

ENTREPRENEURSHIP AS A KEY TO YOUTH EMPLOYMENT

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Creating new employment opportunities

What it will take



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Bangladesh's economic growth and development experiences over the past four and a half decades since independence in 1971 have generated a lot of interests among academics and development practitioners both from home and abroad. From a war-torn economy in 1972 until now, Bangladesh has been able to increase its per capita GDP by more than 17 times (from as low as around USD 100 in 1972 to USD 1,751 in 2018), cut down the poverty rate from as high as 71 percent in the 1970s to 24 percent in 2016, became the second largest exporter of readymade garments in the world, and registered some notable progress in social sectors.

In 2015, Bangladesh graduated from the World Bank's classification of low-income country to lower-middle income country category. Bangladesh has successfully met all three criteria for LDC graduation in the first review in March 2018. It is expected that Bangladesh will be able to meet the graduation criteria in the second review in 2021 and will finally graduate from the LDC status in 2024.

In the context of the aforementioned development path, there are six major labour market and employment challenges in Bangladesh. These are the creation of jobs (the quantity), ensuring decent jobs (the quality), acceleration of economic growth and economic diversification, increasing female labour force participa-



SOURCE: WORLD BANK

tion, enhancing youth employment, and raising the productivity of labour.

In terms of the number of new jobs, there has been slower growth in job cre-

ation in recent years in Bangladesh. Between 2013 and 2016-17, while the average annual GDP growth was 6.6 percent, the average annual growth of jobs was only 0.9 percent. The number of manufacturing jobs declined by 0.77 million, and more importantly, female manufacturing jobs declined by 0.92 million.

Also, manufacturing's employment share declined in recent years: from 16.4 percent in 2013 to 14.4 percent in 2016-17. The slow growth in job creation is also reflected in the declining employment elasticity over the last decade. The overall employment elasticity with respect to GDP growth declined from 0.54 during 1995-2000 to 0.25 in 2010-2018. While the SDG 9.2 highlights the target of doubling industry's (primarily manufacturing) share of GDP in the LDCs by 2030, with the changing nature of manufacturing, leaning towards automation, increasing the number of new jobs, especially in this sector, will remain a big challenge.

In the case of ensuring decent jobs, there are concerns about a high degree of informal employment in Bangladesh. The share of informal employment within total employment in Bangladesh remains well above 85 percent. A study by SANEM, using the Labour Force Survey data and a recent household survey conducted by SANEM, classified jobs into three different categories: "good enough" jobs, "good jobs" and "decent jobs". The analysis of this study shows that the share of decent jobs within total jobs in Bangladesh increased from 10 percent in 2010 to only 12 percent in 2018. Therefore, there is an immense challenge to register a significant headway from such slow progress in ensuring decent jobs. In this case, both the government and the private sector have important roles to play.

Further acceleration of economic growth, enhancing the quality of economic growth, sustaining economic growth and economic diversification all have important implications for the labour market and employment challenges in Bangladesh. Though Bangladesh has been able to maintain an annual average real GDP growth rate of over 6 percent during the past decade, there are concerns with respect to the quality of growth.

One of the major aspects of job creation and ensuring decent jobs is the need for economic diversification. However, economic growth, so far, has not been associated with significant economic diversification. Despite some progress in raising the manufacturing shares in GDP and employment during 1990 and 2018, Bangladesh has not been successful in moving to the next phase of indus-

trialisation. The manufacturing sector in Bangladesh is highly concentrated around low value-added readymade garments, and the country has not yet been able to move successfully to the next generation of manufacturing, especially to high value-added manufacturing.

Though the private sector has the dominant role to play here, the private investment-GDP ratio has remained stagnant over the past decade. Therefore, energising private sector investment for achieving the aforementioned objectives remains a critical challenge for Bangladesh. For this, the effective remedy of both the policy-induced and supply-side constraints will be imperative. A number of supply-side constraints in the form of weak infrastructure and the high cost of doing business need to be

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addressed within a short time span.

Bangladesh has not even been able to attract much foreign direct investment (FDI) even by the LDC standard. In 2016, the FDI share in GDP in Bangladesh was only 0.9 percent against the LDC average of 3.3 percent. Weak infrastructure and poor business environment are critical problems for Bangladesh in attracting both domestic private investment and FDI.

According to the 2019 Doing Business index of the World Bank, Bangladesh ranks 176th among 190 countries. In terms of sub-

components of the Doing Business index, Bangladesh's worst performances are observed in the areas of "enforcing contracts", "getting electricity" and "registering property". There is a need for rapid improvement in these areas. The initiatives taken by the Bangladesh government in setting up 100 special economic zones (SEZ) as well as the development of big infrastructural projects seem to address these issues.

However, there is a need for faster and quality implementation of these projects, as delay in implementation, cost overrun, and sub-standard quality of projects are long-standing problems in Bangladesh which discourage private investment.

Over the past three decades, labour force participation (LFP) rate of females has increased.

Nevertheless, the LFP rate of female remained stagnant between 33 percent and 36 percent during 2010 and 2016-17. We explored both the supply and demand side factors affecting female labour force participation in Bangladesh. Our analysis suggests that issues such as child marriage, early pregnancy, coupled with reproductive and domestic responsibilities have not changed much with the economic progress of the country, and these factors constrict female LFP.

