

Draft final report

Resilient jobs to support Bangladesh's economic development and equity

An overview of
labour market
trends, a review of
related research, and
recommendations on
policy and research

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Resilient jobs to support Bangladesh's economic development and equity

An overview of labour market trends, a review of related research, and recommendations on policy and research directions

September 7, 2021

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1. Executive Summary

Bangladesh has made impressive progress at reducing poverty and increasing prosperity in the past few decades. Strong job creation is a critical factor to this progress, and female employment in the readymade garment (RMG) sector has been one of the main drivers. Despite this progress, however, there has been a rapid slowdown in job growth in recent years. The COVID-19 pandemic has further exacerbated pre-existing concerns about stalling poverty reduction (Genoni et al., 2020) and lack of export diversification. These trends raise many questions about how Bangladesh can ensure that strong labour markets and resilient jobs continue to drive economic growth and poverty reduction.

This white paper identifies eight key opportunities for Bangladesh's labour market to further support economic development that is inclusive and equitable for all Bangladeshis. In outlining the eight key opportunities, the paper discusses related academic literature, suggests policy and research directions, and identifies the main government agencies responsible for these areas. First, the white

paper reviews the recent trends in Bangladesh's labour market by discussing the key findings from the World Bank's 2017 Jobs Diagnostics for Bangladesh. See Box 1 for a summary of this review.

Box 1: Key Findings from the World Bank's 2017 Jobs Diagnostic for Bangladesh

Job Growth and Youth: Bangladesh has been on a remarkable growth trajectory in the past two decades; between 2003 and 2015, real GDP per capita increased by about 79%, and between 2000 and 2016, poverty declined from a headcount ratio of 33.7% to 13%. A significant part of this growth was driven by changes in the labour market, but job growth in Bangladesh has slowed down considerably in recent years. From 2010-16, employment growth was 1.8%, while growth of the working-age population was 1.9%, which resulted in declining labour force participation and higher unemployment.

Youth seem to bear the brunt of the recent slowdown in job growth, and the transition from school to work presents an additional challenge due to the lack of employable skills. The working age population (mainly dominated by youth) is expected to rise from 63% to 70% by 2030. Without robust jobs growth, this demographic transition can put increased pressure on the labour market.

Productivity of labour and enterprises: Labour productivity in Bangladesh grew by 4.25% annually between 2003-2016, but this is largely explained by increased access to capital without substantial increases in workers' productivity. Overall productivity growth in Bangladesh fared better than its peers, mainly in the agriculture and services sector. Productivity in the manufacturing sector, however, measures below the national productivity growth, even though manufacturing contributed the most to GDP growth over the period. Many factors contribute to the recent decline in job growth, particularly in the manufacturing sector, including increasing buyer power in the international markets and competition among suppliers.

Furthermore, household enterprises and microenterprises dominate Bangladesh's firm landscape and contribute significantly to employment, however, mid-sized firms of around 10-499 employees are decreasing their contribution or remain unchanged. This suggests that there may be barriers to small firms' expansion, entry, or exit. The pandemic has significantly impacted firms and workers, with households experiencing average drop of incomes of around 75% for those employed outside of agriculture. Most incomes seemed to have recovered by June 2021; however, recovery was heterogenous and rural workers and business owners were more severely impacted.

Female Labour Participation: Female labour is largely untapped in Bangladesh's labour market, and factors such as early marriages, mobility restrictions, and social norms play important roles in the low female employment levels. Some employers report challenges to adjust for these factors by providing separate workplaces for women, which increases costs. Women were also differently affected by the pandemic due to the nature of their work.

Urbanisation and migration: The population living in urban areas in 2011 was 28.4%, surpassing India, ranking Bangladesh at the 20th percentile globally. There is substantial amount of internal migration from rural to urban areas, in particular to Dhaka and Chittagong. In the span of 5 years, about 5 million people moved to urban areas in search of wage employment. This has resulted to higher earnings as formality increased among firms. Evidence shows that productivity is higher in the formal sector than the informal sector. The levelling of accessing to schooling across regions and improvement in educational outcomes across genders have also resulted to increased earnings across sectors, although with some significant heterogeneity. Established overseas migrant networks increases outward migration, and therefore increases remittances to Bangladesh. However, outward migration is likely driven by poorer job prospects in Bangladesh and remains a challenging channel for jobs and income growth.

Summary of key opportunities for Bangladesh's labour market to further support economic development and equity

1. Improve the business environment and infrastructure.

Bangladesh performs poorly on nearly all measures of the business regulatory environment. Overall, it ranks 168 out of 190 on the World Bank's Doing Business indicators, and it performs especially poorly in areas such as enforcing contracts, registering a property, getting electricity, trading across borders, resolving insolvency. Academic evidence on weak contract enforcement shows that slow and congested courts distort how firms source inputs and organise production. Weak contract enforcement also constrains the types of products that Bangladesh can produce and makes investment risky. Therefore, strengthening contract enforcement can improve firms' access to finance and increases their growth and employment; it may also encourage industrial diversification.

Regarding infrastructure, and namely electricity access, evidence shows that firms respond to high electricity prices and to electricity shortages by reducing firms' investment. These issues also distort the plant size distribution due to economies of scope in generators. The underinvestment in and lack of maintenance of physical infrastructure also reduces Bangladeshis' economic opportunities and contributes to higher trade costs, which reduces the number of jobs available and access to available jobs. Potential research questions in this area are:

- **Effects of increasing the judiciary's capacity and more broadly strengthening contract enforcement on businesses' establishment, access to finance, growth, employment, product mixes, and other outcomes.**
- **Effects of increasing efficiency of land registration processes on businesses' establishment, growth, employment, and other outcomes.**
- **Potential for place-based policies and infrastructure to spur the growth of Bangladesh's secondary cities and the aggregate effects of such policies.**

2. Facilitate trade and proceed with caution to develop Special Economic Zones (SEZs)

While Bangladesh's apparel sector is often pointed to as an exporting success, this is often said to be *despite* Bangladesh's trade barriers and poor infrastructure. This naturally raises the question of how the country could perform if certain trade barriers are lowered. Evidence from other countries suggests that reducing barriers to Bangladesh's participation in global trade has the potential to create high quality job opportunities and to raise wages for Bangladesh's workers, but whether these gains are realized importantly depend on Bangladesh's existing labour market policies and dynamics.

SEZs have become an increasingly popular policy instrument in developing countries and the Government of Bangladesh (GoB) has prioritised their development to spur the country's economic growth. The GoB's goal is to use SEZs to create jobs and to reduce economic disparities across regions, and it is currently working toward establishing 100 SEZs by 2030. Experts in industrial development urge caution and propose implementing rigorous monitoring and evaluation (M&E) strategies given the lack of evidence on the success of SEZs. Considering the lack of access to land, infrastructure shortages, and weak enforcement environment in Bangladesh, it may indeed be a good candidate for development of SEZs. The GoB, however, should follow the guidance on SEZ policy and should pursue rigorous M&E partnerships as it develops SEZs. Potential research questions in this area are:

- **Effects of reducing barriers to participation in global trade on the labour market, in particular understanding how liberalization, especially levelling the playing field across sectors, affects distortions in the labour market, understanding how trade liberalization affects workers in the informal sector, and how it affects working conditions and compliance with labour regulations, among others.**

- **Direct and indirect effects of SEZs on local and regional labour markets.**
- **Effects of special SEZs for small and medium enterprises (SMEs) on SMEs outcomes and characteristics of SMEs that benefit most from SEZs for SMEs.**
- **How SEZ policy can be crafted to maximize positive spillovers on job availability and quality.**

3. Support high potential micro and small enterprises

Bangladesh is home to a large number of microenterprises, many of which are not growth-oriented. That said, the stagnation and decline in the contribution of somewhat larger firms to employment growth suggests that even potentially growth-oriented firms are struggling to grow. Lack of access to finance and capital is an important constraint to micro, small and medium enterprises (MSMEs), which suggest that microcredit organisations may play an important role in providing microentrepreneurs with access to loans. A large academic literature, however, shows that, on average, increasing access to microcredit does not have transformative effects on firms' growth. There are some areas of ongoing research to understand why microcredit are ineffective, including how to identify credit-constrained, but high growth-potential microentrepreneurs and the design of loan products.

Further, SMEs in Bangladesh likely do not have formal managerial education and may not be aware that "modern" managerial practices exist. Evidence on training, however, has shown that impact of business training is mixed. Some academic evidence shows that women microentrepreneurs who received training were more likely to be operational and obtain higher sales and profits, with no evidence of adverse effects of business owners' competitors. The type of training also matters, and some researchers have found positive effects for psychological-based personal initiative training. In terms of managerial consulting, research shows that managerial consulting impacts MSMEs positively in terms of productivity, profitability, and employment. High quality management interventions are expensive to scale up, though; recent research indicates that group-based management consulting may reduce this cost while delivering similar impacts.

Bangladesh's majority of firms operate informally, and the GoB expresses strong interest in formalising firms to increase productivity, to bring them under tax and regulatory regimes, and to ensure they can be reached by government support programs during times of crisis (such as COVID-19). Several academic studies have tested the effects of providing firms with help to formalise or information about formalization; they find that assistance to formalise is more effective, although in some settings, cash grants were needed to provide incentives. Most experimental studies find no impacts of formalisation on firms profits or other business outcomes; the evidence suggests that informality is not a binding constraint to small firms. Potential research questions in this area are:

- **Underlying reasons for microcredit products' failure to deliver transformative growth for MSMEs and how to design loan products for MSMEs to deliver greater growth.**
- **Efficacy of training and consulting programs for MSMEs in Bangladesh, and potential for innovations in their delivery (e.g., through group-based approaches) to improve these interventions' benefit-cost ratios and effects on MSMEs' growth.**
- **Approaches to identifying MSMEs that have the potential to grow, but that are constrained.**
- **Approaches to identifying SMEs that may benefit from formalization and the mechanisms through which they do so.**

4. Upgrade labour productivity and job quality

While Bangladesh has performed well relative to peers in terms of growth in labour productivity, it lags behind LMICs and the South Asian regional average; further, in terms of the level of labour productivity, it is low relative to both LMICs and to the South Asian average. Finally, productivity performance of Bangladesh's manufacturing sector lags behind other sectors, which is concerning in terms of this sector's ability to drive labour demand and to raise job quality. Consequently, the GoB should pursue strategies to increase labour productivity with the goal of shared prosperity. In other words, it should provide a level playing field for workers vis-à-vis employers to ensure that workers share in the gains from their increased productivity. To increase workers' productivity in the long-term, the government can encourage firms to adopt modern management practices, particularly in relation to HR and social compliance. A recent field experiment in Bangladesh shows that there is low demand for high-quality management training, even when it is offered for free. This suggests that providing Bangladeshi producers evidence about the efficacy of management training may be informative about how to increase demand.

