



One indicator of the failure of the economy to generate good jobs is the continuation of a huge proportion of the labour force in informal sector and in informal jobs within the formal sector.

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## Addressing the crisis in employment generation

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Another indicator of the crisis in the labour market is the trend in real wages (Table 2). Although real wages of workers are expected to rise as an economy attains economic growth, this has not happened in Bangladesh on a sustained basis. Real wages did rise during certain periods but the trend has not been sustained.

They fell during 2008-09 to 2014-15 when economic growth accelerated, and have been falling again for the last three years since 2022. Quite clearly, the benefits of growth have not been shared equitably.

The crisis in employment generation is not something that has hit us today. It has been in the making for years and decades. Policymakers usually consider employment to be an automatic outcome of economic growth and consider it unnecessary to have policies for that. The best that could be seen in official documents are perfunctory mentions of the issue or very rough projections to be forgotten later.

Employment is linked to output which in turn needs investment. But the current

environment with all its uncertainties is not conducive to investment. The situation has been made more difficult by a restrictive monetary policy. Increases in interest rate were ostensibly aimed at fighting inflation. While macroeconomic stability is regarded as essential for economic growth, it is important to balance considerations of stability with those of investment, output, and employment. In fighting inflation, the real challenge before policymakers is to balance these considerations and to steer the economy towards a soft landing rather than crash landing. In other words, the aim should be to attain stability without choking investment, growth, and employment.

In the short run, the first thing to do would be to restore investors' confidence by taking decisive steps to improve the law-and-order situation and the industrial relations environment—the latter through effective tripartite consultations.

But experience shows that economic growth does not automatically guarantee employment growth. Productive employment can result from growth

### What Has Happened to Real Wages of Workers (1999-2000 to 2022-23)

Period	Rise/Fall/Stagnation
1999-00 to 2002-03	Rise
2002-03 to 2005-06	Stagnation
2006-07 to 2008-09	Rise
2008-09 to 2014-15	Fall
2014-15 to 2020-21	Rise
2020-21 to 2023-24	Fall

SOURCE: COMPILED BY THE AUTHOR FROM VARIOUS STUDIES (ORIGINAL SOURCE OF DATA: BANGLADESH BUREAU OF STATISTICS)

number of job-seekers, difficulties in transition from the world of learning to the world of work, mismatch between qualifications possessed by job-seekers and those required by potential employers, difficulties faced in starting own business, and so on. While the availability of jobs is dependent on the rate and pattern of growth and can be influenced by macroeconomic and sectoral policies, special attention needs to be given to the other issues mentioned above. And that is best done through targeted programmes for assisting young job seekers. There are examples of "good practices" on this from where ideas can be drawn.

One well-known instrument for addressing the employment challenge in countries like Bangladesh is direct employment generation programmes. They usually generate employment in infrastructure—especially at the local level where labour-intensive methods can be used. The concept can be broadened to cover other sectors also. Bangladesh has experience in such programmes



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A major issue with respect to the employment challenge in Bangladesh is the mismatch between qualifications and skills required and what job-seekers possess.

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in sectors that create jobs with high productivity. From that point of view, growth of manufacturing and modern services is important. Within manufacturing, it is labour intensive industries that generate jobs in large number. In Bangladesh, the start was promising with the growth of the ready-made garment industry. However, the process remained confined to this single industry where employment growth has declined sharply in recent years. Although the country has potentials for other labour-intensive export-oriented industries like leather and non-leather shoes, electronics, furniture, etc., policymaking has never addressed the issue properly. Unifying the incentive structure is essential so that one single industry does not become too much more attractive for investment. 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.

High rate of youth unemployment is caused by a variety of factors including paucity of jobs compared to the

which can be revived with appropriate modifications to suit the current situation and requirements.

A major issue with respect to the employment challenge in Bangladesh is the mismatch between qualifications and skills required and what job-seekers possess. There are several issues here that have been the subject of discussion for a long time. First, as the economy moves to higher levels, the emphasis should shift towards increasingly higher levels of education and technical education. Second, whether job-specific skills are to be imparted by educational and training institutions or through alternative means, e.g., enterprise-based training is a subject that can be debated. Third, there is the question of who pays for training. Should the government alone be responsible or enterprises should also bear at least part of the costs is an issue that needs to be discussed.

In sum, 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.

