



# BANGLADESH AT WORK

## JOB CREATION AND INCLUSIVE GROWTH IN THE ERA OF COVID-19

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**JUNE 1, 2020**

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# EXECUTIVE SUMMARY

As the COVID-19 pandemic continues to ravage the health and safety of the citizens of Bangladesh, the economy plummets due to mandatory closure. Low income and/or labor-intensive jobs, which represent most of the informal sector and a significant share of SMEs, have been most affected. Many of these jobs are temporary and will come back as the economy opens. However, some of the job losses will be more permanent. According to CRI estimates, the “permanent” impact job loss estimates are 6 million, which would nearly double the unemployment rate. It would affect approximately 24 million people.

The increased unemployment and lack of access to basic necessities has created a subsection of the poor named the “new poor”. These are people who have fallen back below the poverty-line due to income loss from COVID-19 related economic disruptions. The estimated number of new poor is 38 million - 27 million in rural areas and 11 million in urban areas. Therefore, this new poverty rate is estimated at 22.6%. When the existing 18.9% poor is added to the new poor, the poverty incidence jumps to 41.5%.

Currently, the policymakers have planned to implement a combination of fiscal and monetary stimulus - collectively amounting to more than BDT100,000 crore (3.7% of GDP). However, a jobless recovery might put the progress of the past decade at risk, especially in the context of a country with a high youth population. More sector specific stimulus and a smart budget is required to create low skill low income jobs, which is very critical for inclusive growth. Some key points focused on job creation for policymakers to consider:

1

Provide additional incentives to labor-intensive subsectors in which Bangladesh could fill domestic demand and export excess supply where applicable. The Agriculture sector, including livestock and fishery subsectors, stands out as the largest contributor at 41% of total employment while contributing only 13.7% to the GDP. In addition, there is an opportunity to export produce if domestic demand is met. Other relevant high employment generating sectors include RMG, Medical Goods and Equipment Manufacturing, food processing, Transport & Logistics, Retail Trade, Construction, Pharmaceuticals and Healthcare.

2

Resume the labor-intensive infrastructure projects at the earliest convenience.

3

Provide immediate access to finance for informal sector MSMEs who don't have access to banks. Government can leverage PKSF along with banks and channel additional funds to refinance lost businesses through partner MFIs to their existing SME clients. An integrated strategy of digital finance services, formalized banking incorporation and shared-risk in loan provision should be implemented.

4

Refocus the skills development programs to train healthcare workers and upskill returning remittance workers.

5

Fast track the ‘Amar Gram, Amar Shohor’ initiative to promote localized economic activity and job creation.

## CONTEXT

The devastating effects of the COVID-19 pandemic goes beyond the loss of hundreds of lives in Bangladesh – it is an economic, social, and humanitarian crisis. Measures to reduce the spread of COVID-19 such as market and border closure, movement restriction, and social distancing has had an immediate and largely negative impact on labor intensive jobs. Factories, farms, retails, tourism, transportation, and marketing chains are the most affected.

The informal sector has particularly taken a nosedive. Some 84% of the 60 million strong labor force still engages in some form of informal self-employment or “low income” employment, such as subsistence farming, daily construction, transport services, or urban street hawking. These jobs are disproportionately skewed towards the low skilled, low income segment.<sup>1</sup> Workers and entrepreneurs from this segment come from households with low savings, limited access to liquidity, and nonexistent health insurance.

Hoarding and disruption of logistics have caused food shortages and price fluctuations. In addition, the young labor force (43% below 35 years of age) have a significantly lower tendency to save. These, along with reduced purchasing power, translate to diminished access to food and basic needs<sup>2</sup>. Drawing down savings, income sources differentiation is not an option the disadvantaged can cling to for long. As a result, the livelihood and food security of many are at stake.

The COVID-19 pandemic has not only reduced employment and income generation, but also made a noteworthy impact on the overall economy. The World Bank projects overall economic growth in the current (FY2020) and next fiscal year (FY2021) to be in 2–3% range. An analysis by ADB in March 2020, determined that the GDP may contract by as much <sup>3</sup>as 1.1% (in the hypothetical worst-case scenario). That means, COVID-19 could wipe-off around \$3 billion from the economy. Emerging assessments from Export Promotion Bureau suggests that export earnings in FY2020 could be \$5 – \$8 billion lower than that of the previous year (i.e. up to a negative growth of 20%). Remittances that have traditionally played a critical role in boosting consumption demand for rural households were down by 12% in March and 30% in April 2020. The inflows are likely to deteriorate further in the coming months. According to the World Bank projection, remittance will fall by 22% in 2020.

This publication looks at the impact of the COVID -19 pandemic in terms of job loss, does a deep dive on vital factors that influence job creation, captures current initiatives by the Government relevant to employment, and offers some key recommendations focused on job creation for policymakers to consider as they work on economic recovery and the 2020-2021 fiscal budget in the next 12 months.

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1. Derived from Labor Force Survey 2016-2017, Bangladesh Bureau of Statistics.  
2. Derived from Labor Force Survey 2016-2017, Bangladesh Bureau of Statistics.  
3. South Asia Economic Focus Spring 2020, The World Bank.