Skills training for employed workers and promoting women are also important areas for producers in low-skill manufacturing sectors that primarily employ young women. Finally, a growing body of literature show that establishing exporting or trading relationships with foreign firms who operate locally can contribute to increasing workers' wages and improve social compliance of local firms. Finally, there may be frictions in Bangladesh's labour market that contribute to keeping working conditions and job quality inefficiently low. Potential research questions in this area are:

- **Systematic measurement of adoption of modern management practices by firms (both MSMEs and large firms).**
- **Systematic measurement of firms' perceptions of the returns to adoption of modern management practices and of employee training programs. For employee training programs, perceived and actual impacts on employees' productivity and retention.**
- **Effects of policies to correct misperceptions and/or to subsidize forms of training, such as soft skills and managerial training, on firms' take-up of training.**
- **Effects of increasing labour standards, in particular through buyer-driven initiatives, on equilibrium market structures, prices, and mark-ups.**
- **How frictions in the labour market may affect equilibrium wages and working conditions, and how alleviating any such frictions impacts employment and job quality.**

5. Help workers move to opportunities

It is important to understand the determinants of outward migration from rural labour markets in Bangladesh (given the benefits to better quality jobs during the 2000s), what happens to rural labour markets when a sizeable share of the labour force out-migrates, and the impact of migration on labour markets in destination cities. Evidence from a field experiment in Bangladesh finds that a subsidy for seasonal out-migration resulted in a large benefit for households, in terms of increased expenditure, food expenditure, and calorie intake. Another piece of evidence from a field experiment shows that there are positive spill overs of migration on the village economy, with increases in the agricultural wage rate and available work hours for those who stay. Most evidence highlights the importance of extending internal and international migration opportunities to poorer families who cannot afford to pay the upfront costs required. Potential research questions in this area are:

- **Systematic measurement of adoption of modern management practices by firms (both MSMEs and large firms).**

- **Systematic measurement of firms’ perceptions of the returns to adoption of modern management practices and of employee training programs. For employee training programs, perceived and actual impacts on employees’ productivity and retention.**
- **Effects of policies to correct misperceptions and/or to subsidize forms of training, such as soft skills and managerial training, on firms’ take-up of training.**
- **Effects of increasing labour standards, in particular through buyer-driven initiatives, on equilibrium market structures, prices, and mark-ups.**
- **How frictions in the labour market may affect equilibrium wages and working conditions, and how alleviating any such frictions impacts employment and job quality.**

6. Promote women’s labour force participation (LFP)

Women’s LFP in Bangladesh grew rapidly in the 2000s but plateaued in the past decade; it remains below the average for LMICs. Increasing female LFP can increase women’s empowerment and promote equitable growth, especially when women’s labour is relatively underutilised. On the supply side, gender norms appear to be a key barrier to women participation in the labour market. On the demand side, there may be cost concerns about hiring women among employers due to the need of accommodate both men and women in the workplace (the RMG sector has at least partially overcome these barriers and has seen a rise in women LFP).

Turning to entrepreneurship, based on country rankings by Mastercard (2020), Bangladesh does not provide an enabling environment for entrepreneurship among women. Consistent with its low ranking, Bangladeshi women are less likely to be engaged in non-agricultural self-employment. Academic research has found that women face substantially higher entry to business registration costs, women may have limited agency or access to targeted training programs, and women microentrepreneurs may live in households with male counterparts whose business are prioritised for investment. For policies to support entrepreneurship among women to be effective, they need to be designed with women’s specific constraints in mind; this requires partnerships between government and researchers to test different approaches. Potential research questions in this area are:

- **Effects of GBV, IPV, and sexual harassment on women’s FLP in Bangladesh and of policies that aim to address these issues on women’s LFP, well-being, and broader outcomes.**
- **Effects of policies that encourage changes in gender norms on gender norms, girls’ educational attainment, and women’s LFP, mobility, and job quality.**
- **Barriers to gender integration of workplaces in Bangladesh, potential for misperceptions about gender norms to hinder women’s LFP, and effects of policies that aim to address these issues on women’s employment.**
- **Barriers to entrepreneurship that are specific to women and effects of policies that aim to address these women-specific barriers on establishment and growth of women-owned businesses.**

7. Test approaches to facilitate school-to-employment transitions among youth

Bangladesh is in the midst of a “youth bulge,” in which a high share of its population is of working age relative to the share of its nonworking-age population; this “youth bulge” will continue until around 2030 before beginning to decline (World Bank, 2017). Bangladesh can avail of this opportunity to improve its people’s livelihoods, but the large number of working age Bangladeshis also puts pressure on the labour market. During the 2010s, the increasing number of working-age youth, coupled with slowing job creation, led to a sustained spike in youth unemployment. Active labour market policies

(ALMP) have been a common policy response in many developing countries experiencing high level of youth unemployment. These policies include skills improvement training programs, wage subsidies and job search and matching assistance. However, a review of the literature on the effectiveness of ALMP suggests modest impacts, so Bangladeshi policymakers should proceed with caution when considering ALMPs to spur school-to-employment transitions.

More optimistically, recent academic evidence shows that providing vocational training (VT) that includes skills certification and subsidising the cost for firms to hire apprentices both improve youths' skills and labour market outcomes, but VT has larger effects on their labour market outcomes. In the academic literature on job search and matching, evidence shows that the financial cost of job search is not the main constraint on youths' job quality in the long run. Other recent evidence highlights the importance of assessing employers' labour demand and youths' expectations before intervening in order to understand the possible impacts of providing information about job vacancies and/or job search assistance. Potential research questions in this area are:

- **Long-term effects of vocational training programs that provide skill certifications in sectors with high labour demand, both on program participants and general equilibrium or spillover effects on non-participants.**
- **Causes of high unemployment among highly educated urban youth who are men, including potential for overoptimistic expectations about job prospects, and policies to promote employment among this demographic.**
- **Causes of high unemployment among highly educated urban and rural youth who are women, including potential for gender norms to restrict women's mobility and occupational choices and/or for expectations about marriage to limit job search activity.**
- **Potential for internet technology (IT)-based vocational training to increase Bangladesh's competitiveness in service sectors (especially IT-related outsourcing)**

8. Increase resilience to global warming through jobs

Bangladesh is especially vulnerable to the impacts of global warming in terms of its exposure to sea level rising, salinization intrusion, higher temperatures, and more extreme climate events. Crafting jobs-related policies in ways that help to facilitate spatial and structural transformation that increases Bangladesh's resilience to climate change will be crucial. For example, the government can disproportionately target regions that are vulnerable to sea level or to heavy flooding for migration opportunities. The government can also explore VT programs and disproportionately target youth in agricultural regions that are especially subject to increasing soil salinization or sea level rising due to climate change. Policymakers can also explore pathways for less carbon intensive structural transformation that also deliver high quality job opportunities, such as developing the country's IT and light manufacturing sectors. Potential research questions in this area are:

- **Impacts of efforts to craft job-related policies dual goals of increasing resilience to climate change on employment and resiliency outcomes.**
- **Implications of strategies to de-carbonize Bangladesh's structural transformation for labour demand.**
- **Opportunities for job creation through less carbon intensive manufacturing/service sectors.**

2. Introduction

Over the past few decades, Bangladesh has made impressive progress at reducing poverty and increasing prosperity; from 2000 to the late 2010s, the proportion of the population living below the poverty line fell from approximately 50% to 24.5% (Hill and Genoni, 2019). Strong job creation, in particular for women, is a critical factor in this story. From 2003-2010, labour force participation (LFP) substantially increased, driven by a 10-percentage point increase for women, particularly in the ready-made garment (RMG) sector (ibid). Further, in urban areas, households primarily engaged in industry, and specifically in garments, drove poverty reductions. In rural areas, most poverty reduction occurred in the services and industrial sectors. Evidently, jobs, in particular the RMG and broader industrial sector, are central to Bangladesh's remarkable growth and poverty reduction story.

Despite these impressive statistics, in recent years, there has been a rapid slowdown in job growth, in particular due to slowing labour demand in the RMG sector. Further, economic growth has delivered less poverty reduction than in the past, and indicators of inequality have increased (Hill and Genoni, 2019). The COVID-19 pandemic, which dramatically reduced demand for Bangladesh's RMG products, has further exacerbated pre-existing concerns about stalling poverty reduction (Genoni et al., 2020) and lack of export diversification.

These trends raise many questions about how Bangladesh can ensure that strong labour markets and resilient jobs continue to drive its economic growth and poverty reduction. In this white paper, we first review of recent trends in Bangladesh's labour market. Based on our review, we identify eight key opportunities for Bangladesh's labour market to further support economic development that is inclusive and equitable for all Bangladeshis. We discuss the related academic literature on each of our eight themes, suggest policy directions, propose directions for research that could support these policy directions, and identify the main government agencies responsible for these areas.

