

PAU



## **Recent Employment Situation and Labor Market Developments in Bangladesh**

**Policy Paper: 0807**

**June 2008**

---

**Policy Analysis Unit  
Bangladesh Bank**

# Recent Employment Situation and Labor Market Developments in Bangladesh \*

## 1. Background

Employment provides the key link between economic growth and poverty making it the major tool for poverty reduction in Bangladesh. The country's poverty reduction strategy would be sustainable if it is consistent with a well-articulated employment strategy that creates productive and decent employment opportunities so that workers of every level of skill, education, and training can get remunerative employment. For this, along with economic growth driven by sectors that are labor-intensive in nature and have greater potential of job creation, the policy framework needs to promote an employment-friendly environment, encourage labor-intensive restructuring in both formal and informal sectors, facilitate the skill development of the labor force, and bring about appropriate changes in labor market policies. In addition, the policies must seek to fulfill the aspirations of the people in their working lives including opportunities, incomes, rights, voices, and recognition.

This note examines recent trends in the labor market and employment situation in Bangladesh and draws some policy implications keeping the poverty reduction imperatives in view.

## 2. Recent Developments in the Labor Market

Bangladesh experienced a steady rise in GDP growth during the last five years (2003-2007) when it grew at an average annual rate of more than 6 percent compared with 5 percent over the previous five years. Higher growth, together with a fall in population growth to less than 1.5 percent in recent years, led to a rapid growth in per capita GDP.

Despite higher economic growth, employment grew at a relatively slow rate of 1.6 percent per annum since the 1990s. At the aggregate level, agriculture is still the largest sector of employment providing jobs to 22.8 million compared with 6.9 million in industry and 17.7 million in the services sector in 2006.<sup>1</sup> With the labor force growing faster than the employment potential, the number of unemployed persons increased over time reaching 2.1 million in 2006. Although the 'standard' unemployment rate is low at 4.2 percent in 2006, it does not provide a real picture of the supply-demand balance including the degree of inefficiency that prevails in the labor market.<sup>2</sup> For instance, the underemployment rate, calculated on the basis of number of hours worked per week, is high at 24.5 percent in 2006.

---

\* This note has been prepared by Md. Habibur Rahman (Senior Research Economist), Sayera Younus (Senior Research Economist), and Md. Sakhawat Hossain (Research Economist) of the Policy Analysis Unit (PAU), Bangladesh Bank. The authors would like to thank Dr. Salehuddin Ahmed, Governor, Bangladesh Bank and Dr. Mustafa K. Mujeri, Chief Economist, Bangladesh Bank for their thoughtful inputs, comments, and suggestions. However, the views expressed in the note are the authors' own and do not necessarily reflect the views of the Bangladesh Bank.

<sup>1</sup> See, *Key Findings of Labor Force Survey 2005-06*, Bangladesh Bureau of Statistics, Ministry of Planning, Government of the People's Republic of Bangladesh, 2008.

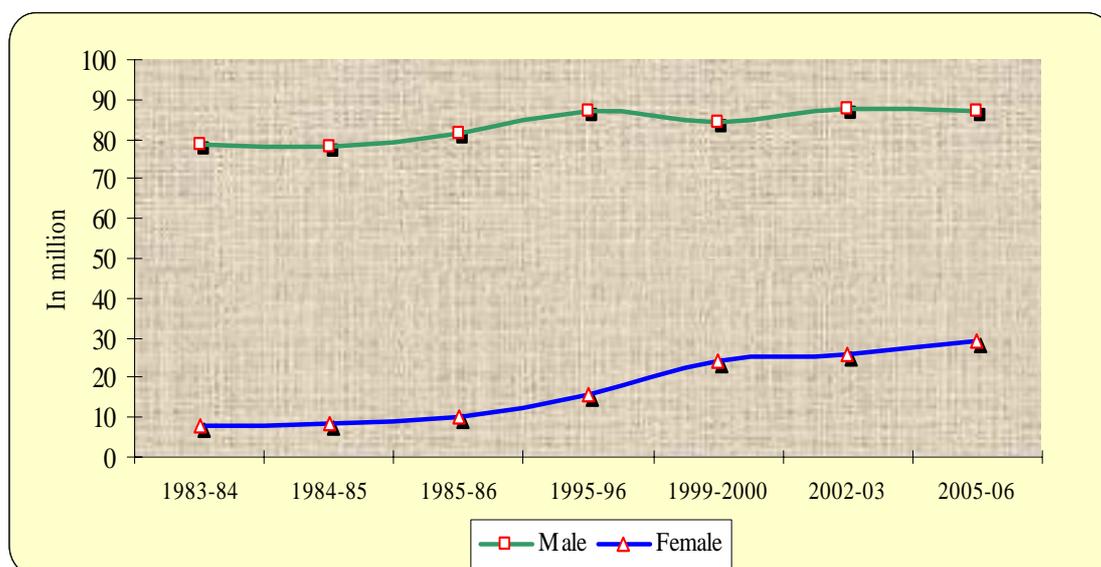
<sup>2</sup> Following the ILO recommendation, the standard definition of unemployment considers any person of age 15 years and above as unemployed if he/she did not work at all during the preceding week of the survey (even an hour in the reference week) and was actively looking for work or was available for work but did not work due to temporary illness or because there was no work available.

