

Is policy failure to blame for our wage inequality?



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The phenomenon of access to new technology resulting in skills gaps and wage inequality is visible in all economies; and so is the rising trend in poverty, particularly among the ageing population in developed economies. So, companies counter this by hiring a skilled workforce from foreign countries. This issue is discernible in all age groups due to the existence of poor quality education in developing countries, which policy-makers are to be blamed for. They feel that grooming workers in light of new technology will fail because it requires too much time, effort, and money. Quite unusually, the education and course curriculum quality in the concerned countries remains the same, with an increasingly unemployable workforce that has no hope of escape.

How do we enhance access to upskilling? Take the case of East Asian countries. Given its multilevel focus and private sector collaboration, the region's acclaimed skills development system exemplifies concerted national and integrated efforts. The region is successful because it is linked to the various nationwide policies within it (related to economic development and technology transfer) and different institutions are able to work together.

Does wage inequality exist in Bangladesh due to policy failure? Studies show that widened wage gaps and unemployment rates due to the inaccessibility of technology

can be observed in developed and developing economies alike. Reportedly, the demand for skilled (as opposed to unskilled) labour has increased relative to their supply. The concept of skilled labour can broadly be divided into two groups: those assuming skill-biased technological change is exogenous and those thinking that adopting skill-biased or unskilled-based technologies is endogenous. The overwhelming majority of studies belong to the first group, who have argued that skill-biased technological change has played a central role in increasing inequality in recent times.

High levels of inequality reduce growth in relatively poor countries but encourage growth in more affluent countries. Economist Robert Barro studied a broad panel of countries between 1960 and 1995

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and found that growth tends to fall with greater inequality when income per capita is less than \$2,000 (in 1985 dollars) and rises with inequality when income per capita is more than \$2,000. He concluded that income-equalising policies might be justified to promote growth in poor countries. For more affluent countries, however, active income redistribution appears

Economist Simon Kuznets explained this in terms of a shift from the rural/agricultural sector of the economy to the urban/industrial sector.

This type of relationship also emerges in Barro's analysis. However, the curve likely reflects not only the influence of the level of income per capita but also the effect of adopting new technologies. The poor sector

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Notably, most newer technologies entering the market through more unique products and processes are skill-biased because they use skilled workers more intensively

interest mainly because of the rising inequality in the relative wages of skilled and unskilled labour.

Consider Bangladesh. It has a large workforce, but Bangladeshi employers often hire foreign nationals because they feel locals require more skills. Migrant workers from countries like India, Sri Lanka, and the Philippines can negotiate higher wages because their abilities are recognised. Anyone can see the absurdity in hiring thousands of experienced textile engineers at minimum wage to produce high-quality products. The problem is not a shortage of professional textile engineers; the problem is that the country's economic decision-makers cannot understand growing demand. It is to be noted here that Bangladesh also has immense prospects as a role model for manufacturing. The fact is that foreign investors' friendly policies don't mean that one expects an unlimited supply of plant managers or well-trained technicians to line up at their door. Besides, they cannot access whatever labour they need at their chosen wages.

It is often argued that capitalism generated extensive prosperity for centuries by rewarding the most productive uses of available work. As Adam Smith postulated in *The Wealth of Nations*, "...every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of people of his own country..."

Theoretically, access to technology and innovations are size-neutral. The blame is with policy entrepreneurs who created this size bias due to their jerry-built knowledge. Thus, wage inequality and poverty are the consequences of the awful human resources policy they have adopted.



VISUAL: SALMAN SAKIB SHAHRYAR

to incur a trade-off between the benefits of greater inequality and a reduction in overall economic growth. Barro further showed that the overall relationship among income inequality, growth, and investment is weak. He investigated the effect of economic development on inequality and found that the traditional relationship here is the Kuznets curve, which describes an inverted U-shaped relationship between inequality and growth: inequality first increases and later decreases in economic development.

uses old technologies, whereas the prosperous sector uses more advanced techniques. Technological innovations (including the factory system, electric power, computers, and the internet) tend to raise inequality when only a few people initially share in the relatively high incomes of the advanced sector. Eventually, however, inequality falls as more people take advantage of new technology. Overall, for poor countries, the escape from poverty becomes more difficult because rising per capita income induces

than the older technology. Experts have found that the relative supply of skilled workers concentrates the adoption of new technology to a specific region—those having a higher supply of skilled labour are likely to be quicker in adopting new technology. Likewise, while the real wages of skilled workers are expected to increase as new skill-biased technology is adopted, the wages of unskilled workers may either remain unaffected or even fall. The issue of the supply of skilled labour has become an area of immense

As civil order crumbles in Myanmar, Bangladesh should be alert



A CLOSER LOOK

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News of the China-mediated ceasefire between the ruling Myanmar junta and the Three Brotherhood Alliance—comprising Myanmar National Democratic Alliance Army (MNDAA), the Arakan Army (AA), and the Ta'ang National Liberation Army (TNLA)—came as a relief not only for the people of Myanmar but also for the country's neighbours, including Bangladesh. Within days, however, things turned volatile once more, with the Arakan Army claiming to have captured Paletwa, in Chin State, bordering Bangladesh and India.