We take a broad view of the types of approaches to support job creation and improvements in job quality that are available to policymakers in Bangladesh. We first consider passive approaches, such as ensuring a sound regulatory framework and investing in infrastructure, that provide the foundations of a vibrant labour market. We also consider that there may be frictions in Bangladesh's labour and capital markets, and other constraints faced by workers and firms, that more active policymaking may help to address. That said, we do not identify nor aim to offer any silver bullets. Instead, we aim to take a practical focus on themes where the evidence suggests that improvements may be conducive to better labour market outcomes for Bangladeshis. Our eight key opportunities include:

1. The fundamentals: Improve the business environment and infrastructure
2. Facilitate trade and proceed with caution to develop Special Economic Zones (SEZs)
3. Support high potential micro and small enterprises
4. Upgrade labour productivity and job quality
5. Help workers to move to opportunities
6. Promote women's labour force participation
7. Test approaches to facilitate school-to-employment transitions among youth
8. Increase resilience to global warming through jobs

The remainder of this paper is organized as follows: Section 3 reviews the key findings from the World Bank's 2017 Jobs Diagnostic for Bangladesh, which provides a comprehensive overview of developments in Bangladesh's labour market during the 2000s. Section 4 discusses each of our key opportunities for Bangladesh's labour markets to further support economic development and equity

for Bangladeshis. It reviews the related academic literature on each theme, suggests policy directions, proposes directions for research that could support these policy directions, and identifies the main government agencies responsible for these areas. Section 5 concludes.

3. Recent Trends in Bangladesh's Labour Market

In this section, we review the key findings from the World Bank's 2017 Jobs Diagnostic for Bangladesh. This report provides a comprehensive overview of developments in Bangladesh's labour market during the 2000s. It avails of several sources of microdata produced by the Bangladesh Bureau of Statistics (BBS), including: The Labour Force Surveys (LFS) for 2003, 2006, 2010, and 2016; the Economic Census (2001/03 and 2013) and Survey of Manufacturing Industries (SMI) (2006 and 2012). It also uses national accounts data from Bangladesh's Ministry of Finance and indicators from the World Bank's World Development Indicators (WDI) database. We also provide evidence from recent reports on COVID-19's impacts on Bangladesh's labour market (Bandiera et al 2021, Losing Livelihoods, World Bank 2020).

Key findings from the World Bank's 2017 Jobs Diagnostic for Bangladesh

Bangladesh has been on a remarkable growth trajectory in the past two decades. Between 2003 and 2015, real GDP per capita increased by about 79% and real annual GDP growth rates were comparable with fast growing economies in South Asia (averaging 5.7%) and exceeded real GDP growth rates for Low- and Middle-Income Countries (LMICs) for most of the last decade. Poverty declined significantly from a headcount ratio of 33.7% to 13% between 2000 and 2016, with consumption per capita for the bottom 40% of households growing at a steady rate of close to 2% between 2005-2010.

A significant part of this remarkable growth was evidently driven by changes in the labour market. It appears that an increasingly younger workforce combined with growth in labour income significantly explains poverty reduction in Bangladesh. The working age population grew by 2.1% between 2003-2016. Wage employment also grew, especially in the urban manufacturing sector, which grew at an annual rate of 5.7% during this period. Female labour force participation also grew at 4.4% between 2003-2016 – about twice the rate of growth of overall labour force. In a comparative sense, though, job growth in Bangladesh was not as impressive as in its peers such as Pakistan and Nepal, which had a job elasticity to growth of about 0.96 and 0.48, respectively, compared to Bangladesh's 0.38.

Labour productivity explains a large part of economic growth in this period – suggesting an increasing role of capital over labour. Labour productivity, as measured by value added per worker, grew by 4.25% annually between 2003-2016 and about 4.6 percent from 2010-2016. At the same time, total factor productivity (TFP) grew by just 0.7% between 2003 and 2015. This suggests that overall efficiency gains were low. While the latter period saw a TFP growth of 0.9 percent, it only seems to be driven by an even higher value added per worker, suggesting increased access to capital without substantial increases in workers' productivity. As we shall see later, an increase in value added per worker may also be explained by a slowdown in job growth. Lastly, among a group of 26 peer countries, Bangladesh's growth in value added per worker over 2003-15 was remarkable albeit with a few caveats. In terms of contribution to productivity growth, Bangladesh lead its peers in agricultural productivity growth (81st percentile) as well as productivity growth in the services sector but lagged behind in industry's contribution to productivity growth (57th percentile).

Agriculture, industry and services sectors' output grew by 4.3%, 8.6% (manufacturing by 9.1%), and 5.9%, respectively, between 2003 and 2016. Jobs in agriculture declined by 9.1 percentage points from 50.8% while jobs in industry and services grew by 6.7 (from 13.8%) and 2.4 (from 35.4%) percentage points respectively. This structural transformation explains a large part of productivity growth of labour – with gains coming mostly from the services sector.

Bangladesh fared better than (many of) its peers in terms of labour productivity growth but showed weakness in its labour force participation and employment rate. Also, productivity growth was exceptional in agriculture and services sectors while modest in industry. Productivity growth in the agriculture sector was likely a result of labour shifting away from agriculture. Despite performing well relative to peers, Bangladesh's productivity growth rate lagged behind the average for South Asia (5.5%), Vietnam (4.5%), and China (9.1%). Moreover, productivity growth of manufacturing (about 1.9%) was way below national productivity growth despite the fact that manufacturing contributed most to GDP growth over this period.

Bangladesh is urbanizing faster than its peers, but the population still largely resides in rural areas. With 28.4% population living in urban areas in 2011, Bangladesh stood in the 20th percentile globally. By 2015, Bangladesh surpassed India's urbanization rate, and by 2016, its urban share was 35.0%. Bangladesh's pace of urbanization continues to increase.

Job growth has slowed down considerably in recent years. Between 2003-10, employment growth was 3.1% annually, which exceeded the growth of the working-age population (2.5%). From 2010-16, employment growth was just 1.8%, while growth of the working-age population was 1.9%. This resulted in declining labour force participation (LFP) and higher unemployment. Many factors contribute to this decline, including the fact that labour productivity was increasing while aggregate demand was largely unchanged. It also appears that increasing buyer power in the international markets as well as competition among suppliers help to explain slower job growth in the RMG sector.

Demographic changes in next few decades will come with opportunity as well as pressure. The working age population, currently at 63%, will rise to about 70% by 2030. Without robust jobs growth over the next couple of decades, this demographic transition can put increased pressure on the labour market in the form of unemployment or wage reduction.

Between 2003-2016, there were positive trends in LFP, although recent years were less impressive. LFP increased from 58.6% to 60.5%, with a sharp increase in women's LFP from 27.5% in 2003 to 37% in 2010 and subsequently 37.5% in 2016. The slowdown in later years appears to be driven by urban working age women. The share of formal employment among wage employees also went up from 32.6% in 2006 to 34.6% in 2016, suggesting a modest improvement in quality of jobs. This improvement was driven by men, whereas job quality measures for women show inconclusive trends. While men seem to have transitioned from agriculture to industry and services in the urban areas, unpaid work and day labour remain common for men. Women, in contrast, drive the high prevalence of unpaid work in rural areas. 39% of women work unpaid jobs compared to 5% of men.

Female labour is largely untapped in Bangladesh and falls below the lower middle income country (LMIC) average. 40% of Bangladesh's working age population remained out of the labour force in 2016, which is largely driven by women who are neither in school nor in employment. Female labour is therefore a largely underutilized resource. Female LFP does not respond monotonically to educational attainment: The least- and most-educated women, respectively, constitute the majority of women in the labour force. This non-monotonicity is stark in urban areas, where LFP drops for women with midlevel educations.

Early marriages, unequal allocation of household responsibilities, mobility restrictions, and social and cultural norms play important roles in the low employment figures for women. On average, Bangladeshi women got married at a younger age (19.3 years) than their peers in 2013 – even below India (20.7 years), Indonesia (21.8 years), Vietnam (22.3 years) and Pakistan (23.1 years). The majority of unemployed women cite household responsibilities as a major reason for being out of the labour force. Women also bear the responsibility for household management. On average, women spent 26 hours on household chores per week compared to 8 hours per week for men. This shows up in disparities in weekly working hours between men (54 hours) and women (33.3 hours). These asymmetries in time use exist in equal magnitude even for urban women, making it very difficult for them to take up jobs. Most rural women also end up working at home or nearby, likely as a result of social norms. The rates are slightly better for urban women.

Demand-side factors also affect female LFP. Some employers report having to provide separate workplaces for men and women, which significantly increases costs, and difficulties with gender dynamics in the workplace. Additionally, since the RMG sector in urban areas created employment opportunities for women in the past, the recent slowdown in job growth in this sector may be responsible for the slowdown in female employment.

Youth seem to be bearing the brunt of recent slowdown in jobs growth. This is alarming because Bangladesh seems to be missing out on the demographic dividend from a young population. Youth unemployment is highest for youth with education higher than postsecondary. As of 2016, about 13% (30%) of postsecondary educated male (female) youth were unemployed. These youth may have a high reservation wage and be unable to find work due to the slowdown in job growth.

An additional challenge in transitioning from school to work seems to be lack of employable skills. Only 2% of the overall workforce and youth received any kind of training in the past 12 months. Access to skill development was particularly limited for individuals from poorer household, fresh out of school youth, and less-educated workers. Policy response in providing technical and vocational training has been limited. Common policy responses for tackling youth unemployment, such as wage subsidies to foster demand for youth labour, internships, mentoring/counselling, job search assistance, and efforts towards alleviation of other labour market frictions, have been largely absent in Bangladesh.

Employment shares in agriculture have declined while employment in the industry and services sectors has increased. These trends are clearer for men but are not so for women. There has also been a steady rise in wage employment and non-agricultural self-employment and a decline in day labour and unpaid work – suggesting modest improvements in job quality. Remarkably, the share of male labour force in the self-employed category has remained stable and shows that decline in self-employed workers in agriculture was accompanied by an increase in self-employed workers in the non-agriculture sector. Moreover, data shows that a majority of well-educated persons work as wage employees whereas self-employed workers in the non-agricultural sectors do not necessarily have a strong skillset.

65% of Bangladeshi workers are employed by household enterprises and microenterprises (firms with fewer than 10 employees); this is substantially higher than in many of Bangladesh's peer countries. While it is common for microenterprises to dominate the firm landscape in developing countries, in Bangladesh, there is a troubling trend that while microenterprises are increasing their contribution to employment, firms in the next several size categories, from 10-499 employees, are decreasing their contribution or are unchanged. This suggests that there may be barriers to small firms' expansion. Further, the share of young establishments on the whole and among microenterprises is falling in Bangladesh. The trends suggest that there may be barriers to entry, that

firms are failing to exit, or both. They are also consistent with many Bangladeshis engaging in microenterprises as a livelihoods strategy in the absence of quality employment opportunities.