At the aggregate level, several characteristics highlight the changes in the labor market between 2000 and 2006.

### Labor force participation rate

- The labor force participation rate increased from 54.9 percent in FY00 to 58.5 percent in FY06. One can observe significant gender difference in the participation rate. However, female participation rate rose faster during the period (from 23.9 percent to 29.2 percent) than that of the male participation rate (from 84.0 percent to 86.8 percent).

**Figure 1: Trends in labor force participation rate**



Source: *LFS 2005-06*, BBS.

### Total labor force

- Total labor force grew by 8.8 million during the period (from 40.7 million in FY00 to 49.5 million in FY06) giving an average of nearly 1.5 million new entrants per year. Of the total new entrants, 3.5 million (rising from 8.6 million to 12.1 million) were females and 5.2 million (rising from 32.2 million to 37.4 million) were males.<sup>3</sup>
- During the period, the rural labor force grew by 6.3 million (from 31.5 million to 37.8 million) of which 2.9 million were females (rising from 6.4 million to 9.3 million). On the other hand, urban labor force grew by 2.5 million (from 9.2 million to 11.7 million) of which 0.6 million (rising from 2.2 million to 2.8 million) were females.

<sup>3</sup> Discrepancies in numbers are due to rounding. This is applicable in other parts of the note where such discrepancies exist.

## **Employed labor force**

- Total employed labor force increased by 8.4 million (from 39.0 million to 47.4 million) of which 3.4 million (rising from 7.9 million to 11.3 million) were females and 5.0 million (rising from 31.1 million to 36.1 million) were males.
- Rural employed labor force grew by 5.8 million (from 30.3 million to 36.1 million) of which 2.7 million (rising from 5.9 million to 8.6 million) were females; while urban employed labor grew by 2.6 million (from 8.7 million to 11.3 million) of which 0.7 million (rising from 2.0 million to 2.7 million) were females.

## **Unemployed labor force**

- The overall unemployment rate declined marginally from 4.3 percent in FY00 to 4.2 percent in FY06; the male unemployment rate remained unchanged at 3.4 percent while that for females declined from 7.8 percent to 7.0 percent. The underemployment rate, however, increased sharply from 16.6 percent to 24.5 percent. The male underemployment rate was 10.9 percent in 2006; while the underemployment rate for females was staggering at 68.3 percent.

## **Employment by sector**

- In terms of sector of employment, agriculture provided employment to 22.8 million (48 percent), industry to 6.9 million (15 percent), and services sector to 17.7 million (37 percent) in 2006. This may be seen in the backdrop of the shares of contribution of these sectors to GDP in the same year, which were 22 percent for agriculture, 29 percent for industry, and 49 percent for the services sector.

## **Formal and informal sector employment**

- Of the total employed labor, 10.2 million (22 percent) were employed in the formal sector while the remaining 78 percent were employed in the informal sector. Over the six year period between 2000 and 2006, only 0.6 million new jobs were created in the formal sector. The share of females in the formal sector employment is low at around 16 percent. Of the total female employed labor, only 14 percent are employed in the formal sector compared with a similar share of nearly 24 percent for male labor.

