

Addressing the crisis in employment generation



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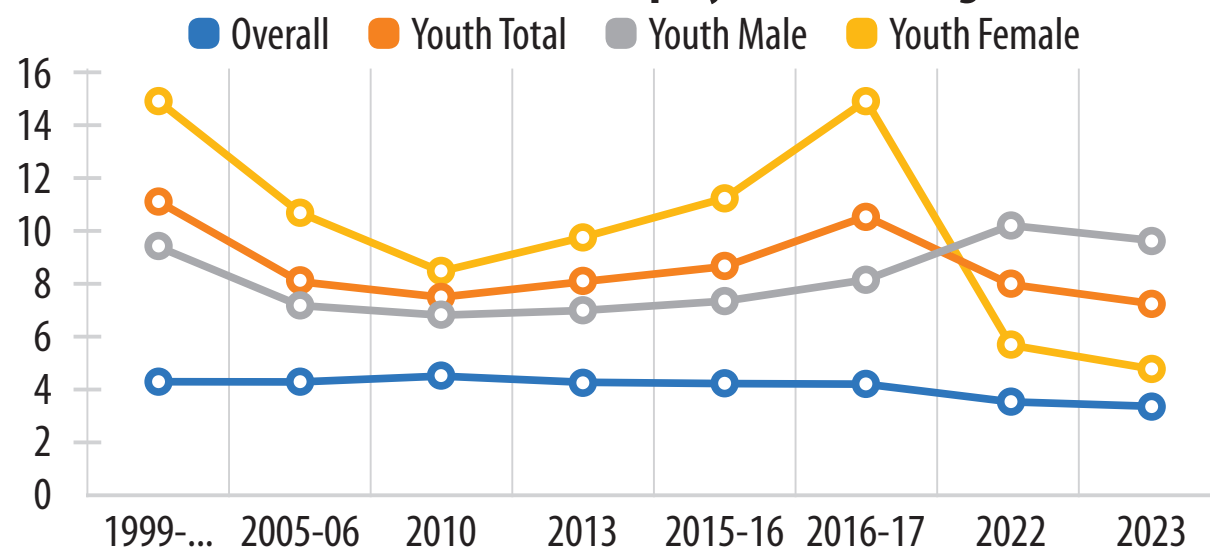
In the third quarter of 2024 (July–September), the rate of unemployment in Bangladesh rose to 4.49 percent from 4.07 percent during the same period of 2023 (*The Daily Star*, January 6, 2025). In December 2024, the rates were 4.9 percent for Organisation for Economic Co-operation and Development (OECD) countries, 5.9 percent for the EU countries and 4.1 percent in the US. And policymakers in those countries are quite happy that unemployment rates have remained at such (read: “low”) levels despite two years of inflation fighting by raising interest rates. So, why am I using the word crisis in the title of this article?

In view of the definitional/measurement issues regarding unemployment (i.e., whether a person has worked at least one hour in the week prior to the survey), it is necessary to look at other indicators to understand what is going on in the labour market. Also, it is important to put the whole issue in the context of what is happening in the economy as a whole—especially with respect to investment and growth. And if one does that, one gets a sense of crisis looming there.

Even though official data (especially on GDP growth) of the previous regime painted an unduly rosy picture of the economy, one can say that there was an acceleration in growth over the decades and growth has been reasonably high. And yet, employment growth was low and falling. We have been warning for some time that the economy was experiencing jobless growth. And now with the closure of many factories and lay-off of workers, the situation has worsened. With the adoption of contractionary monetary policies, and slowing down of investment amidst the current uncertainties, the prospect of job growth appears to be rather bleak.

Economic growth should enable people to move from agriculture and other traditional sectors to modern sectors, especially to manufacturing and modern services where productivity and earnings can be

The Rate (%) of Youth Unemployment in Bangladesh



SOURCE: CONSTRUCTED BY THE AUTHOR USING DATA FROM THE LABOUR FORCE SURVEYS CONDUCTED BY THE BANGLADESH BUREAU OF STATISTICS.

higher. This is how economic growth benefits people—through better jobs and higher incomes. But recent data show some worrisome trends. Although the process mentioned above had started, there has been a reversal in recent years. Several aspects of this reversal warrant attention.

First, the share of agriculture in employment started rising instead of falling. Second, the share of manufacturing has started to decline. In fact, between 2016 and 2023, the absolute number employed in manufacturing declined from a little over 88 lakh to about 82 lakh (Table 1). The number employed in the ready-made garment industry increased by a paltry 183,000 in seven years. And the number of women in the industry is falling. Quite clearly, the economy has not only failed to continue its structural transformation, there is a tendency towards premature de-industrialisation.

One indicator of the failure of the economy to generate good jobs is the continuation of a huge proportion (almost 85 per cent) of the labour force in informal sector and in informal jobs within the formal sector. Most of these jobs are characterised by low productivity, low income and absence of any social protection for those engaged in them.

Likewise, migration for jobs abroad is also an indicator of the failure of the economy to generate jobs in the country.

Unemployment among the youth is a major issue. It is not only much higher than overall unemployment but has been rising since 2010 (Figure 1). The rise is particularly noticeable for young men. The improvement seen in 2022 and 2023 is misleading because that is entirely due to the fall in the case of women which in turn can be explained by a big rise in own-account work. There has not been any real improvement in the overall employment situation of the youth. So, the frustration and discontent among them is easily understandable.

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- » The crisis in employment generation is not something that has hit us today. It has been in the making for years and decades.
- » Unemployment among the youth is not only much higher than overall unemployment but has been rising since 2010. So, the frustration and discontent among them is easily understandable.
- » In fighting inflation, the aim should be to attain soft landing rather than crash landing—i.e., stability without choking investment, growth, and employment.
- » Fiscal, trade, and industrialisation policies need to be applied in an integrated manner to create an attractive environment for all export-oriented labour-intensive industries.
- » Addressing the employment crisis requires integrated action on a wide front. What is important is to recognise the seriousness of the problem and the political will to address it accordingly.




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