There is a substantial amount of internal migration from rural to urban and peri-urban areas, in particular to Dhaka, and to a lesser extent, to Chittagong. In the span of 5 years, about 5 million Bangladeshis changed their upazila of residence. This is because most wage employment opportunities are found in urban and peri-urban areas, and most job growth is being driven by them. On average, rural-to-urban migrants are more educated and tend to be located closer to urban areas.

Earnings have gone up across most sectors in Bangladesh, although there is significant heterogeneity. Improvements in educational outcomes seem to be persistent and robust. Educational attainment across sex has also converged significantly in recent years. Access to schooling has been levelled across regions, especially at the primary schooling levels, although there are gaps at the post-secondary level. Wage gaps among older and younger workers have been converging, perhaps as a result of better access to education. In 2003, older adults earned 53% higher incomes compared to youth; this gap fell to 26% in 2016. This narrowing of wage gap is not seen among women, however, despite significant improvements in their educational attainment. This may partly be due to increased female LFP. Finally, returns to education seem to be declining, perhaps because of an increased supply of educated workers in the market, eroding the previous premium for educational achievement.

Earnings increase with formality, and productivity is higher in the formal sector than the informal sector. Following the 2013 Rana Plaza collapse, the government amended its Labour Act, aiming to strengthen workers' well-being and bargaining power. It also increased the minimum wage in the RMG sector by about 80%. Between 2010-2016, monthly wages increased by about 40% in the garment sector and about 25% in other manufacturing sectors. Despite these increases, however, workers' compensation in the RMG sector remains significantly below Bangladesh's international peers.

While overall international migration has been fluctuating over the years, it is large in absolute numbers (close to 500,000 each year) and has seen a sharp increase for women. About 0.7% of Bangladesh's female workforce migrated in 2016. This started off with large outmigration to Saudi Arabia around 2005 but has grown since then in terms of size as well as variety of destinations. Trends in outmigration of female workers is striking given the social norms that restrict labour force participation at home.

Outmigrants usually take up unskilled occupations in destination markets. Male workers end up working in the construction sector whereas women find jobs as domestic workers and garment manufacturing. Most male migrants are young and less educated.

The increase in outmigration is likely driven by poorer job prospects in a slowing economy as well as sizeable potential earnings in overseas markets. Using per capita GDP as a measure along with surveys of international migrant workers, the earning potential in foreign markets seems to be orders of magnitude larger – about 5-6 times. Demand for low skilled workers has been on a rise in the Gulf region and projects show robust upward trends in years to come. Bangladesh's government has also signed bilateral agreements with other countries that promote employment for Bangladeshi migrants. Overall, though, outmigration remains a challenging channel for job and income growth. Some of the reasons for this are low skill, labour market frictions, liquidity constraints as well as risks.

Overseas migrant networks are important in enabling migration. Interestingly, division of origin is a stronger predictor of destination country than individual characteristics like age and education. About 70% of international migrants from Bangladesh come from either Dhaka or Chittagong. Outmigration is usually temporary, about 55% outmigrants return within 2-5 years.

Bangladesh receives high amounts in remittances from outmigrants. In 2015, it received USD 15 billion, compared to incoming FDI and foreign aid of USD 3.4 billion (2015) and USD 2.4 billion (2014), respectively. Evidently, remittances are a promising avenue for poverty reduction. Currently, these remittances are used for meeting current demands like consumption, loan repayment and investments in housing. However, there is low utilization of remittances towards business activities which are more likely to bring people out of poverty permanently.

[Evidence on global warming](#)

While no comprehensive study of the current and potential future impacts of global warming on Bangladesh's labour market exists (to the authors' knowledge), it is established that Bangladesh is particularly vulnerable to climate risks. Geographically, Bangladesh is a low-lying country with two-thirds of its land below 5 meters above the sea level and three large rivers. A combination of being agriculturally intensive, combined with extreme climate variability, including heavy unpredictable rains as well as winter droughts, also puts Bangladesh's population at significant risk from changing climate (World Bank, 2012).

[Key findings on COVID-19's Impacts on Bangladesh's Labour Market](#)

Since labour income has been the driver of economic well-being in Bangladesh – comprising more than 80% of total household income for the poorest 40% (WB Losing livelihoods), it is important to learn about the impact of the pandemic on the labour market.

In the early stages of the pandemic, workers experienced a dramatic drop in incomes, with an average drop of larger than 75% for those employed outside of agriculture (Bandiera et al., 2021). Most incomes seemed to recover by June, with average drop being half as severe (but still significant compared to pre-COVID-19 data from February). Recovery was very heterogenous, though, with much more severe impacts for business owners and casual workers in urban areas compared to salaried workers while the rural sector, which was largely unaffected.

Turning to jobs, income from the pre-COVID-19 period as well as wealth were associated with survival of businesses and salaried jobs (Bandiera et al., 2021). This may imply that the pandemic favored those with larger wealth but not necessarily the best talent. This reallocation, combined with the potential for poverty traps (Balboni et al., 2021), may mean that talented business owners who lacked wealth may find it difficult to restart businesses. Among people who stopped working after March 25, about 68% in Dhaka and Chittagong faced job losses while 32% claimed to be on temporary absence, although it is unlikely that all workers who claimed to be on temporary leave will be able to return to their jobs. The data from Cox's Bazar district shows similar trends. Finally, job losses for slum dwellers were larger than for non-slum dwellers. (Losing Livelihoods, World Bank 2020)

Women were differentially affected due to the nature of their work. Women in Bangladesh are predominantly employed in the urban low skill sector, the RMG sector, and as domestic workers. In Dhaka and Chittagong, only 1 in 5 men who stopped active work exited the labour force, the corresponding figure for women was 1 in 3 (Losing Livelihoods, World Bank 2020). Given that LFP for women was already low, this setback may further thwart progress towards bringing women into the labour force.

The World Bank projects that a significant number of people in Bangladesh may fall back into poverty due to COVID-19. Using macro-simulations, it projects that the poverty rate will increase from 23% pre-COVID-19 to 31% in a moderate scenario and to 35% in a severe scenario. These effects will likely be driven by the urban poor, whose livelihoods depend on the activities most severely affected

by the pandemic. In 2016, 67% of urban workers were engaged in activities impacted by COVID-19, compared to 40% of rural workers.

4. Opportunities for Bangladesh's labour market to further support economic development and equity

Having grounded our discussion in evidence on trends in Bangladesh's labour market, in this section, we discuss potential opportunities for Bangladesh's labour market to further support economic development and equity across its population. We note that we do not discuss productivity upgrading in the agricultural sector, which also presents an important pathway for improving livelihoods in Bangladesh but falls outside the scope of this review.

We take a broad view of the types of approaches that are available to policymakers in Bangladesh; we first consider passive approaches, such as ensuring a sound regulatory framework and investing in infrastructure, that provide the foundations of a vibrant labour market. We also consider that there may be frictions in Bangladesh's labour and capital markets, and other constraints faced by workers and firms, that more active policymaking may help to address. That said, we do not identify nor aim to offer any silver bullets. Instead, we aim to take a practical focus on areas where the evidence suggests that improvements may be conducive to better labour market outcomes for Bangladeshis. We recommend directions for future research on these areas. Finally, when considering adoption of new policies or programs, we recommend that the government pilot interventions, ideally using randomized experiments, and use gradual scale-ups, especially when evidence of the potential impacts is thin.

1. The fundamentals: Improve the business environment and infrastructure

Bangladesh performs poorly on nearly all measures of the business regulatory environment. Overall, it ranks 168 out of 190 on the World Bank's Doing Business indicators. It performs especially poorly in areas such as enforcing contracts (189 of 190), registering a property (184 of 190), getting electricity (176 of 190), trading across borders (176 of 190), and resolving insolvency (154 of 190) among others. Given Bangladesh's relatively very low starting point, the potential economic gains, including in terms of increasing demand for Bangladesh's large pool of underutilized labour, from improving its business environment are likely substantial.

How does a poor business regulatory environment translate into fewer and worse quality jobs for Bangladeshis? Having a poor regulatory environment makes it difficult for firms to conduct many different types of transactions and distorts their production decisions. This means that there are fewer firms and that the firms that do exist grow less than they otherwise would. A recent study on contract enforcement in India, for example, finds that slow and congested courts distorts how firms source inputs and organize production; the authors estimate that reducing court congestion to the level of the least congested Indian state would increase states' productivity between 4-8% (Boehm and Oberfield, 2020).

More broadly, weak contract enforcement constrains the *types* of products that Bangladesh can produce; this is because many products require firms to make investments that are *relationship-specific*, or most valuable in a trading relationship with a specific other firm. These types of

investments are risky when contracts cannot be enforced (Nunn, 2007). As such, countries with weak enforcement are unlikely to be competitive in these industries (which include many manufacturing industries, such as electronic equipment, computers, and automobiles). Two other studies find that increasing judicial capacity, which reduces the amount of time required to resolve bankruptcy cases, improves firms' access to finance and increases their growth, including in employment (Ponticelli and Alencar, 2016; Rao, 2019).

Given this evidence, for Bangladesh, increasing the judiciary's capacity and more broadly strengthening contract enforcement would likely provide benefits that are many times larger than the costs. Doing so would also improve Bangladesh's performance in terms of resolving insolvency, which takes twice as long as in Bangladesh's South Asian neighbors, largely due to court delays. The potential benefits include increasing firms' establishment and growth and encouraging industrial diversification. By doing so, Bangladesh would also increase firms' demand for labour. As registering a property in Bangladesh takes approximately 2.5 times as long as in its neighboring countries in South Asia, one may speculate that increasing capacity in the offices that pose the largest bottlenecks for land registration may also provide substantial benefits. These would be valuable directions for future research in Bangladesh.