## **Employment status**

- In terms of status in employment, self-employed workers form the largest category providing jobs to 42 percent of the total employed labor force in 2006 followed by 22 percent by unpaid family helpers, 18 percent by day laborers, 14 percent by employees, and 4 percent by employer and other categories. Of the reported 8.4 million new jobs, unpaid family helper category contributed more than two-thirds of the new jobs while self-employed labor contributed another 20 percent during 2000-2006. The number of employers did not change while the contribution of employees to total additional job creation was only 1 percent.
- Female workers are especially disadvantaged in terms of quality of employment. Of the 10.3 million laborers who are employed as unpaid family workers, 6.8 million (66 percent) were female workers in 2006. This also shows that, of the 11.3 million

female labor employed in 2006, 60 percent work as unpaid family workers while similar share for male employed labor is less than 10 percent.

### **3. Key Issues in the Labor Market**

In a 'labor-surplus' economy such as Bangladesh, the developments in the labor market are crucial to bringing about desirable changes in growth possibilities and meeting poverty reduction and other social goals. For ensuring such a process of growth, public policies and investments need to ensure more equitable income and asset distribution and economic growth needs to be inclusive such that it generates more income and employment for the poor.<sup>4</sup> In particular, a key challenge is to expand decent employment opportunities through both wage and self-employment to absorb the growing labor force. For this, an important agenda is to address some key issues in the country's labor market and adopt a consolidated and gender-sensitive strategy toward developing the labor market with capacity of sustaining rapid growth of productivity-enhancing employment in the economy.

#### **Educational status of labor force**

The level of productivity and earnings and, hence the access to remunerative employment, of an individual is positively related to his/her level of education. With significant increase in enrollment rates in Bangladesh, the educational profile of the labor force has somewhat improved over the years creating better potential for skill development. The available information on the level of education of the youth labor force shows that the share of the labor force with no education significantly declined since the 1980s (42 percent in 2003 compared with 62 percent in 1984) while the proportion of the labor force with basic schooling (grades 1-5) and secondary education (grades 6-10) increased: from 18 percent to 19 percent having primary education and from 12 percent to 25 percent with secondary education. The proportion of the labor force with no education, however, remains particularly high amongst rural and female workers. During 2003, 47 percent of the female workers had no education compared with 40 percent of the male labor. Moreover, only 5 percent of the employed labor was engaged in professional and technical occupation in 2006. This shows the urgent need to give due importance, along with better access to education, to technical and vocational training for the labor force to increase productivity and ensure wider diffusion of better technologies.

#### **Underemployment issues**

Conceptually, the notion of underemployment is related to a situation when a person's employment is inadequate in terms of hours of work, income earnings, productivity and use of skills, and the person is looking for better or additional work in conformity with his/her education and skills. In practice, the measurement of underemployment faces a number of difficulties and the adopted methodology in Bangladesh is to estimate underemployment on the basis of hours worked alone. The adopted norm is to treat those who work less than 35 hours during the reference week of the survey as underemployed.

The perception of the labor market substantially changes when underemployment is taken into account in assessing the status of the labor force in Bangladesh. The information on hours worked shows that a total of 15.1 million (which is about 35 per cent of the employed

---

<sup>4</sup> In addition to such a pattern of growth, several other elements, e.g., human development, women's advancement, social protection, and participatory governance are essential in order to provide the poor with access to assets, enhance their voice, and improve other non-material dimensions of well-being including security, power, and social inclusion.

labor of 44.3 million) were underemployed in 2003. This shows an extremely high level in the number of the people who work less than 35 hours per week. Also the information shows high incidence of underemployment in rural areas and among the female labor force. During 2003, the share of the employed labor force who worked less than 35 hours per week was nearly 36.4 percent in the rural areas compared with 26.7 percent in the urban areas and was as high as 72.3 percent among females against 23.1 percent for males. Of the total number of underemployed labor, nearly 47 per cent were females.

Available data, however, do not reveal the nature of the constraints that result in low working hours of women and whether these underemployed female workers would be able to work for longer hours if such opportunities are available in view of their exclusive burden of working in the reproductive and household activities. At the same time, it is also true that a large part of the working population is pushed to working for long hours presumably to meet survival needs due to low productivity of their work.

### **Youth unemployment**

Youth employment has a special significance in Bangladesh since the nature and extent of employment of the youth is an important indicator of the additional employment generating capacity of the economy. Alternatively, the extent of unemployment of youth labor indicates the failure of the growth process to create enough jobs for the new entrants to the labor force and, consequently, the loss of potential income and welfare.