## UNDERSTANDING JOB LOSS

In the context of Bangladesh, the pandemic has created two kinds of employment loss: “temporary” lockdown-induced jobs and “permanent” impact jobs. Estimates from various sources put the immediate temporary job loss figure (for 2 months of lockdown) between 12 to 17 million. This job figure is estimated from the shutdown of major 4 sectors: 7 million MSME services, 5 million transport (including rickshaw pullers and CNG drivers), 3 million in construction and 3 million manufacturing (including MSME manufacturing) jobs.<sup>4</sup> A survey report by LightCastle Consulting Firm estimates an additional 10 million people have lost livelihood in the agriculture sector<sup>5</sup>. In that case, the figure would edge up to somewhere around 25 million.

Many of the job loss limited to the period of Government imposed restrictions (approximately 2 months) are temporary. Majority of Rickshaw pullers, CNG drivers and bus<sup>6</sup> operators will gradually ease into work as the country restarts the economy. Some day laborers will find immediate work in the agriculture sector as the harvesting season peaks and as the construction industry starts to open. Employment has also started to pick up in the garments sector as the factories start to reopen.

However, the unavoidable decline in trade and output means that many of the layoffs are permanent. These jobs will be the main factor in determining the impact of the COVID-19 pandemic on livelihood. A telephone phone-based survey undertaken by Bangladesh Health Watch and BRAC University shows that as much as 47% of RMG workers (which will be around 2.3 million) might lose their jobs due to widespread cancellation of export orders and uncertainty about future export prospects.<sup>7</sup>

4. Derived from Labor Force Survey 2017-2017, Bangladesh Bureau of Statistics. And insight analysis by Policy Research Institute.

5. Impact of Coronavirus on Livelihoods: Rural and Low-Income Population of Bangladesh, 12 May 2020, LightCastle Partners

6. Lockdown period has been estimated to be 2 months for the reference of analysis purposes.

7. What the pandemic means for RMG workers: <https://www.dhakatribune.com/opinion/op-ed/2020/05/05/what-the-pandemic-means-for-rmg>

## JOBS IN SELECTED SECTORS



**1.5 Million**  
Rickshaw Pullers



**3.6 Million**  
Garments Workers



**5.2 Million**  
Transport Workers



**2.6 Million**  
Construction Workers



**2.4 Million**  
Hawkers

## ESTIMATES FROM VARIOUS SOURCES OF “PERMANENT” IMPACTFUL JOB LOSS

Source	Unemployed (million)	Individuals impacted financially (million)
WORLD BANK	7	28
ADB	4	16
PRI	12	58
CRI	6	24
CPD	—	56
PPRC/BIGD	—	70
NEWS INTERVIEWS	—	50

### **CRI ESTIMATION ON THE NEW NUMBER OF UNEMPLOYED IN BANGLADESH (ACCOUNTING THE COVID-19 JOB LOSS) STANDS AT A DOUBLING 6 MILLION, WHICH IS 10% OF THE LABOR FORCE.**

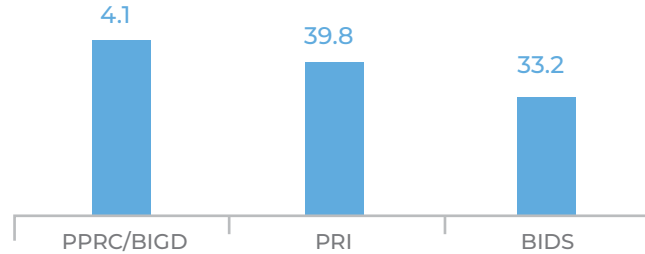
Assuming four people per household, some 24 million people are impacted financially for a longer period due to Covid-19.<sup>8</sup>

8. Inferred from the Household Income and Expenditure Survey 2016, Bangladesh Bureau of Statistics.

## THE POVERTY SITUATION: “NEW POOR”

Livelihood, income, and poverty are interrelated. Bangladesh has consistently had a poverty reduction rate of 1.2% per year since 2010. With the loss of livelihood and subsequent fall in income, the pandemic has created another subsection of the poor: the “New Poor”.

Estimates of new aggregate poverty incidence (in %) induced by Covid-19 pandemic according to sources are as below:

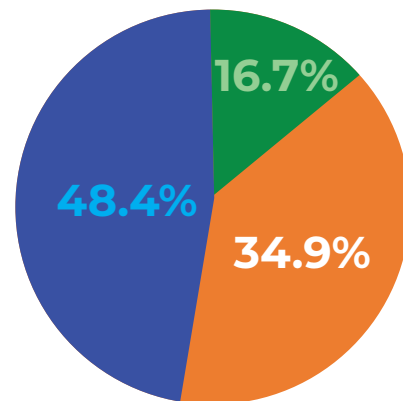


A PPRC/BIGD survey (April 17, 2020) finds large income losses among poor and vulnerable population groups. The rapid assessment shows that income of urban residents fell by, on average, 82% (in comparison with their monthly income in February 2020), while corresponding reduction for rural respondents was 79%.<sup>9</sup> The estimated number of new poor resulting from COVID-19 related economic disruptions<sup>9</sup> is 38 million - 27 million in rural areas and 11 million in urban areas. Therefore, this new poverty rate is estimated at 22.6%. When the existing 18.9% poor is added to the new poor, the poverty incidence jumps to 41.5%. PRI calculates poverty through consumption projection. An estimated decline in consumption expenditures will aggregate poverty incidence between 34.1-45.5%.<sup>10</sup> As such, PRI projects the size of the new poor to be between 12.8 million and 26 million. BIDS estimates that the new poor will be around 24 million (18 million in urban and 15.5 million in the rural areas). The new poverty rate can rise to 33.2%.<sup>11</sup>