Beyond contract enforcement, Bangladesh performs poorly in terms of getting electricity, which reflects its broader underperformance in physical infrastructure. Electricity in Bangladesh is dramatically more expensive and less reliable compared to its South Asian neighbors. Evidence from India shows that firms respond to high electricity prices by switching into industries with fewer productivity-enhancing opportunities (Abeberese, 2017). While in principle, this may increase their reliance on labour, in the longer-term, it likely means that the overall economic pie is smaller, translating into fewer opportunities for workers. Other research on electricity and firm performance has found that electricity shortages reduce investment (Reinnikka and Svensson, 2002), that lack of access to electricity constrains the growth of manufacturing sectors (Rud, 2012), and that it distorts the plant size distribution due to economies of scope in generators (Alcott et al, 2016). In short, the evidence underscores that poor access to and high costs of electricity constrain firms' growth.

Underinvestment in and lack of maintenance of physical infrastructure also reduces Bangladeshis' economic opportunities and contributes to higher trade costs, both within Bangladesh and across its borders. While a complete discussion of this issue is beyond the scope of this paper, the G20's Infrastructure Outlook estimates that Bangladesh requires 43% more investment in infrastructure to match the growth performance of its best performing peers. More concerningly, Bangladesh's rapid urbanization, the rate of which is expected to remain high, has been heavily concentrated in Dhaka and Chittagong. Consequently, these cities suffer from severe congestion, pushing firms to locate outside of the urban area. But despite this pressure, secondary cities are not growing, possibly due to the lack of infrastructure (World Bank, 2017). This does not necessarily mean that policies that subsidize the development of smaller cities would have overall positive impacts on Bangladesh's economy because more productive firms may prefer to locate in dense areas and may benefit from agglomeration effects (Gaubert, 2018).¹ Given Dhaka's ranking as one of the top five most densely populated cities in the world, though, more research on the potential for place-based policies and infrastructure to spur the growth of Bangladesh's secondary cities is needed.

How do infrastructure investments translate into jobs? In a direct sense, investment in transportation infrastructure facilitates access to them. Evidence from India, for example, shows that investment in

¹ By agglomeration effects, we mean benefits of having many firms located nearby to each other such as knowledge spillovers across firms, access to high skilled workers, thick labour markets, etc.

rural roads pushes workers from the agricultural sector into wage employment, likely through facilitating access to jobs outside of their villages (Asher and Novosad, 2020). Less directly, improving internal connectivity increases market access and reduces trade costs, both domestic trade and international trade (Donaldson, 2018). Reducing these costs may increase incentives to invest in firms (and in agriculture), and subsequently, economic growth.

Research directions in Bangladesh

- Effects of increasing the judiciary's capacity and more broadly strengthening contract enforcement on businesses' establishment, access to finance, growth, employment, product mixes, and other outcomes.
- Effects of increasing efficiency of land registration processes on businesses' establishment, growth, employment, and other outcomes.
- Potential for place-based policies and infrastructure to spur the growth of Bangladesh's secondary cities and the aggregate effects of such policies.

What roles should key government departments/agencies play?

The pace of job creation would partially hinge on reforms to the regulatory environment that would alleviate distortions in firms' decision making, facilitating their growth and the addition of more jobs to the economy.

Leading private sector associations in Bangladesh have emphasized the need for reforms to improve the litigation system, particularly the introduction of specialized commercial court and expanding the alternative dispute resolution framework. The Government of India has enacted similar reforms; through the Commercial Courts Act, 2015, it initiated efforts to overhaul the commercial dispute resolution procedures. Directed at improving the ease of doing business in and with India, the government embarked on a reform process to improve investor confidence and to reduce delays. The reforms entailed separating the commercial disputes from the civil disputes and prescribing a timeline for their resolution. In Bangladesh, the recently formed Bangladesh Investment Development Authority (BIDA) and the Ministry of Law should prioritize these types of reforms.²

BIDA is the principal private investment promotion and facilitation agency of Bangladesh and is also well placed to address bottlenecks in investment and ease of doing business through reforms and regulatory changes. It aims to provide investment facilitation and policy advocacy support but appears to have a higher priority toward attracting foreign investment. A recent World Bank report commented that policy support for foreign direct investment (FDI) should include strengthening the contract enforcement framework to minimize uncertainty for foreign investors; reforms could include the Companies Act, foreign exchange regulations, and investment protection laws (Gu et al., 2021).

The strategic objectives of BIDA can benefit from knowledge partnership with leading academic and research institutes. Assessments of the investment climate indicate that BIDA may eventually wish to reform difficult, entrenched privileges. For example, consultation with BIDA revealed that it is supportive of reforms in corporate taxation. However, it has been difficult to make progress on this agenda with National Board of Revenue (NBR) and Ministry of Finance (MoF) due to the fiscal implications in the medium term. BIDA's ability to conduct intergovernmental policy reform advocacy

² BIDA was established under the Bangladesh Investment Development Authority (BIDA) Act 2016.

may be more effective if it builds its capacity to conduct rigorous diagnostics and to assess the winners and losers from such reforms.

In addition to BIDA, there are three other investment promotion agencies in Bangladesh – the Bangladesh Export Processing Zone Authority (BEPZA), Bangladesh Economic Zones Authority (BEZA), and Bangladesh Hi-Tech Park Authority (BHTPA). The government should review the current set up of public investment promotion agencies with a view to harmonize operational guidelines to avoid duplication and wasteful competition. Reforms towards development of coherent joint visions and policies would bring synergies, capacity transfers, and possible merger of agencies if necessary.

2. Facilitate trade and proceed with caution to develop Special Economic Zones (SEZs)

Bangladesh's exports are heavily concentrated in the apparel sector, and diversification of exports is considered to be a key next step in the country's trade-based growth. High trade barriers and poor performance on physical infrastructure and logistics contribute to this dynamic; a recent report on connectivity and logistics finds that Bangladesh underperforms compared to other coastal countries in Asia on the World Bank's Logistics Performance Index (Dappe et al., 2020).

Another recent report by the World Bank proposes a series of policy actions for Bangladesh to reduce trade barriers and to improve performance on logistics (Kathuria and Malouche, 2016). Among other recommendations, the report emphasizes improving trade logistics, reducing delivery lags; and leveling the playing field across sectors in terms of Bangladesh's trade policy, taxation, and bonded warehouse schemes.

How might these and related policies to improve Bangladesh's performance on trade, and in particular, on exporting, affect its workforce? There is evidence from Mexico that increasing participation in exporting leads high-capacity firms to upgrade their product quality, which increases their demand for skilled labour; one consequence of this effect is that within-sector wage inequality increases (Verhoogen, 2008). That said, this and other studies largely focus on wage inequality in the *formal* sector, despite the important role of the *informal* sector in many developing countries. Recent research on trade liberalization in Brazil finds that this effect is reversed when the informal sector is included in the analysis; in other words, trade liberalization reduces overall wage inequality in the labour market (Dix-Carnerio et al., 2021). This presents a more optimistic scenario for Bangladesh, given that more than 80% of its workers are employed in the informal sector. Beyond wages, Dix-Carnerio et al. (2021) find aggregate welfare gains from trade liberalization, although it's important to emphasize these gains do not directly follow. Evidence from other countries suggests that barriers to workers' ability to adjust to increased openness, through internal migration or changing sectors, erode the benefits from trade liberalization and may even reverse them (see Atkin and Khandelwal (2020) for a discussion).

In short, reducing barriers to Bangladesh's participation in global trade has the potential to create high quality job opportunities and to raise wages for Bangladesh's workers, but whether these gains are realized importantly depend on Bangladesh's existing labour market policies and dynamics. This is an important area for research in Bangladesh; there are many potential directions, including understanding how liberalization, especially leveling the playing field across sectors, affects distortions in the labour market, understanding how trade liberalization affects workers in the informal sector, and how it affects working conditions and compliance with labour regulations, among others. In order to pursue these questions, researchers will require access to disaggregated customs data on trade flows and will also need to generate the necessary firm- and worker-level datasets.

The Government of Bangladesh (GoB) has prioritized the development of SEZs to spur the country's economic growth, to create jobs, and to reduce economic disparities across regions; it is currently working toward a goal of establishing 100 SEZs across the country by 2030. The GoB is not alone in developing SEZs with the goal of spurring economic growth, following on their success in China (Wang, 2013; Alder et al., 2016), they have become an increasingly popular policy instrument in developing countries (Alexianu et al., 2019). Despite their popularity, there is not overwhelming evidence of their success in other countries (ibid, Farole and Moberg, 2014) and there is a dearth of rigorous studies on their effects. Experts in industrial development urge caution, rigorous monitoring and evaluation (M&E), and particular consideration of SEZs when economic distortions cannot be addressed through country-wide reforms (Alexianu et al., 2019).

In light of the lack of access to land, infrastructure shortages, and weak enforcement environment in Bangladesh, it may indeed be a good candidate for the development of SEZs. In order to achieve the governments' economic goals for SEZs, however, it should follow the latest guidance on SEZ policy (ibid; Khandelwal and Teachout, 2016) and should pursue rigorous M&E partnerships as it develops SEZs. There is a valuable opportunity to conduct research on how Bangladesh's SEZs both directly and indirectly affect local and regional labour markets. By indirect effects of SEZs, we are referring to the potential for SEZs to have spillovers on economic activity that impacts the labour market. Research conducted in collaboration with the government could examine how SEZ policy can be crafted to maximize positive spillovers on job availability and quality. While research on SEZs' potential impacts on labour markets and on workers would have substantial academic and policy value, researchers face many challenges related to lack of data availability; in this sense, partnerships with BEPZA, BEZA, and/or BHTPA and original data collection may be necessary.

Research directions in Bangladesh

- Effects of reducing barriers to participation in global trade on the labour market, in particular understanding how liberalization, especially levelling the playing field across sectors, affects distortions in the labour market, understanding how trade liberalization affects workers in the informal sector, and how it affects working conditions and compliance with labour regulations, among others.
- Direct and indirect effects of SEZs on local and regional labour markets.
- Effects of special SEZs for small and medium enterprises (SMEs) on SMEs outcomes and characteristics of SMEs that benefit most from SEZs for SMEs.
- How SEZ policy can be crafted to maximize positive spillovers on job availability and quality.