In quantitative terms, nearly 35 percent of the labor force in 2006 consisted of youth labor (15-29 years) although the share of youth is about 40.6 percent in total working aged population (15 years and above). Between 2000 and 2006, although the total labor force increased by nearly 9 million, the number of youth labor increased by 2.8 million. Significant gender difference in the growth of male and female labor may also be noted during the period. While the absolute number of male youth labor increased by 2.6 million, the number of youth female labor declined by 0.2 million mainly due to decline in participation rate.

The failure to provide adequate employment opportunities especially to youth labor has significant economic and social implications in Bangladesh. The bulk of the country's unemployed labor belongs to the youth labor category. In 2003, the share of unemployed youth labor in total unemployed labor was 60 percent revealing that 1.2 million out of a total of 2.0 million unemployed persons were youth. The trends are similar for both female and male youth as well as in rural and urban areas. For the youth labor, the disadvantaged situation is also reflected in high youth unemployment rate compared with the overall unemployment rate in the country. While the unemployment rate for the labor force as a whole was 4.3 percent in 2003, the youth unemployment rate was recorded at 6.3 percent.

### **Gender inequality**

A close view on some major indicators shows the existence of high gender difference in economically active population in Bangladesh. Out of a total labor force of 40.7 million in 2000, females constituted only 8.6 million (21 per cent) which rose to 12.1 million (24 percent) of total labor force of 49.5 million in 2006. The share of female employed labor in total employed labor is very similar (20 percent and 24 per cent for the two years respectively). This shows that 29.4 million out of 35.1 million persons (84 per cent) who are not in the labor force are women. The figures also show that the sectoral pattern of employment of female workers is somewhat more diversified. Around 68 percent of the

female workers are employed in agriculture, forestry and fisheries sectors compared with 42 percent for the male workers (Table 1).

**Table 1: Gender differences in labor force, 2006**

	(in million)		
	Female	Male	Total
1. Economically active population	12.1	37.4	49.5
2. Unemployed population	0.9	1.2	2.1
3. Not in labor force	29.4	5.7	35.1
4. Employed population	11.3	36.1	47.4
Sectoral distribution of employed population			
a. Agriculture, forestry, and fisheries	7.7	15.1	22.8
b. Industry	1.4	5.5	6.9
c. Services	2.2	15.5	17.7

Source: 2005-2006 Labor Force Survey, BBS.

**Table 2: Employment status of female and male workers, 2006**

	(in million)		
	Female	Male	Total
<b>A. Sector</b>			
Formal	1.6	8.6	10.2
Informal	9.7	27.5	37.2
Total	11.3	36.1	47.4
<b>B. Status</b>			
Regular paid employee	1.3	5.3	6.6
Employer	0	0.1	0.1
Self-employed	1.8	18.1	19.9
Unpaid family worker	6.8	3.5	10.3
Irregular paid worker	0.2	0.8	1.0
Day laborer	0.7	7.9	8.6
Domestic worker/maid servant	0.3	0	0.3
Others	0.2	0.4	0.6
Total	11.3	36.1	47.4

Source: 2005-2006 Labor Force Survey, BBS.

In terms of earnings, paid female workers receive much less compared with their male counterparts. The information from the 2003 labor force survey shows that, in the case of paid day laborers, the daily average wage for males in rural areas was 68 percent higher than the average female wage. In urban areas, similar difference was 79 percent. For the salaried workers, 20 percent of the females compared with only 9 percent of the males earned Tk. 1,000 or less per month. On the other hand, only 31 percent female workers earned more than Tk. 2,500 per month while similar share was 63 percent for male workers. The disadvantaged situation of women is also evident in the case of all other categories of employment. In view of the persistence of low wages for female workers and significant gender differences across all sectors and all categories of workers in the labor market, it is important for Bangladesh to ensure better paid work along with better paid employment opportunities for women to promote growth with equity and address the gender related concerns of human rights, efficiency and well being.

## 4. Employment Outlook

The total number of employed labor was 47.4 million in 2006. Since no data on recent employment situation are available, this section provides estimated employment in FY07 and FY08 and projected employment in FY09 using sectoral employment coefficients.<sup>5</sup>

The employment coefficients of different sub-sectors in agriculture are still high relative to other sectors despite the adoption of modern and, in some cases, labor saving technologies in different agricultural operations. The estimated employment coefficients show that in FY06, 36 jobs were created per million Taka of value addition in agriculture compared with 8 in industry and 12 in services sector. Obviously, the employment coefficients differ among various sub-sectors showing the potential of increasing employment through a careful selection of sub-sectoral activities and production technologies.