## THE IMPORTANCE OF MSMEs AND THE INFORMAL SECTOR

Some 51 million workers, including seasonal agriculture workers, are engaged in the informal economy. There is a strong overlap between the MSME (micro, small and medium enterprises) sector and the informal sector in Bangladesh. There are around 10 million MSMEs employing approximately 18 million people in Bangladesh.<sup>12</sup> A 2015 analysis by ADB shows that MSMEs contribute to 25% of the GDP and accounts for 40% of the manufacturing output.<sup>13</sup> According to SME Foundation, MSMEs contributed to 2 out of 3 jobs in the private sector. A survey conducted by LightCastle Partners shows that 70-80% of the non-agricultural jobs are created by the MSME sector.<sup>14</sup>

### BREAKDOWN OF INFORMAL SECTOR EMPLOYMENT



● Industry ● Services ● Agriculture

Source: CRI estimates based on BBS data

9. “Livelihoods, Coping, and Support during Covid-19 Crisis,” 16 April 2020, BIGD and PPRC.

10 “Reaching Out to the Poor and Needy with Direct Cash Support: Dealing with the Last-Mile Delivery Challenge,” April 2020, Policy Research Institute.

11. Coronavirus shutdown makes 2.4cr new poor in Bangladesh: <https://www.newagebd.net/article/105687/coronavirus-shutdown-makes-24cr-new-poor-in-bangladesh-binayak-sen>

12. MSMEs - both a choice and a reality for Bangladesh: <https://www.thefinancialexpress.com.bd/views/msmes-both-a-choice-and-a-reality-for-bangladesh-1566055028>

13. At the core of our potential: <https://www.dhakatribune.com/opinion/2018/07/10/at-the-core-of-our-potential>

14. Impact on Bangladesh’s SME Landscape, based on survey on 4 April, 2020, LightCastle Partners and Sheba.xyz

## EMPLOYMENT AND GROWTH: A SECTORAL PERSPECTIVE

A sector's contribution to employment does not necessarily translate to a parallel contribution in GDP. The top five largest employment generating sectors (Agriculture, Manufacturing, Trade, Transportation & Logistics and Construction) account for 84% of total employment while contributing 70% to the total GDP.<sup>15</sup> The Agriculture sector, including livestock and fishery subsectors, stands out as the largest contributor at 41% of total employment while contributing only 13.7% to the GDP. Assuming the proportional contribution holds true, 1% gain in GDP in Agriculture sector translates to 3% increase in employment.<sup>16</sup> This indicates low productivity with the ability of soak in significant volume of low-income labor. This sector also provides the opportunity to export produce if domestic demand is met.

The highly productive Manufacturing sector accounts for almost one fourth of total GDP. Not only does this sector directly employ 14% of the total employed, but also has a broad multiplier effect on employment. A working paper by economist Zaidi Sattar, estimates that the Manufacturing sector such as RMG, Knitting, Furniture, Food Processing and Light Engineering are among the highest in job multiplier effects. The export oriented RMG sector is particularly susceptible to the risk of an impending global recession.

Sectors such as Trade (wholesale and retail), Transportation & Logistics, and Construction are driven by domestic demand and have a more balanced contribution to both employment and GDP.

The other sectors worth mentioning are Education, Health, and the Public sector. Given the current landscape, focus on healthcare is paramount. While the Education sector is labor intensive, job creation in Public Sector is immediate. Moreover, the capital-intensive Government infrastructure projects employ substantial low-income labor.

15. Authors' estimates.

16. Authors' estimates.



**THE AGRICULTURE  
SECTOR STANDS OUT  
AS THE LARGEST  
CONTRIBUTOR AT  
41% OF TOTAL  
EMPLOYMENT WHILE  
CONTRIBUTING ONLY  
13.7% TO THE GDP**



## EMPLOYMENT SHARE VS GDP SHARE BY SECTOR

SECTOR	EMPLOYMENT SHARE	GDP SHARE
AGRICULTURE	41%	14%
MANUFACTURING & PROCESSING	14%	24%
WHOLESALE & RETAIL	14%	13%
TRANSPORTATION & LOGISTICS	9%	11%
CONSTRUCTION	6%	8%
EDUCATION	4%	2%
HOUSEHOLD	2%	2%
HOSPITALITY	2%	1%
PUBLIC SECTOR	2%	4%
HEALTH AND MFIS	1%	2%
POST, TELECOM & TECHNOLOGY	1%	3%
FINANCE	1%	3%
ENERGY	0%	2%
REAL ESTATE	0%	6%
OTHER MISC SERVICES	5%	10%

Source: National Accounts 2020, BBS and Labor Force Survey 2016-2017, BBS; CRI Analysis



## GOVERNMENT ACTIONS AND ANALYSIS OF THE MEASURES

The government has already taken major steps to address some of these issues in the short term. The economic stimulus declared by the government of Bangladesh is broadly an apt economic response as it has been quite comprehensive in nature and aims to re-energize and inject much needed cash into most of the critical sectors in the economy. In particular, the policymakers have planned to implement a combination of fiscal and monetary stimulus - collectively amounting to more than BDT 100,000 crore or 3.7% of GDP, which is unprecedented in the context of Bangladesh. It aims to ensure that the workers in the Manufacturing and Service sectors receive their salaries, and low-income families receive basic income or food support, which is commendable.