To explore the demand side factors, especially the role of innovation and technology, affecting firms' demand for female labour, we used firm-level data from the World Bank's Enterprise Survey of 2007 and 2013. Female employment intensity, defined as the ratio of the number of female labour to male labour, declined in major manufacturing and services sectors during 2007 and 2013. The overall female employment intensity declined from an average of 20.35 percent in 2007 to 17.67 percent in 2013. The econometric estimation suggests a negative impact of innovation and technological upgradation on firms' female employment intensity. In these contexts, there is a need to provide incentives and remove barriers to the creation of new and higher productivity jobs in the sectors which can generate large-scale employment for females.

Youth employment is a major challenge in Bangladesh. The country is passing through a phase of demographic dividend, and estimates by SANEM suggest that the country will continue to enjoy this dividend until 2030. However, two critical areas of concerns are there with respect to youth employment. The share of youth not in education, economic activities and training (NEET) increased from 25.4 percent in 2013 to 29.8 percent in 2016-17, and 87 percent of the youth NEET are female. Also, the youth unemployment rate increased from 8.1 percent to 10.6 percent during this period. In order to address these challenges, there should be targeted programmes for the specific disadvantaged segments of the youth population through skill-development and appropriate labour-market policies.

In the case of raising the productivity of labour, it is important to note that the productivity of labour critically depends on both quality health and education services. However, Bangladesh lags behind significantly in ensuring quality health and education for all. The public expenditures on both health and education as percentages of GDP in Bangladesh are among the lowest in the world. The country, therefore, needs to attach vital emphasis on improving the existing low level of human capital by enhancing investment on education, skill development, and health facilities, and by making such spending more efficient.

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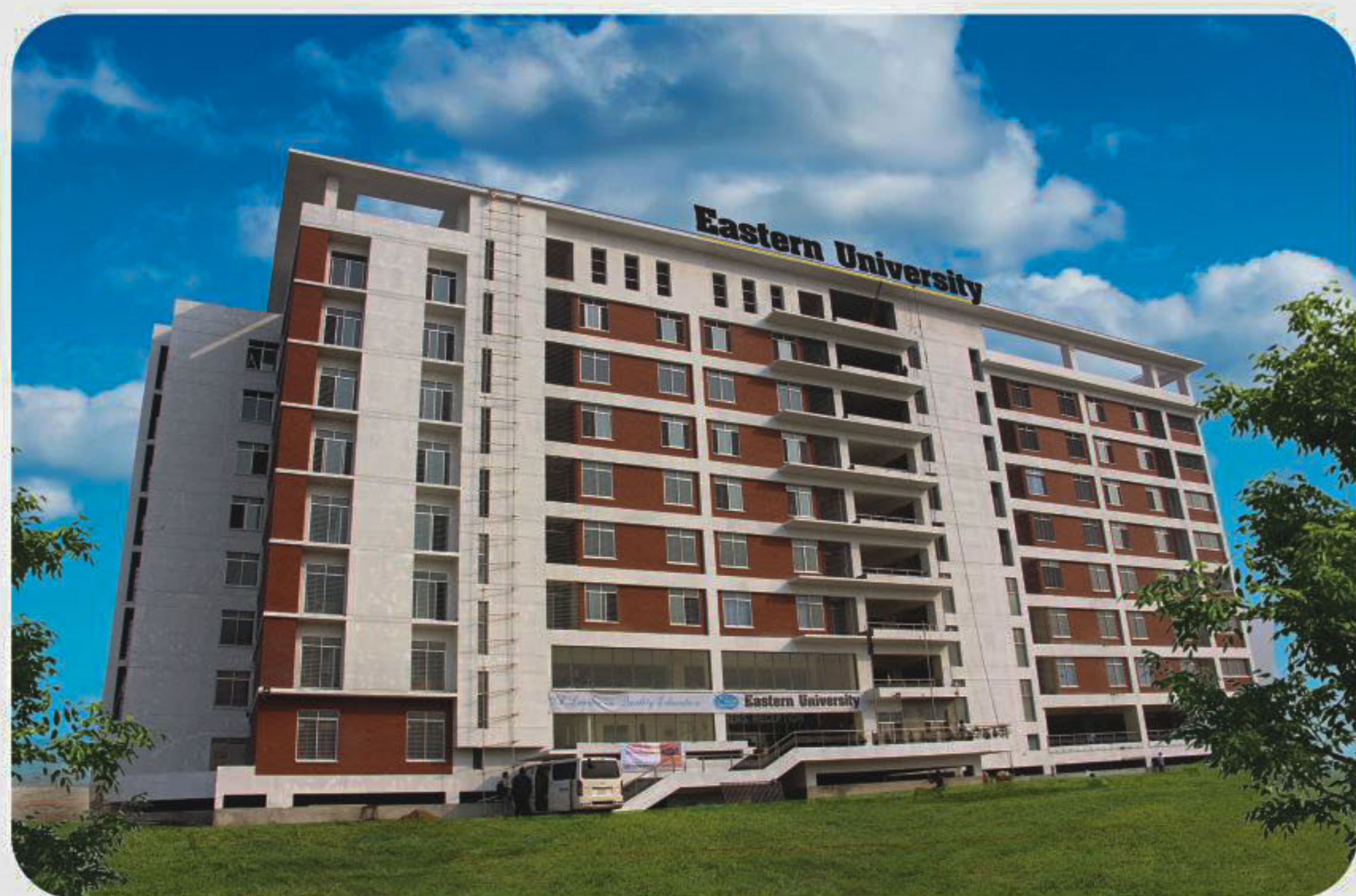
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