**Table 3: Projected labor market situation**

(in million)

	2005-06	FY07 (estimated)	FY08 (estimated)	FY09 (projected)
<b>Total labor force</b>	<b>49.50</b>	<b>50.60</b>	<b>51.80</b>	<b>53.04</b>
Employed labor	47.43	48.49	49.74	51.05
Unemployed labor	2.07	2.11	2.06	1.99
<b>Unemployment rate</b>	<b>4.18</b>	<b>4.17</b>	<b>3.98</b>	<b>3.76</b>

Source: 2005-06 Labor Force Survey, BBS and authors' calculation.

**Table 4: Projected employment in major sectors**

(in million)

Sector	2005-06	FY07 (estimated)	FY08 (estimated)	FY09 (projected)
<b>1. Agriculture</b>	<b>22.83</b>	<b>22.89</b>	<b>23.41</b>	<b>24.07</b>
Crops and horticulture	20.93	20.95	21.37	21.96
Forestry	0.74	0.75	0.79	0.82
Fisheries	1.16	1.19	1.24	1.29
<b>2. Industry</b>	<b>6.90</b>	<b>7.08</b>	<b>7.20</b>	<b>7.43</b>
Mining and quarrying	0.10	0.11	0.12	0.13
Manufacturing	5.20	5.26	5.27	5.33
Electricity, gas and water supply	0.10	0.11	0.11	0.12
Construction	1.50	1.61	1.70	1.85
<b>3. Services</b>	<b>17.70</b>	<b>18.52</b>	<b>19.13</b>	<b>19.55</b>
Trade, hotel & restaurants	7.80	8.29	8.46	8.50
Transport, storage & communication	4.00	4.02	4.21	4.32
Finance, business services and real estate	0.70	0.71	0.75	0.80
Health, education, public admin and defense	2.60	2.77	2.86	2.91
Community, social and personal services	2.60	2.72	2.85	3.02
<b>Total</b>	<b>47.43</b>	<b>48.49</b>	<b>49.74</b>	<b>51.05</b>

Source: 2005-06 Labor Force Survey, BBS and authors' calculation.

<sup>5</sup> The employment coefficient is defined as the number of labor employed per unit of output (value added) in a specific sector of the economy. Under the methodology, total employment is estimated as:

$$L_t = \sum L_{jt} = \sum l_j V_{jt}$$

where,  $L_t$  is total number of employed labor in year t,  $L_{jt}$  is number of employed labor in sector j in year t,  $l_j$  is the employment coefficient of sector j, and  $V_{jt}$  is the output (value added) of sector j in year t.

The projected labor market situation during FY09 is summarized in Tables 3 and 4. Taking LFS 2005-06 labor supply and demand as the base, total labor force is estimated to grow to 50.6 million, 51.8 million, and 53.0 million in FY07, FY08 and FY09 respectively. In FY07, the number of employed labor is estimated at 48.5 million leaving a total of 2.1 million people unemployed. This gives an unemployment rate of 4.2 percent in FY07. In FY08, the estimated number of employed labor is 49.7 million leaving 2.1 million as unemployed resulting in an unemployment rate of nearly 4.0 percent. The projected employment level in FY09 is 51.1 million indicating an unemployment rate of 3.8 percent. The projected employment by broad economic sectors, as shown in Table 4, shows that agriculture and services sectors are likely to create most of the additional employment whereas employment in industry is likely to increase marginally largely due to additional employment creation in the construction sub-sector.

## **5. Conclusions and Policy Implications**

In Bangladesh, labor force participation is growing at a faster pace than the current employment generating capacity of the economy making it difficult for the country to absorb the incremental labor force in productive and remunerative employment. As such, the country needs higher and more employment intensive economic growth for which adoption of several complementary approaches could be useful, such as giving priority to more employment friendly growth policies, widening micro credit based and targeted employment generating programs and special schemes for new job creation especially in rural areas, and increasingly tapping overseas employment opportunities focusing on skill intensive jobs in the global market.