Some salient features of the stimulus to date from the perspective of jobs are:

- BDT 30,000 crore of working capital for industries and service sectors through commercial banks. These loans will be of 9% interest rate, half to be borne by the borrower and the other half by the Government as a subsidy.
- BDT 20,000 crore of working capital for the MSME sector. The borrowers will pay the interest at 4%, while Government will subsidize the remaining 5%.
- BDT 9,500 crore as subsidy for agricultural sector.
- BDT 5,000 crore of working capital for agricultural businesses excluding crop industries (e.g. horticulture and livestock) through commercial banks. The borrowers will pay the interest rate of 4% and banks would be subject to interest rate at 1% from Bangladesh Bank.
- BDT 5,000 crore for the purpose of payment of salaries to employees engaged in export-oriented industries. The loans would bear 0% interest. Banks may charge a one-time 2% service charge.
- BDT 2,000 crore soft loans to migrant workers, unemployed youth and rural population. Four institutions focused on rural financing will disburse the loans.
- BDT 760 crore for people who have lost jobs during the shutdown.
- BDT 700 crore as soft loan to the returnee migrants to start business.
- BDT 250 crore for subsidizing Open Market Sale in urban areas.

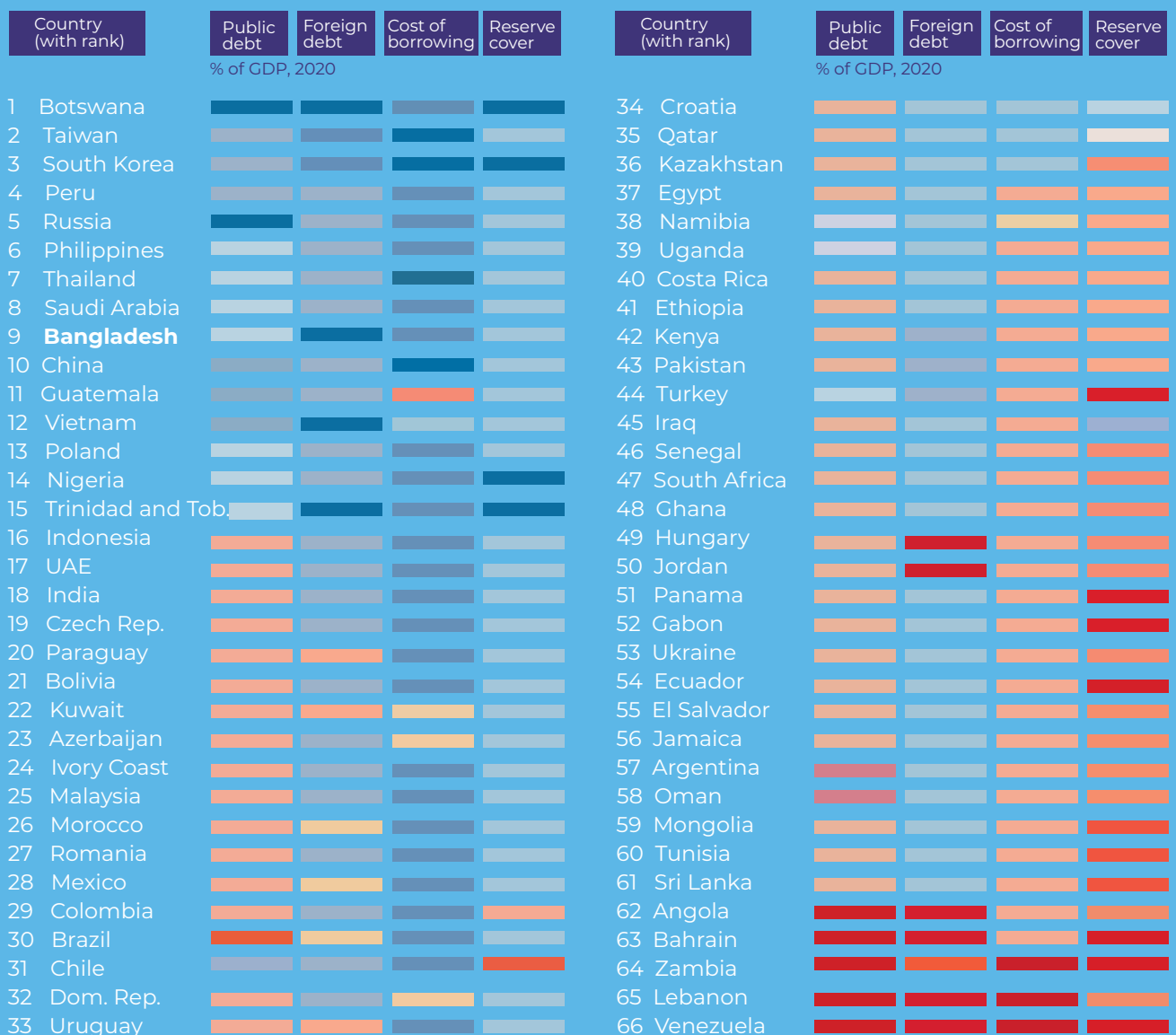
## KEY POINTS TO CONSIDER

While the stimulus is massive and unparalleled in the context of Bangladesh, the policymakers must continue to investigate ways to quickly boost the economy and bring back the lost jobs. The silver lining is that Bangladesh's macroeconomic stability (low debt, low deficit, contained inflation and foreign currency reserves) puts the country at an advantage to borrow in the short term and spend on development programs. An evaluation by the Economist Intelligence Unit ranks Bangladesh's macro-stability 9th

### SELECTED 66 EMERGING ECONOMIES RANKED ON FOUR MEASURES OF FINANCIAL STRENGTH AND MACROECONOMIC STABILITY

1 = Strongest

Strongest – Weakest



SOURCES: THE ECONOMIST (ECONOMIST INTELLIGENCE UNIT)

among 66 emerging economies. This is despite the relatively low tax to GDP ratio (currently at below 10%) of Bangladesh. Countries such as Nepal (19%) and India (22%) have significantly higher spending ability from their tax collection.<sup>17</sup> There is also an opportunity to make the proposed budget smart by reprioritizing some of the spending and address the changing nature of economic engagement in the COVID-19 era.