What roles should key government departments/agencies play?

There is evidence to suggest that the industrial and trade policy environment overemphasizes support for the RMG sector, creating an unlevel playing field that crowds out investment in other sectors (Davies and Butterworth, 2015). Several areas for immediate reforms in trade policy have been identified in the World Bank diagnostic study mentioned above (Kathuria and Malouche, 2016). For a more balanced trade policy, taxation, and bonded warehouse schemes, NBR is the key government agency to initiate reforms. In addition, the MoF, Ministry of Commerce (MoC), Ministry of Industry (MoI) are some of the key government agencies who can initiate reforms to remove some of the distortionary fiscal incentives for industrial growth.

The Dappe et al. (2020) report discusses that there is no national logistics strategy or master plan in place to improve transport and logistics capacity. The Bangladesh Competition Commission can play an important role for developing a system-wide approach to increase logistics efficiency. It can also facilitate coordination among key agencies like the Ministry of Railways, Ministry of Shipping, Ministry of Road Transport and Bridges, and NBR to improve the capacity and management of infrastructure and integration of logistics services and improve connectivity with regional trade corridors.

A key policy document in this regard is the upcoming 'National Industrial Policy 2021,' which will provide strategic objectives for the next five years. A time-bound action plan for reforms in trade policy and improvements in trade logistics will likely further boost trade-based growth.

3. Support high potential micro and small enterprises

Bangladesh is home to a large number of microenterprises, many of which are not growth-oriented. That said, the stagnation and decline in the contribution of somewhat larger firms to employment growth suggests that even potentially growth-oriented firms are struggling to grow. The WB Jobs Diagnostic (2017) points to a few potential factors: Investment climate constraints raising production and transaction costs; lack of access to finance preventing investment; and lack of access to information or management capacity. We have already discussed the first constraint in the "fundamentals" section above; in this section, we discuss the second and the third. We also discuss the challenge of identifying high growth-potential, constrained firms that are the intended targets of these interventions. Finally, we discuss formalization.

Capital constraints & lack of access to information or management capacity

Beginning with lack of access to finance, a large literature in economics establishes that SMEs in developing countries are capital constrained (see Jayachandran (2020) for a review). This finding suggests that organizations that provide microcredit, such as the well-known Grameen Bank, might play an important role in providing microentrepreneurs with access to loans that allow them to grow their businesses. A related, large academic literature on this possibility, however, documents that increasing access to microcredit, on average, does not have transformative effects on firms' growth, and in many settings, is negligible (Meager, 2019). Further, while there is suggestive evidence that the treatment effects may be larger for microentrepreneurs with characteristics such as previous experience running a business, they are not dramatically larger in many settings that have been studied (ibid). There are some areas of ongoing research for understanding why microcredit may not deliver the hoped-for impacts, including research into the design of the loan products and into how to identify credit-constrained, high growth-potential microentrepreneurs.

Turning to lack of access to information or management capacity, microentrepreneurs in developing countries typically do not have formal managerial education and may not even be aware that "modern" managerial practices exist. Accordingly, researchers have investigated the potential for business training and more intensive managerial consulting services to improve microentrepreneurs' management practices and their business performance. While the evidence on business training is mixed (McKenzie and Woodruff, 2014), a recent study by McKenzie and Peurto (2021) suggests a more positive picture: The authors randomly assign women microentrepreneurs in Kenya to business training and find that, three years later, those who received training were more likely to be operational, had higher sales and profits, and reported better wellbeing. Importantly, they found no evidence of adverse effects on these business owners' competitors; in other words, the business training increased the overall market size instead of shifting business from untrained to trained

microentrepreneurs. In addition, the type of training matters: Researchers have found positive effects for psychology-based personal initiative training (Campos et al., 2017), training that involves peer mentors and networks (Lafortune, Riutort, and Tessada, 2018; Cai and Szeidl, 2018), and training that targets specific business skills, such as specialized marketing and bidding on complex tenders (Anderson, Chandy, and Zia, 2018; de Rochambeau et al., 2021). Some key takeaways from this literature are that training is not one-size-fits-all, its effects are often positive but small, and these effects may take time to manifest.

In terms of managerial consulting, Bruhn et al. (2018) document positive effects on micro-, small-, and medium-sized firms' productivity, profitability, and number of employees. High-quality management consulting is very expensive, though, making it difficult to scale up. McKenzie, Iacovone and Maloney (forthcoming) provide promising evidence in this regard: They show that the effects of group-based management consulting, which is about one-third of the cost of individual consulting, are the same or larger. While promising, the authors are limited in their ability to identify the mechanism(s) through which group consulting delivers similar results to individual-level consulting. This is an important direction for future research.

Targeting

Evidently, effective interventions to alleviate microentrepreneurs' capital and managerial capacity constraints exist. That said, in order to have the greatest impacts on firms' growth (including in employment), especially for capital, they need to be targeted to those firms that have the largest returns to these interventions. In practice, it has proved difficult to find ways to identify these "constrained gazelles" (Grimm et al., 2012). Hussam et al (2018) use very local, community-held information on microentrepreneurs' marginal returns to capital to successfully identify them. McKenzie (2017) uses a large-scale business plan competition in Nigeria to successfully identify them. These studies' key lesson for Bangladesh is that interventions that aim to provide resources to microentrepreneurs with the goal of helping them to grow should carefully consider approaches to target them to firms that have the potential to grow, but that are constrained. More research is needed on more approaches to do this.

Formalization

The vast majority of firms in Bangladesh operate informally. The GoB has expressed a strong interest in formalizing firms in order to increase their productivity, to bring them under tax and regulatory regimes, and to ensure that they can be reached by government support programs during times of crisis. This final objective emerged during the COVID-19 crisis, when it was difficult for the government to get support to unregistered businesses and to their employees.

What do we know about why firms remain informal and whether encouraging them to formalize improves their performance? For "micro" firms, those with fewer than 5 employees, Jayachandran (2020) reviews the academic research. Several studies have tested the effects of providing firms with help to formalize or information about the benefits of formalization. On the whole, these studies find that providing information alone is not enough to encourage firms to formalize for the longer-term. Providing assistance to firms to formalize is more effective, although in some cases, providing stronger incentives, such as cash grants, in return for registration is found to be required (de Mel et al., 2013). There is ample evidence on which approaches to encourage formalization are more effective (see Jayachandran, 2020).

Turning to the potential benefits of formalization in terms of firms' business performance, on the whole, the evidence is not compelling. Most experimental studies find no impacts of formalization on

firm profits (Jayachandran, 2020). In short, the evidence suggests that informality is often not the most binding constraint that firms face, at least for most very small firms. This may be the case for Bangladesh, where the weak institutional environment may erode many benefits of being formal, such as access to enforceable contracts.

In Bangladesh, the government's policy toward firms' formalization should reflect its priorities in terms of encouraging firms' growth, raising tax revenue, and protecting workers. Research could support the government in crafting these policies by shedding light on what types of firms benefit from formalization and the mechanisms through which they do (e.g., improvements in their supply chains, better market access, ability to attract and to retain higher ability workers, etc.).

Research directions in Bangladesh

- Underlying reasons for microcredit products' failure to deliver transformative growth for MSMEs and how to design loan products for MSMEs to deliver greater growth.
- Efficacy of training and consulting programs for MSMEs in Bangladesh, and potential for innovations in their delivery (e.g., through group-based approaches) to improve these interventions' benefit-cost ratios and effects on MSMEs' growth.
- Approaches to identifying MSMEs that have the potential to grow, but that are constrained.
- Approaches to identifying SMEs that may benefit from formalization and the mechanisms through which they do so.

What roles should key government departments/agencies play?

The recently developed 'SME Policy 2019' is aimed at conducive environment for SME development and acknowledges SMEs to be a job-intensive segment of the economy. It outlines a 'Time Bound Action Plan' to deliver ten strategic goals that aim to improve the business environment and to improve coordination and institutional support by bringing relevant ministries, government organisations, and trade bodies under a single platform to provide financial and business support services. The SME strategy will continue to focus on improving access to finance and markets, to technology and innovation, to education and training, to business support services, and to information.

The MoI bears the overall responsibility of monitoring the implementation of the SME Policy 2019. The implementation of the strategic goals and the action plans described in the SME Policy 2019 will be led by the BSCIC and the SME Foundation. The action plan will require coordination across several government agencies. The main stakeholders are BIDA, BEZA, Investment Promotion Agency (IPA), Bangladesh Industrial Technical Assistance Centre (BITAC), Bangladesh Council of Scientific and Industrial Research (BCSIR), National Productivity Organization (NPO), and Bangladesh Institute of Management (BIM). The government also plans to collaborate with different non-government organizations, associations, and chambers related to SME development.

Additionally, the MoI will establish a SME data bank. This bank will work as a research and data centre and will be associated with the main stakeholders. The MoI will also coordinate activities of all SME-related organizations.

In the past, one key support provided for SMEs by the government is easing of access to credit. Some SME credit initiatives have also included emphasis on boosting job creation, supporting women's

entrepreneurship, etc. SME growth initiatives of the central bank and other agencies have had mixed success, however, and more research in this area will be helpful to Bangladesh Bank, SME Foundation and other key stakeholders.

Bangladesh Bank will continue to be the key regulator authority for designing supportive credit facilities for the SME sector. During the COVID-19 pandemic, the policy approach has been on cluster-based development in the SME sector, which involves low interest credit facilities for poor farmers, recently repatriated overseas workers, and skilled but unemployed youths in rural areas. The goals are to enable them to take up self-employment ventures in sectors like agricultural production, agro-based services, cottage industries, etc. These facilities have been provided by both specialized banks and regular commercial banks.

Consultations with Bangladesh Bank indicate that development of medium to long term financing market for SMEs especially for productive investments would require more accurate targeting of high potential yet credit constrained firms.