The poverty characteristics in the country show that agricultural labor households have a high incidence of poverty as do non-agricultural casual and unskilled workers. These characteristics indicate that labor is the main asset and the income source of the poor households in Bangladesh. For reducing poverty, policies therefore need to increase the returns to labor in both agriculture and non-agricultural activities and enable the poor to get more remunerative jobs in other sectors. Thus a virtuous cycle of rapid and labor intensive growth of the rural economy is necessary for which investments in education and skill development of the poor, giving them access to finance and technology, and ensuring the availability of basic infrastructure services in the rural areas are important facilitating factors. In the backdrop of persistence of low wages for female workers and significant gender differences across all categories of workers in the labor market, it is important to address the issue of better employment opportunities along with social and financial safety nets for women workers to ensure growth with equity. The policy framework needs to promote an employment friendly environment and support an employment led growth strategy through which Bangladesh can expand the opportunities for women and men to obtain productive and remunerative work.

With the current development philosophy of private sector led development, a vibrant, innovative and diversified private sector is the key to creating productive employment opportunities in the economy. In this effort, the government's role is to remove the bottlenecks, create the institutions, put in place rules and regulations, and facilitate the private sector entrepreneurs in different fields to promote an employment-friendly production structure supported by public policies and facilities.

Private initiatives are encouraged when government policies are favorable over a longer term horizon. Policies like providing necessary tax incentives to productive and employment-intensive investment projects, easy access to credit, effective tariff structures that encourage domestic production, and other fiscal and monetary measures that assure potential investors

about the long term viability of their investments are critical factors that are required to flourish private entrepreneurship in the country. In view of the existing labor market developments, several issues need specific attention that include generating remunerative employment opportunities for unemployed or underemployed female and youth labor.

Obviously, the economy would generate sustained labor demand if it can ensure sustained growth of output. For the employment strategy, the composition of output growth is equally important particularly the one that encourages and supports the sectors that generate employment and income entitlements to the poor. Moreover, in the current era of globalization, the sources of output and employment growth are likely to shift constantly in importance leading to varying prospects of different social groups, some of whom would be gainers and some losers. Therefore, while new sources of growth by creating more effective employment opportunities for women must be tapped, complementary measures are needed to mitigate and manage the negative consequences of globalization and job loss.

Opportunities for work refer to the need for all persons (women and men) who want work to be able to find work, since poverty reduction is not possible without work itself. Therefore, the underlying concept of work has to be a broad one, encompassing all forms of economic activity, including self-employment, unpaid family work, and wage employment in both formal and informal sectors. As one would expect, wage and salary employment in the formal sector usually has higher and more regular earnings, better benefits, and wider social protection than self-employment. In Bangladesh, self-employed labor (including unpaid family labor) forms the vast majority of the employed labor force. Moreover, an important limitation of informal employment especially in the rural areas is the high incidence of seasonality (e.g. *'monga'* in the northern region). During the off season (which is linked with the agricultural production cycle), employment in the rural areas usually shrinks. It means that employment and income of some workers remain unprotected round the year due to seasonal unemployment and/or underemployment. Tied to this are various labor market rigidities and skill mismatch which make productive work more inaccessible to the majority of the workers in the informal sector and in the rural areas.

In this context, the government's plan to introduce a new program titled '100 days employment generation' in FY09 to ensure employment of the unemployed rural poor for at least 100 days (in particular during mid-October to mid-January and mid-March to mid-May periods) can play a useful role in providing guaranteed employment especially during the lean periods. Similarly, micro credit and other targeted programs have been expanded to generate employment for the poor in the country. In view of the existing labor market situation, however, apart from creating productive employment opportunities through new allocations/investments, issues that act as constraints to acquiring knowledge, providing skills, and promoting employability of the unemployed and the underemployed are important to address the unemployment and underemployment problems in the country.

In Bangladesh, economic progress and well-being of the people hinges largely on the development and sustenance of a strong and vibrant industrial sector which in turn depends on rapid growth of small and medium enterprises (SMEs). It is recognized that SMEs have a significant role in employment generation, poverty reduction, and overall economic growth in Bangladesh. The SMEs typically constitute labor intensive industries with relatively low capital intensity. As such for a country like Bangladesh which is labor abundant and capital scarce, SMEs have a natural comparative advantage. Therefore, particular attention needs to be given to policies that promote SME activities with increased participation of women and for developing entrepreneurship in formal and informal sectors. In recognition of the strategic importance of SMEs in promoting industrial growth, employment generation and poverty

alleviation, the SME sector has already been declared as a priority sector and various measures have been initiated to help maximize growth of SMEs which in turn would help in generating employment and reducing poverty in the country over time.