In addition to continued cash transfers to the poor, this paper provides five key points for policymakers. The center piece of our proposed recovery strategy is immediate job creation, keeping in mind possible future stimulus packages and preparation for the FY2020-21 budget.

***1. Provide additional incentives to labor-intensive subsectors in which Bangladesh could fill domestic demand and export excess supply***

**Agriculture:** According to the New York Times, a global food crisis is looming and the number of people facing acute hunger might double to 265 million by the end of this year. The PM has already predicted a global food shortage. As a result, a substantial portion of the stimulus package has already been targeted to ensure domestic food security. The global shortage might be an opportunity for Bangladesh to meet its domestic demand and increase its share of global exports in agriculture. More targeted stimulus should be considered for this sector, encouraging production of essentials such as lentils, potatoes, wheat, and rice along with fish and poultry. The Government has already secured rice supply through the purchase program of the Ministry of Food. This program should be extended to other essential produce to ensure food safety. If storage or logistics are problems for the government, then the farmers may temporarily store it themselves or can aim to sell off the product to the market. Excess produce can be exported to ease the global food shortage. The employment intensity of the Agriculture sector (every 1% increase in share of GDP contributes to 3% increase in share of employment) also provides much-needed livelihood for the low-income working population.

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17. World Development Indicators database, World Bank.

## FOREIGN INVESTMENT

**THIS IS THE IDEAL TIME FOR BANGLADESH INVESTMENT DEVELOPMENT AUTHORITY (BIDA) TO AGGRESSIVELY FOLLOW SUIT OF INDIA AND VIETNAM AND ACTIVELY WOO GLOBAL PRODUCERS TO OUR ECONOMIC ZONES (EZS) AS THEY RELOCATE THEIR MANUFACTURING FACILITIES FROM CHINA. MANY MANUFACTURING UNITS ARE SET TO MOVE OUT OF CHINA IN POST-PANDEMIC TIMES. VIETNAM HAS ALREADY TAPPED INTO A SECTION OF THE INVESTMENT. BANGLADESH CAN TAP INTO SOME, ESPECIALLY THE LABOR-INTENSIVE UNITS, WITHIN NEXT YEAR. THE GOVERNMENT SHOULD TARGET TO FULLY COMPLETE 3 EZS BY END OF THE YEAR. A REVAMPED BRAND BANGLADESH MARKETING SHOULD BE DONE IN NEXT 4 MONTHS.**

**Trade, Transportation and Logistics:** The Open Market Sale (OMS) scheme should include a countrywide expansion to more essential produce along with rice for the next six months, at the least. Transparent sourcing, health safety of the supply chain and a more accountable distribution system will be critical to the success of this program.

Produce, Fast Moving Consumer Goods (FMCG) and Healthcare are among the major industries facing prominent logistical challenges, particularly in local markets. E-commerce has stepped in to meet the increasing consumer demand for daily supplies in urban areas. However, logistics support in rural areas continues to be a challenge. Roadways and railways are relatively less affected by the COVID-19 impact on the logistics sector when compared with airways and waterways.

The primary concern faced by the road transport segment is ensuring the health safety of the drivers and operators as well as security of their infrastructure. The private sector is continuously tracking the current situation and is coming up with new strategies to ensure continued supply.

The Government should cut domestic oil consumer-prices consistent with the falling global prices, provide tax incentives to logistics companies to expand their network to rural areas, and partner with the transportation sector to provide health safety to the infrastructure and the drivers operating on it. The prices of diesel should be particularly cut-down because it will provide relief to the irrigation and bussing-trucking services.

**Food processing:** The advantages of the Agriculture sector will spill over to the Food Processing industry as Bangladesh looks to move up the value chain. The latter sector currently accounts for 1.7% of GDP and employs about 2.2% of total workforce, of which 70% are low skilled labor. The potential global food crisis provides an opportunity to scale up food processing and claim a bigger share of the US\$2 trillion global industry. Additional incentives can be provided for exports of packaged, dried, and canned food, which have longer shelf lives.

**RMG:** this sector continues to be one of the largest contributors to GDP in Bangladesh. In the post COVID-19 universe where safety is paramount, the sector should be incentivized to get into medical safety goods market. Manufacture of products such as masks, gloves and PPEs are quintessential due to increasing global demand and heightened uncertainty in the backdrop of a looming global recession. According to market insights firms VynZ Research, the PPE market alone is set to expand from \$55 billion in pre-COVID-19 time to \$90 billion in the next 4 years. Technical knowledge and training can be requested from international NGOs such as IOM, UNDP and WHO to quickly get up to speed on international standards and regulations. Beximco Group, one of the largest local conglomerates, has already set an example by 6.5 million PPE gowns to the United States.<sup>18</sup>

**Other healthcare products:** products such as low-cost ventilators and hygiene/cleaning products can also be produced by light manufacturing industries if properly incentivized.