Although the AA has assured that, "Regarding border stability issues, we will cooperate at our best with neighbouring countries," the lack of proper governance structure and civil order in the conflict-ravaged country remains a major concern for Bangladesh, especially with focus on humanitarian, security, economic, and political aspects.

First of all, due to the lack of a stable government, the repatriation of the more than one million Rohingya refugees currently living in Bangladesh has become even more uncertain. With fast dwindling international aid, it is increasingly difficult for the Bangladesh government to accommodate and provide for such a huge number of refugees.

Moreover, the continued refusal of the Myanmar military junta to provide the Rohingya with citizenship—which is their basic right as an ethnic group which has been living in Myanmar for centuries—has complicated matters further in terms of repatriation. This lack of citizenship, amidst the ongoing civil war with the ethnic groups, would only make the Rohingya more vulnerable to persecution once they return to Myanmar. The civil war might also amplify the risk of the Rohingya still in Myanmar being persecuted more by the vindictive ruling junta, and therefore



A member of the Karenni Army riding a truck with seized weapons during a battle in Loikaw in Kayah State, Myanmar on November 12, 2023. PHOTO: REUTERS

fleeing into Bangladesh for safety.

However, apart from providing for the Rohingya amidst difficult economic challenges facing the country, there is another, more sinister concern that Bangladesh must watch out for: national security. Elements like the Arakan Rohingya Salvation Army (ARSA)—a Rohingya insurgent group—have reportedly already infiltrated Bangladesh and have been behind killings and unrest in Bangladesh's Rohingya camps, including the assassination of prominent Rohingya leader Mohammad Mohib Ullah in 2021. In July 2023, it was reported that, since 2017, 188 individuals were killed in the camps, many of them by ARSA.

While gang violence, fuelled by turf wars, has resulted in many casualties and a deterioration of law and order inside Rohingya camps, some of these nefarious

actors are actively involved in arms and drug smuggling inside Bangladesh. ARSA itself has been accused of enabling arms smuggling inside the camps in Bangladesh. A United Nations Office on Drugs and Crime (UNODC) report suggests that the production of methamphetamine and its use in the manufacturing of yaba has increased, especially in Myanmar, with Bangladesh

Myanmar stood at \$48.4 million, while Myanmar's exports to Bangladesh stood at \$64.1 million. However, trade volume between the two countries has already plummeted, with Bangladesh taking a hit. Due to a trade halt at Teknaf land port since November 14 last year, the Bangladesh government is losing about Tk 3 crore each day in revenue.

With the Arakan Army now taking over areas bordering Bangladesh, there is a possibility of violence escalating in those regions, leaving us with no option but to enhance vigilance in these areas. In the past, this led to diplomatic tensions between the two sides, especially in September 2022, with six mortar shells from Myanmar exploding in Bandarban's Ghumdum border area resulting in one casualty. Myanmar said it had launched the strikes after the AA captured a police outpost in Maungdaw Township in northern Rakhine State.

The civil war in Myanmar is also a pain point for neighbouring India and China. The Three Brotherhood Alliance already claims to have taken over the Shan State and several towns that contain critical trade routes with China. In fact, on January 4, a mortar shell from Myanmar fell inside China, causing several injuries there. Meanwhile, the ongoing unrest in India's Manipur between the Meitei and Kuki communities (which resulted in the death of at least 175 people as of September 2023) has also partially been attributed to the Kuki's migrating to Manipur from Myanmar, with old fault lines reappearing.

If Myanmar's civil war continues on its current course, there could be ripple effects on Bangladesh and other neighbouring countries. It is commendable that China has taken a proactive approach to get the warring parties to a ceasefire—albeit temporarily. But the Myanmar military junta cannot be trusted, as they have been accused by rebel groups of breaching the ceasefire conditions, resulting in the resumption of conflict. It is high time all parties with influence realise that the military junta in Myanmar is rogue and incapable of ruling the country. They must be influenced to step down and pave the way for the return of democracy in the country, which is what the majority in Myanmar desire and deserve.

CROSSWORD

BY THOMAS JOSEPH

- ACROSS**
1 Nurse, e.g.
6 Extreme
11 Pueblo material
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15 Quarter-back Manning
16 Had lunch
17 Phone bill addition
18 Capitol worker
20 Fragrant tree
21 Signing need
22 Seedy joint
23 TV's Philbin
26 Spiked clubs
27 Fencing sword
28 "The Rise of Sky-walker" heroine
29 Light metal
30 Accessory for the Penguin
34 Top card
35 — Dhabi
36 Crude abode
37 Tree with shiny
40 DVR option
41 In the know
42 Sub shops
43 Drive off
- DOWN**
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2 "Skyfall" singer
3 Gotham City hero
4 Flow out
5 Feels empathy
6 Brown shade
7 Tell whoppers
8 Lateness excuse, often
9 Take in
10 Sticks
14 School near Windsor
19 "... baked in—"
22 Harry Belafonte hit
23 Wrapped again, as an ankle
24 Food fancier
25 Army bigwig
26 Computer screen sight
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30 Bulls and rams
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