For sustaining poverty reduction, a well-articulated employment strategy toward the goal of full, productive employment is required along with a complementary social protection strategy that aims at reducing the vulnerability of the population living in poverty, enabling the poor to meet their basic needs, and preventing the vulnerable people from falling into poverty as a result of contingencies. In this context, guaranteeing employment through various social safety net and public works programs is particularly important especially in the rural areas. In addition, current labor market policies and programs endorse social safety net programs that particularly focus on reducing income uncertainty and variability and maintaining a minimum standard of living. Further to new programs like rural employment and road maintenance program (RERMP), coverage as well as allocation for socially and physically vulnerable population can be increased under the government's targeted programs to provide employment and other benefits to the underprivileged people.

In the backdrop of continuous integration, the global market for new employment is becoming increasingly competitive. In addition to cost and quality factors, specific labor standards (child labor, workers' right to organize, health and safety, and similar other concerns) as well as environmental standards are increasingly being imposed on exports from developing countries. Although some might regard these 'social clauses' as protectionist measures, the fact is that they do matter to an ever-growing segment of the global consumers. It would thus be worthwhile for Bangladesh to search for the best ways to address these pressures by looking for new destinations and new professions for the youth educated labor in Bangladesh to meet the international labor market demand. In this regard, in line with the growing international labor demand, necessary technical education needs to be provided to the growing youth labor force. Thus, to promote overseas employment it may be useful to undertake integrated market surveys of overseas demand by country and skill category, and introduce revisions in existing training curriculums and undertake new training courses in potential areas. At the same time, creating and managing institutional, technical, and financial infrastructure for proper training and unhindered outflow of trained people abroad would be necessary. In view of protecting the rights and interests of the overseas workers, regular monitoring of the conditions of migrant workers and undertaking appropriate measures would help the migrant workers to remit more to the country.

In view of the current compulsions, several elements should feed into developing an appropriate employment strategy for Bangladesh:

- Public-private partnerships for transforming growing sub-sectors into creators of quality jobs through diversification and moving toward higher value added products.
- The small and medium enterprises (SMEs) constitute an essential feature of growth-oriented sub-sectors with prospects of generating employment opportunities in formal and informal sectors through creating a new class of entrepreneurs. Flourishing of SMEs requires creation of supportive policy and regulatory environments including easy access to the credit market.
- Implementation of policies, measures, and programs aimed at improving productivity and earnings in the informal economy.
- Greater importance to human capital covering higher education, core competencies, more relevant technical skills, health and nutrition, and similar other measures to match domestic as well as global demand of the labor market.

- Effective social dialogue as the cornerstone of creating facilitating work environment and ensure full participation of workers in creating and sharing the value in a growth-oriented economy.
- Local production and marketing system comprising numerous small entities facilitated through supportive mechanisms.
- Encouragements to growth of selected sub-sectors that can help improve job quality and generate employment not only in enterprises, but also in the supply chain.
- Proper attention needs to be given to various social safety net programs for providing employment and other benefits especially to socially and physically vulnerable population by increasing their coverage and allocations.
- Looking for new destinations and new professions for the youth educated labor to meet the international labor market demand where necessary steps need to taken to keep up technical education for the youth population to match the international demand.

The analysis in this note shows that the poor mainly rely on labor for their livelihood. If the return to labor is low or he/she is un- or under-employed, the person is likely to live in poverty. In view of the country's structural characteristics, expansion of productive employment opportunities in Bangladesh requires measures along several directions, such as expanding both wage and self-employment, increasing productivity of and returns to employment, and ensuring a better terms of exchange of the outputs of self-employed activities. In addition, there is a need for public action to improve the quality and capability of the labor force through acquiring education and market-relevant skills and providing better terms and conditions of employment to increase incomes and enhance the safety of the work force. In this context, public action does not mean state action only. It includes not merely what is done for the public by the state, but also encompasses the role of NGOs and other social, political, and humanitarian institutions.

While it is true that the need for state action partly arises from the failure of the market to provide required protection and promotion by generating adequate employment opportunities in the economy, it does not follow that state action for ensuring economic security must dispense altogether with reliance on the market. Insofar as the market mechanism contributes to economic expansion, provides effective means of matching supplies with demands, and yields widespread entitlement generation (through employment creation), it can be a significant ally in providing economic security through public action. Under existing situation in Bangladesh, the need is for integration, that is, there should not be over-reliance on as well as neglect of markets in promoting the country's employment generation and poverty reduction agendas.