**Pharmaceuticals:** This rapidly growing sector should be provided access to low cost capital to further expand and diversify the production of essential medicine. In 2018, the country's domestic pharmaceutical market size stood at BDT 20,500 crore with 15.6% compound annual growth rate (CAGR) for the last five years.<sup>19</sup> Eskayef Pharmaceuticals Ltd, also known as SKF, became the first pharmaceutical company in the world to produce Remdesivir, a drug which is recognized as very effective for the treatment of coronavirus.<sup>20</sup>

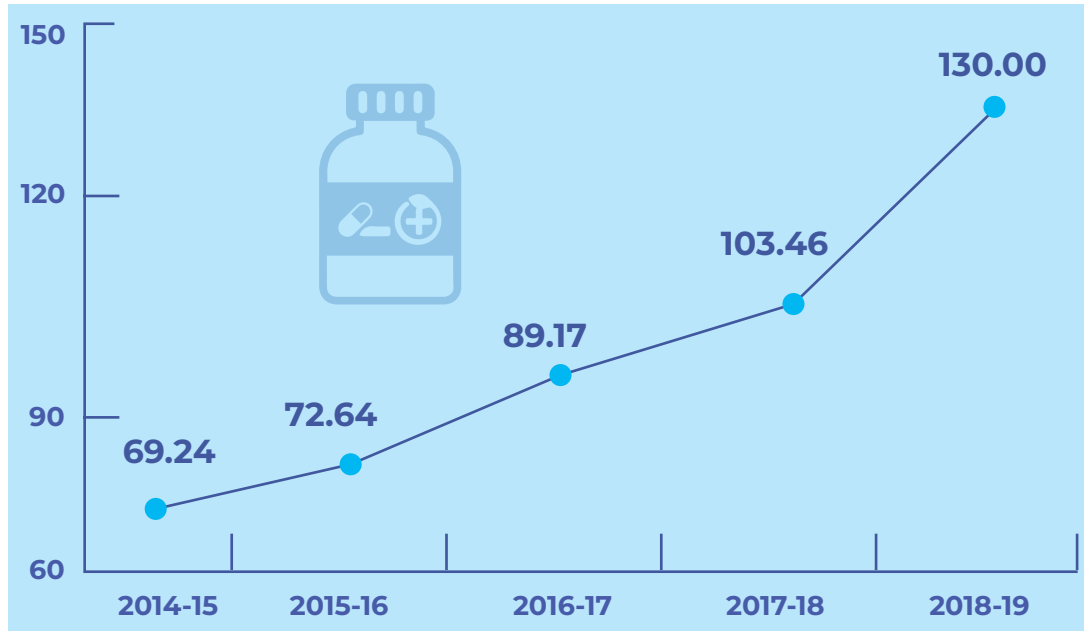
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18. Beximco exports 6.5 million PPE to US:  
<https://www.dhakatribune.com/bangladesh/2020/05/25/beximco-exports-6-5-million-ppe-to-us>

19. Bangladesh pharmaceutical industry blooms bigger:  
<https://www.dhakatribune.com/business/2019/08/22/bangladesh-pharmaceutical-industry-blooms-bigger>

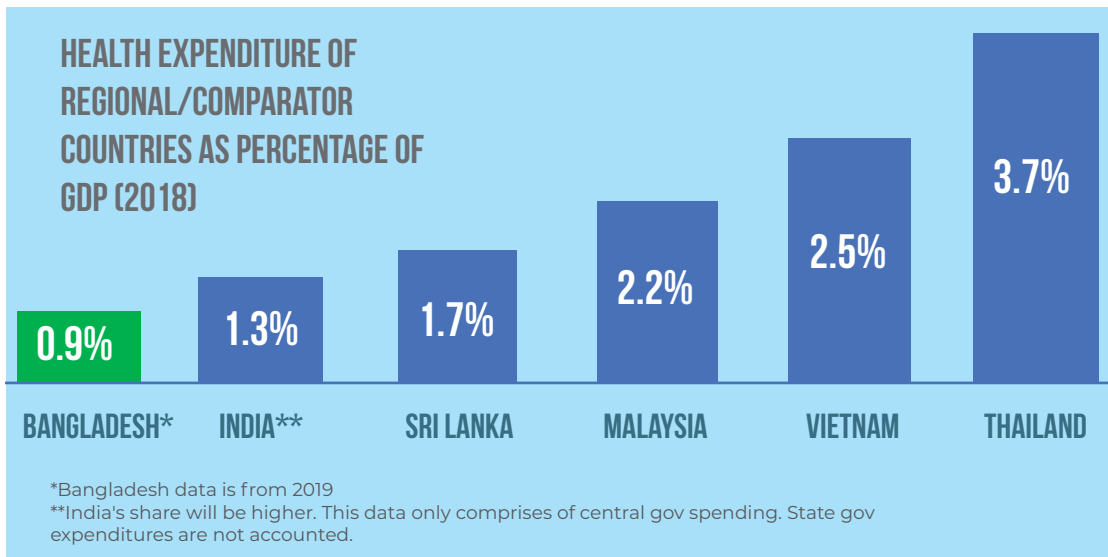
20. Bangladesh produces world's first generic Remdesivir for Covid-19 treatment:  
<https://en.somoynews.tv/7819/news/Bangladesh-produces-worlds-first-generic-Remdesivir-for-Covid-19-treatment>

## PHARMACEUTICAL EXPORTS Earning in \$ Million



Source: EPB

**The Healthcare Services** sector must also be given priority in next fiscal year's budget in order to better handle the ongoing health crises. Government health spending is one of the lowest in Asia and the pandemic has exposed the need for further development of healthcare facilities, particularly in rural areas. Recommendation of Center for Policy Dialogue's (CPD) and other leading researchers of increasing Government health expenditure from 0.9% to 2% of GDP in next year's budget is in line with that of other Asian countries.