4. Upgrade labour productivity and job quality

While Bangladesh has performed well relative to peers in terms of growth in labour productivity, it lags behind LMICs and the South Asian regional average; further, in terms of the level of labour productivity, it is low relative to both LMICs and to the South Asian average. Finally, productivity performance of Bangladesh's manufacturing sector lags behind other sectors, which is concerning in terms of this sector's ability to drive labour demand and to raise job quality.

Bangladesh has much to gain, both in terms of its people's well-being and in terms of its position in global value chains, from increasing its workers' productivity. In order to ensure that these gains provide the greatest benefits to workers and their families, the government should pursue this goal from the perspective of promoting shared prosperity; in other words, the government should provide a level playing field for workers vis-à-vis employers and ensure that workers share in the gains from their increased productivity (Acemoglu, 2019).

In this section, we focus on the industrial and service sectors. We focus on approaches to increase productivity in the short- to medium-term. In the longer-term, upgrading the productivity of Bangladesh's labour force requires substantial improvements in Bangladesh's education system, which is beyond the scope of this paper. We note, though, that public investment in education as a share of GDP is 2.0% in Bangladesh, which lags far behind the LMIC average (3.8%) and the South Asian average (2.9%), suggesting considerable scope for increased public investment.

In the previous sections, we have discussed approaches to increase firms' growth, which has the potential to raise labour demand in the formal sector and to contribute to increasing labour productivity and job quality. In this section, we consider the potential for the government to support firms to increase their existing workforces' productivity. Academic research on firms' capabilities suggests a few related approaches: Improving firms' management practices, particularly in relation to

human resources and social compliance; skills training for workers; and addressing misallocation of workers within firms.³

Beginning with the first, while there is no systematic diagnosis of management practices among medium and large firms in Bangladesh, there is reason to believe that practices are poor. For example, the World Management Survey (WMS) initiative conducts representative surveys with manufacturing firms in countries across the income distribution. Apparel firms in 35 countries appear in the WMS data; Indian apparel firms, the closest peer group to Bangladeshi apparel firms, rank in the bottom 10 countries in terms of management practices. Further, in Bangladesh's apparel sector, fewer than 10% of supervisors have received any formal training (Macchiavello et al., 2015).

In the previous section, we discussed the evidence showing that modern management practices improve micro/small firms' productivity. This relationship also holds for large firms (Bloom et al, 2013; Bloom et al, 2018), which suggests that one approach to improve (labour) productivity in Bangladesh is to improve management practices among medium- and large-sized Bangladeshi producers. And yet, a recent field experiment that offered high-quality management training for supervisors to Bangladeshi apparel exporters found that they have very low demand for training, even when it is offered for free (Macchiavello et al., 2015). These findings suggest that research on providing Bangladeshi producers with evidence about the efficacy of management training, as well as on different modalities for delivering this evidence, may be informative about how to increase demand.

One mechanism through which better management practices increases labour productivity is reducing workers' vulnerability to negative shocks. This may be especially true in Bangladesh, where even many formal sector workers are relatively poor and are vulnerable to environmental and psychological issues. Evidence from India shows that garment workers are significantly less productive when temperatures exceed certain levels and when air pollution levels are high (Adhvaryu et al., forthcoming; Adhvaryu et al., 2021); in both cases, though, management can respond in ways that mitigate these adverse effects. In the first, by improving environmental conditions (e.g., installing LED lightbulbs), and in the second, by adjusting workers' allocation to tasks. In the aggregate, these adjustments may have important effects on labour productivity. Further, Kaur et al. (2021) provide causal evidence that financial concerns reduce the productivity of piece-rate manufacturing workers in India. Their evidence underscores how poor HR management, such as payment delays, not only adversely affect workers' financial stability, but also feed back into their productivity on the job.

Finally, better management practices can also improve workers' job quality. Distelhorst et al. (2017) study the apparel company Nike Inc.'s global supply chain. They examine Nike's roll out of a lean manufacturing training program to its suppliers and find that suppliers trained on lean manufacturing improve their management practices, which helps them to perform substantially better on social compliance audits, in particular those related to wage and working hours practices. Boudreau (2021) conducts a field experiment with 84 garment factories in Bangladesh that supply to members of the Alliance for Bangladesh Worker Safety, a coalition of multinational apparel buyers that formed in the aftermath of the Rana Plaza collapse. In collaboration with the Alliance, Boudreau randomizes factories' exposure to its enforcement program for worker-manager safety committees. She finds that the intervention significantly improves compliance and indicators of factory safety, in particular among factories with better managerial practices, with no evidence of adverse effects on labour productivity, wages, or employment. Together, this evidence suggests that management practices

³ By misallocation of workers, we mean that workers are not being assigned to jobs or to tasks in a way that enables the firm to achieve its best production potential. For example, a worker is employed as a machine operator even though they would be a more effective manager than the firm's worst performing manager.

matter for workers' job quality; improving managerial practices may be one way to spur job quality upgrades for Bangladeshi workers. This possibility merits additional research which types of management practices are most important to drive improvements in working conditions and the mechanisms through which management practices has these effects.

Turning to skills training for workers, we have already discussed skills training for youth and for the unemployed. In this section, we consider training for employed workers. Adhvaryu et al. (2019) randomly assign workers employed by a large Indian apparel manufacturer to an 80-hour "soft skills" training program.⁴ They find that the training has large, positive effects on workers' productivity and a large, positive net rate of return to the firm. Their research suggests that countries like India and Bangladesh, which have large numbers of young, low-skill women workers, may benefit from supporting soft skills training.

Finally, turning to the potential of misallocation of workers across positions, a recent study with large Bangladeshi apparel producers tested the potential for inefficient representation of women among line supervisor positions (Macchiavello et al., 2020). The authors find that factories could increase their productivity by promoting more women to these positions relative to men.

If improving management practices, training workers, and promoting more women improves productivity, wouldn't Bangladeshi firms already have adopted these practices? It is possible that the answer is yes. It is also possible, though, that firms face frictions that impede their adoption. In the study on promotion of women to supervisor positions, for example, factory managers found it more difficult to identify potentially successful women candidates, and learning was hampered by overly negative beliefs about women as supervisors, potentially due to broader gender norms (ibid). As such, and given the potential for positive spillovers to families and to society from increasing women's power and income, the authors suggest that temporary subsidies to overcome initial frictions associated with promoting women may be a promising policy tool.

Similarly, for training, employers may underinvest in training workers and managers on (soft) skills if they do not perceive high productivity returns or expect the training to increase employees' likelihood of leaving the firm due to improved alternative job opportunities. In the first case, there may be a role for policy to correct misperceptions, and in the second, to subsidize forms of skills training, such as soft skills and managerial training, whose benefits tend to spread beyond the firm undertaking the investment (Acemoglu, 2019). More research is needed on these possibilities in Bangladesh.

Another channel to improve labour productivity and job quality is continuing to develop trading relationships with and to encourage investment into Bangladesh by foreign corporations and by multinational corporations (MNCs). In terms of trading relationships, a growing body of literature establishes that entering into exporting relationships, or into trading relationships with MNCs that operate locally, can contribute to increasing workers' wages and/or to improving local firms' social compliance (Harrison and Scorse, 2010; Tanaka, forthcoming; Boudreau, 2021; Alfaro-Urena et al., 2021). That said, these types of trading partners are increasingly demanding that local governments uphold labour market institutions, such as minimum wages, collective bargaining rights, and health and safety regulations, that align with international standards. In Bangladesh, the largescale interventions of the Accord and Alliance initiatives following the Rana Plaza collapse demonstrate that MNC buyers are serious about upholding health and safety standards, or at least those standards that mitigate fire and building safety risks.

⁴ The "soft skills" training covered topics such as communication, problem solving and decision-making; and time and stress management.

More broadly, the question of how labour market institutions affect Bangladeshi workers' and firms' outcomes merits discussion. The goals of these institutions typically include protecting workers from employers' abuses, levelling the playing field in terms of bargaining power, and putting upward pressure on job quality. There is widespread agreement that some amount of protection for workers is required; the concern, though, is that more stringent labour market institutions may hinder firms' competitiveness, and on net, hurt workers. What evidence do we have of the extent to which this is the case in developing countries? Unfortunately, too little. There is evidence that having more labour regulation on the books is *correlated* with reduced firm competitiveness and worse outcomes for workers, but this evidence is not causal and could be driven by other factors (Botero et al., 2004; Besley and Burgess, 2004).

Amirapu and Gechter (2020) study a suite of labour regulations in India, including workplace safety regulations, social security taxes, and business registration requirements. They find that these regulations significantly increase costs for small firms, but that the increase appears to be driven by corruption by regulators (i.e., extortion of firm owners). Turning to evidence from Bangladesh, Boudreau (2021) finds that the Alliance's enforcement of the safety committee mandate increased factories' compliance with no evidence of adverse effects on labour productivity, employment, or wages. In sum, while it is plausible that very stringent labour standards would have net negative effects for workers and firms, this is not a rationale for providing workers with few legal protections. Further, the evidence suggests that the integrity of the enforcement system itself is a key determinant of regulations' costs for firms. This underscores the importance of ongoing efforts in Bangladesh to strengthen the Department of Inspection for Factories and Establishments (DIFE) and other agencies with oversight responsibilities. More research is needed at the industry-level in Bangladesh on how increasing labour standards, in particular through buyer-driven initiatives such as the Accord and the Alliance, affects equilibrium market structure, prices, and mark-ups.

In terms of job quality, there may also be frictions in Bangladesh's labour market that contribute to keeping working conditions inefficiently low. Boudreau, Heath, and McCormick (2021) study workers' employment trajectories in the garment sector. They show that workers who migrated to Dhaka, compared to workers born in Dhaka ("locals"), begin their careers in factories that pay higher wages but that provide worse working conditions. Over the course of their careers, however, migrant workers are more likely to leave their jobs compared to locals, and they differentially move to factories that provide better working conditions. The authors propose that migrants' having poor information about working conditions may contribute to this dynamic: Migrants arrive in Dhaka with little information about factories' working conditions, choose the factory paying the highest wages, and then leave the factory when they learn that working conditions are bad relative to other factories nearby. This dynamic increases turnover rates and decreases job quality in the sector.

