called Watch will include a range of shows, from reality to comedy to live sports. Facebook has funded some of the creators to get the service going.

Brief tourism impact from Spain attacks: experts

AFP, Paris

THE attacks in Catalonia may hit tourist numbers, but the recent experience of other European countries hit by jihadist violence suggests it will likely be brief, industry experts said. Cancellations, early departures, fewer reservations: the impact of a terror attack on an European city can last from three to six months, said tourism professionals. But the effect is dissipating quicker and quicker, they argue. "The duration of the effect is shortening as attacks become commonplace" said Jean-Pierre Mas, head of Entreprises du Voyage, an association of French travel agencies. However the impact can be greater "if there are repeated attacks in the same place," he added. Didier Arino, head of Protourisme consultancy based in Paris, agrees. Where there are repeated attacks in the same city, it can end up "appearing dangerous", he said. That was the case with Paris, which was hit by a series of attacks in 2015 -- including the November 13 attacks on multiple locations in and around Paris, including the shootings at the Bataclan concert venue. The nation's economic output dropped by 0.1 percentage point in the final quarter of the year. But it is difficult to quantify the overall impact of an attack.

The number of foreign tourists visiting Britain rose by 7 percent in June from the same month last year, despite three vehicle attacks in March and June in London, the nation's top tourist destination. "The stronger the image of a destination, the more the impact will be limited," said Arino. The challenge then becomes for a city to limit the damage to that image. Arino recommended the use of social networks, in particular the posting of selfies that encourage a "sense of belonging". That is what the French Mediterranean city of Marseille did after the July 14 2016 attack when a jihadist drove a truck into crowds celebrating France's Bastille Day. But what doesn't help is refusing to acknowledge the problem, said Arino. "It doesn't do any good to say: 'Our destination is safe'". For Asian tourists in particular, security is a top issue, said Mas -- and attacks often had a distorting effect on perceptions. France saw the number of foreign tourists drop by 2 million last year to 83 million, proving a drag on the economy, as tourism accounts for some 8 percent of the total. "Clients coming from faraway countries like China and the United States have a heightened sensitivity concerning the threat of terrorism and see the situation in a more global context," said Christian Taenzler, spokesman of Berlin's tourism office.

"They pose the question 'Am I still going to travel to Europe?'" The answer is often yes. Despite the attack on Berlin's Christmas market in 2016 the number of Chinese visitors to Germany rose by 15 percent in the first three months of 2017. The number of US visitors rose by 6 percent, according Germany's foreign tourism promotion agency. The World Tourism Organization said last month that international arrivals to Europe rebounded by 6 percent in the first four months of the year "as confidence returned to some destinations that were impacted by security incidents". Tourism consultant Arino believes the effect will be mitigated by the fact that the Spanish economy is growing fast. "The country is in such a growth dynamic" that the effect will be "less visible", he said. However tourism accounts for 11 percent of Spain's economy, and has been a key component in helping fuel the country's rebound in recent years. Barcelona, the top city in international tourism in the world's number two most visited country, according to market research firm Euromonitor International, welcomed 7.6 million tourists last year. Most of those visitors came from Britain, France and Italy. Travel industry heavyweight TUI Group said its clients in Spain were not seeking to go home early.

Muslim residents of Barcelona kneel on the Las Ramblas boulevard as they demonstrate in Barcelona, to protest against terrorism and in tribute to the victims of the Barcelona attack yesterday, two days after a van ploughed into the crowd, killing 13 persons and injuring over 100.



AFP