**Construction:** Nearly 1 in 15 employed work in the construction industry. Many more are employed locally in the production of building products. Both construction and building product manufacturing provide jobs for people with varying levels of skill, including unskilled day laborers. Most concrete and steel reinforcement, bricks, building boards, doors and tiles are made locally. A substantial portion of domestic electrical and plumbing products, including sinks, pipes and electrical cables are also made locally. The Government should consider providing a stimulus package to the construction sector that targets sourcing from local suppliers and hires certain percentage of day laborers. The Government can set DFS salary payment to day laborers as a condition for stimulus receipt to ensure transparency; a strategy that has worked successfully in the RMG sector.

**KEY INDUSTRIES TO CONSIDER FOR POLICYMAKERS – A QUALITATIVE ANALYSIS:**



INDUSTRY	EMPLOYMENT	INCOME	SPILLOVER	LOW-SKILL JOBS	RURAL PRESENCE	EXPORT FRIENDLY
LIVESTOCK	Dark Green	Light Green	Dark Green	Dark Green	Dark Green	Light Green
FISHERY	Dark Green	Yellow	Light Green	Dark Green	Dark Green	Light Green
CROP	Dark Green	Yellow	Light Green	Dark Green	Dark Green	Light Green
RMG	Light Green	Light Green	Light Green	Light Green	Light Green	Dark Green
PROTECTIVE MEDICAL GOODS MANUFACTURING	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green
FOOD PROCESSING	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green
CONSTRUCTION	Light Green	Light Green	Dark Green	Light Green	Light Green	Yellow
RETAIL TRADE	Light Green	Light Green	Light Green	Dark Green	Light Green	Yellow
LOGISTICS	Light Green	Light Green	Dark Green	Light Green	Light Green	Yellow
TRANSPORT	Light Green	Light Green	Light Green	Light Green	Light Green	Yellow
LIGHT ENGINEERING AND MEDICAL EQUIPMENT	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green
HEALTHCARE	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green

**2. Resume the labor-intensive infrastructure projects at the earliest convenience.**

Relevant ministry budgets such as LGRD and Road & Transportation funding should be increased appropriately to fast track the labor-intensive public infrastructure projects such as Padma Multipurpose Bridge project; the Dhaka Metrorail project; Karnaphuli Underwater Tunnel project and Dhaka Elevated Expressway project to name a few. Local government bodies should be pressured to expedite urban and rural infrastructure projects including road repair and street light installations.

### **3. Provide immediate access to finance for MSMEs.**

According to the LightCastle Partners survey, more than half (52%) of the MSMEs have shut down due to the COVID-19 crisis.<sup>21</sup> Their survey further suggests that nearly 64% of the MSMEs have either laid-off all their staff and/or will lay off more than half of their staff within the next 3 months. A conservative estimate would put the job loss number in this sector to approximately 4 million.

While BDT 20,000 crore working capital stimulus has been provided for the MSME sector, the distribution will be largely done through the banks (and some limited financial institutions), which most informal sector MSMEs don't have access to. The informal sector MSMEs mostly take collateral loans from Micro Finance Institutions (MFIs) and are in dire need of working capital to restart their businesses. While BDT 3,000 crores has already been allocated to MFIs through commercial banks in the existing stimulus package, the demand is significantly higher for collateral free loans. Through MFI partners of Palli Karma Sahayak Foundation (PKSF), the Government can consider additional stimulus for informal sector MSMEs focusing on:

- Informal sector MSMEs such as restaurants, local grocery stores, local fruit shops, welding shops and cottage industries
- Informal transportation sector including Rickshaw pullers/CNG-electric rickshaw owners and goods-carriers
- Livestock and fishery. For instance, Eid Ul Adha is around the corner and there is a huge local demand for cow fattening related activities. In order to relaunch informal sector businesses, the stimulus should promote the use of Digital Financial Services, both Mobile Financial Service (MFS) and Agent Banking, along with traditional banking. Loan provision risks should be shared by the government so that the MFIs are encouraged to distribute the funds to the fields as quickly as possible. The Microcredit Regulatory Authority (MRA) should also relax the reserve fund criteria for the MFIs at least for the next two years to provide more liquidity to the entrepreneurs.

### **4. Refocus the skills development programs to train healthcare workers and upskill returning remittance workers.**

The existing budget on skills development should be reallocated to produce more health technicians, nurses, and other healthcare professionals. The objective is to meet local demand as well as export these skills abroad as borders open in the coming years (a 2-year frame may be created). The demand for trained caregivers is already at a peak in developed economies due to their aging population, and this demand will only increase as the world recovers from the pandemic. Returning migrant workers and laid-off garments workers might be prioritized to be reskilled in these categories.

Additionally, training programs and technical support can be offered to the 30,000 migrant workers who have returned in the past couple of months, with significantly more expected to return in the coming months.<sup>22</sup> These workers are unlikely to be able to go back to their work countries soon. Creating an environment for them to use their skills locally might be a time-befitting step. The Government has already committed to provide loans to the returnee migrant workers to pursue viable income activities. The subsidized loans along with upskilling training programs and technical support will help establish new MSMEs locally.

21. Impact on Bangladesh's SME Landscape, based on survey on 4 April, 2020, LightCastle Partners and Sheba.xyz

22. 'Remittance may hold key to economic recovery': <https://www.dhakatribune.com/business/economy/2020/05/10/remittance-may-hold-key-to-economic-recovery>



**5. Fast track the 'Amar Gram, Amar Shohor' initiative to promote localized economic activity and job creation.**

With the new normal of social distancing and precautionary lifestyles, the 'Amar Gram, Amar Shohor' initiative provides a great opportunity to decentralize services and promote more local activities. Pushing the decentralization agenda can be an underlying target of the stimulus. It should heavily prioritize online and digital sectors, especially in rural areas. This is a great opportunity to digitize services, as well as boost employment and revenue from the sectors.

As part of the agenda, farm mechanization can be effectively enhanced. This will have a multiplier effect in the localized economy. In this regard, incentives for agricultural machinery expansion (such as harvesters) and other technical support can be provided from the stimulus allocations. A year-long cash incentive can be provided.

Doarpara village in Chuadanga District is a shining example of the benefits of the 'Amar Gram, Amar Shohor' initiative.<sup>23</sup> Despite limited resources, the district administration and residents have brought about a visible change in the village of Doarpara. Faizur Rahman, secretary of Shankar Chandra Union, testifies that Dorapara village was like any other impoverished village in Bangladesh with inadequate drinking water, poor communications networks, and scant public goods provision. But now things have changed considerably. Lamp posts enlighten the village's roads at night providing accessibility and safety. Students have been given bicycles so they can easily and securely commute to distant schools. A recreation center, aptly named "Bela Sheshe" has been set up where the working people of the village convene for some entertainment at the end of the day. Free wi-fi has been provided in the village in line with the "Digital Bangladesh" initiatives by the Government. Finally, drinking water and library facilities have been arranged for the villagers. Doarpara is now not only generating sustainable employment and entrepreneurship opportunities but also providing its residents benefits of the city while living in a village.

23. Special initiative for 'Amar Gram, Amar Shohor' in Chuadanga:  
<https://bangladeshpost.net/posts/special-initiative-for-amar-gram-amar-shohor-in-chuadanga-9956>

## TECHNOLOGY AND FUTURE OF WORK

**THE RMG SECTOR IS A GREAT EXAMPLE OF THE USE TECHNOLOGY TO BRING TRANSPARENCY AND ACCOUNTABILITY. THE GOVERNMENT MANDATED THAT THE RMG OWNERS PAY SALARIES OF RMG WORKERS USING DIGITAL FINANCIAL SERVICES (DFS) TO BE ELIGIBLE FOR THE STIMULUS. ACCORDING TO A RECENT SURVEY, 82% GARMENT WORKERS WERE PAID DIGITALLY IN MAY COMPARED TO ONLY 28% IN APRIL, A STUNNING ADOPTION OF DFS. AS THE FUTURE OF WORK GETS REDEFINED IN THE COVID-19 ERA, TECHNOLOGY WILL PLAY A MAJOR ROLE IN NOT ONLY REDEFINING THE WORKPLACE BUT ALSO TO BRING TRANSPARENCY AND ACCOUNTABILITY TO THE EXISTING WORK CULTURES. THE GOVERNMENT SHOULD CONTINUE TO USE ADOPTION OF TECHNOLOGY AS A CONDITION TO ACCESS STIMULUS PACKAGES TO ENSURE PROPER DISTRIBUTION OF FUNDS.**

## CONCLUSION

With the next fiscal year budget around the corner, job creation and inclusive growth must be the centerpiece of the recovery strategy. A jobless recovery might put the progress of the past decade at risk. In addition, the demographic dividend that we have been enjoying might quickly turn into demographic liability. The risk of broadening the inequality gap is more than ever before. As health safety concerns and social distancing define the future of work, policymakers must take into account a working population that is young, lesser skilled and has limited safety net.

Countries such as Vietnam and New Zealand have already announced that they are not opting for an immediate “V” shaped recovery; their policymakers are prioritizing on employment generation and inclusive growth<sup>24</sup>. We believe a similar approach should be taken for Bangladesh. As a continuation of this work, we are currently working with leading policy experts on a more concrete set of recommendations for the policymakers as additional stimulus packages are being announced and next year’s budget proposal is being finalized. We plan to publish those recommendations in the coming weeks.

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24. New Zealand Deprioritizes Growth, Improves Health and Wellbeing:  
[https://www.resilience.org/stories/2020-05-13/new-zealand-deprioritizes-growth-improves-health-and-wellbeing/Government ready to sacrifice economic growth to protect public health: PM:](https://www.resilience.org/stories/2020-05-13/new-zealand-deprioritizes-growth-improves-health-and-wellbeing/Government%20ready%20to%20sacrifice%20economic%20growth%20to%20protect%20public%20health%3A%20PM)  
<https://vietnamnews.vn/politics-laws/674640/government-ready-to-sacrifice-economic-growth-to-protect-public-health-pm.html>

## **NOTABLE POINTS AND DISCLAIMERS**

All data and research process details are available upon request and consultation. The authors' reserve the right to their intellectual property.

The situation surrounding COVID-19 is dynamic and rapidly evolving, on a daily basis. Although the authors have taken great care prior to producing this commentary, it represents the view at a particular point in time.

This commentary is not an endorsement of any particular agenda. It is a working paper targeted toward policy stakeholders.

A detailed policy recommendation list will be later published as part of the working paper.