Consistent with these findings, Shrestha (2016) and Shrestha and Yang (2019) find that international migrants are uninformed about the working conditions in a sector when they begin work. In sum, especially when workers are recent migrants, they may have poor information about job attributes that are difficult to observe, such as working conditions, which leads to their being employed in poor quality factories. More research is needed on potential approaches to resolve this type of information friction and how doing so impacts job quality in Bangladeshi factories and other workplaces.

Research directions in Bangladesh

- Systematic measurement of adoption of modern management practices by firms (both MSMEs and large firms).
- Systematic measurement of firms' perceptions of the returns to adoption of modern management practices and of employee training programs. For employee training programs, perceived and actual impacts on employees' productivity and retention.
- Effects of policies to correct misperceptions and/or to subsidize forms of training, such as soft skills and managerial training, on firms' take-up of training.
- Effects of increasing labour standards, in particular through buyer-driven initiatives, on equilibrium market structures, prices, and mark-ups.
- How frictions in the labour market may affect equilibrium wages and working conditions, and how alleviating any such frictions impacts employment and job quality.

What roles should key government departments/agencies play?

The existing skills development system in Bangladesh has a diverse set of actors, stakeholders and providers; namely public, private (including industry-based/at the work place), and NGOs.

The recently developed 'National Skills Development Policy 2020' provides strategic vision for skills development responsive to the emerging labour market needs and aims to bridge skills gap arising due to gender, location, and socio-economic conditions through financial support and flexible training delivery system. The policy document along with the National Skills Development Authority (NSDA) Act, 2018 and NSDA Rules, 2020 provide an updated framework for the public sector to directly engage in the provision of skills development opportunities in coordination with non-state actors.

The NSDA is the apex body to facilitate coordination, quality assurance, assessment, and certification of skills training. The NSDA's governing body has broad-based membership, including most ministries delivering skills training, selected representatives from the private sector, and representatives from employers and employees associations. The NSDA also underscores that skills development is a shared responsibility among private and public sector and aims to facilitate coordination among the different actors for development, delivery, accreditation etc. According to the Technical and Vocational Education and Training (TVET) Institution Census 2015, 23 ministries and 35 departments under these ministries have been providing skills training. Some key agencies include Technical and Madrasah Education Division, Ministry of Expatriates' Welfare and Overseas Employment, ICT Division, Ministry of Agriculture, Ministry of Jute and Textiles, Rural Development and Cooperative Division, Bangladesh Institute of Management etc.

For the manufacturing sector, the NSDA has established the Industry Skills Councils (ISCs) to ensure industry's collaboration in skills development. ISCs are expected to strengthen industry linkages, to develop apprenticeship programs, to provide inputs on industry-specific up-skilling and re-skilling demand, to develop curricula, to establish centers of excellence, and to build public-private partnerships. At present, 11 ISCs are operational.

The skills development modalities put emphasis on apprenticeship as it is considered to be an effective workplace-based training option and has had greater success in job placement than classroom training. Apprenticeship training is currently supported through various development projects of the government. More research is needed to understand how to scale up pilot apprenticeship programs in the context of upcoming SEZs and EPZs.

For the SME sector, the BSCIC and the SME Foundation are the lead implementation agencies for training on areas like leadership, business management, product improvement, technical skills, etc. For information and communications technology (ICT), capacity development is necessary for SMEs in the service sector, and the ICT Division will be involved in training on e-commerce development, freelancing, business process outsourcing, etc.

With economic growth, the demand for services is expected to rise. Transport and logistics services continue to be labour intensive and given the agglomeration effects in major cities, the latent demand for these services is expected to be high. For example, app-based services like ride sharing, intercity delivery services, and courier services have grown rapidly in all major cities of Bangladesh. Going forward, skills training on ICT may be essential to connect workers to service sector jobs.

5. Help workers to move to opportunities

Migration, both domestically and internationally, has played a key role in connecting Bangladeshis to better quality jobs during the 2000s. Recent research in Bangladesh finds that the benefits of both forms of migration are large, both in terms of migrants' employment outcomes and in terms of their families' and origin communities' outcomes.

Bryan et al. (2014) conduct a field experiment on seasonal migration during the lean season with 100 villages in the Rangpur region. They randomly offered poor households that had potential seasonal migrants subsidies for migration that were equal to the cost of a bus ticket. They find that seasonal out-migration has large causal benefits for these households: The migration rate increased from 34% to 57%, total expenditures, food expenditures, and caloric intake increased by 30-35%, and migration rates among those offered the subsidy continued to be significantly higher the next year, even after the subsidy was removed. Given these benefits, why weren't more households migrating? The authors provide evidence that migration is risky, and for poor households, the potential downsides of failure are so large that they prevent them from investing in migration.

It is also important to understand what happens to rural labour markets when a sizeable share of the labour force out-migrates. In a related paper, Akram et al. (2018) use a field experiment to show that when large numbers of people are induced to migrate away, there are some signs of positive spillovers on the village economy: Consistent with a less abundant labour supply, the agricultural wage rate and available work hours for those who stay increase. Consequently, employers pay higher wages and earn less profits. Finally, food prices increase on net, but only slightly so.

This evidence suggests a role for policymakers to provide temporary subsidies to support poor households to engage in seasonal migration. Interestingly, Akram et al. (2018) show that the subsidies are more effective at inducing migration when more households are subsidized, which suggests that community-level targeting would be more effective. While the existing evidence on encouraging seasonal migration is promising, open questions remain. In particular, Akram et al. (2018) measure the effects of largescale seasonal migration on the rural labour markets, but another important question is about impacts of largescale migration on labour markets in the destination cities.

Turning to international migration, Mobarak et al. (2021) study Bangladesh's 2012 government-to-government (G2G) agreement with Malaysia to accept 30,000 Bangladeshi workers. In response to the agreement, the GoB randomly selected about 30,000 winners to migrate from a pool of 1.43 million applicants. The authors survey and compare lottery winners and losers; they find that winning

the lottery triples migrants' earnings, substantially raises migrants' families' standard of living in Bangladesh, pauses demographic changes (delays marriage, childbirth, household formation), and shifts decision-making toward women. While the program reduces households' engagement in entrepreneurial activities, it does not crowd out labour supply. The authors emphasize the importance of the G2G program in limiting the risk of abuse that potential migrants often face due to market failures in private sector intermediation and in facilitating access for poor, rural families.

These research results highlight the importance of extending international migration opportunities to poorer families who normally cannot afford to pay the upfront cost required to procure passports, visas, and other paperwork, and the air transit to employment destinations. This requires either lowering intermediation costs, as the G2G program managed to do, or providing lines of credit to prospective migrants. Evidently, these may be promising policy directions.

For both internal and international migration, many interesting questions remain about the longer-term and intergenerational impacts of migration on migrant workers and on their families. This is especially true for wives and daughters, whose educational and labour supply decisions may be differentially affected by husbands' and fathers' participation in migration. Finally, as discussed in sub-section 8, another interesting direction is studying how migration programs can facilitate vulnerable Bangladeshis' adaptation to climate change.

Research directions in Bangladesh

- Effects of largescale internal (seasonal) migration on labour markets in destination cities.
- For both internal and international migration, the longer-term and intergenerational impacts of migration on migrant workers and on their families.
- For both internal and international migration, the effects of husbands' migrations on wives' and daughters' empowerment, educational outcomes, and labour market participation. At the community-level, the effects on norms around female LFP.
- How policies to support internal and international migration can facilitate vulnerable Bangladeshis' adaptation to climate change.

What roles should key government departments/agencies play?

International labour migration has served well as an employment strategy in Bangladesh, as overseas employment generated nearly a million jobs in 2017 and 0.7 million jobs in 2018 and 2019, respectively. The pandemic-induced global economic downturn resulted in sharply decline in overseas employment to just 0.2 million jobs (Bureau of Manpower, Employment and Training, 2021). Despite the sharp fall in employment in FY20, international remittances remained resilient partly due to quick, supportive policies; remittances continue to be a strong driver of income and consumption for Bangladesh.

In light of the COVID-19 pandemic, the [Eighth Five Year Plan](#) outlined series of interrelated policy actions to facilitate overseas employment, which include: (i) strengthen government efforts to negotiate with existing and new host countries with labour shortages to host Bangladeshi workers; (ii) upgrade skill base of potential migrants through training; (iii) support out-migration from the poorest districts of the Northwest part of Bangladesh that are not well served by access to external migration

through better information flow and training; (iv) reduce the cost of out-migration through partnerships with job agencies that provide low-cost services; (v) provide access to one-time credit to defray the cost of migration secured against future earnings based on a government programme administered by commercial banks; (vi) provide information and anti-exploitation services through the embassies; (vii) ensure that the exchange rate for remittance through the banking system is competitive with the current market rates; and (viii) offer banking services to migrant workers to enable the use of formal banking channels for sending remittances.

The Ministry of Expatriates' Welfare and Overseas Employment (MoEWOE) facilitates overseas employment by directly regulating the recruiting agencies. The BMET, along with NSDA, have been implementing skills training to migrant workers. The Probashi Kalyan Bank (PKB) is a specialized bank that provides credit for migration and rehabilitation of permanent returnee migrant workers; it also provides savings products to migrant workers and remittance inflow through official banking channels.

In contrast, policy support for internal migration as a strategy to connect workers to jobs has been undeveloped. The Employment Generation Programme for the Poorest (EGPP) is a program that partially address this issue by providing short-term employment to people who are seasonally unemployed (mostly in the form of developing community assets and rural infrastructure etc.).

The expansion of microcredit products is expected to help ease credit constraints among non-ultra-poor workers and to facilitate gainful seasonal internal migration. These credit products can be combined with skills training, information campaigns, network events aimed at reducing search frictions and assisting migrants to access better-paying, better-quality jobs at destination cities. The Palli Karma-Sahayak Foundation (PKSF)⁵ and the Microcredit Regulatory Authority (MRA)⁶ could be mobilized to provide regulatory framework and design pilot initiatives.

6. Promote women's labour force participation

As discussed in the labour market trends section, women's LFP grew rapidly in the 2000s but plateaued in the past decade; it remains below the average for LMICs. It is important to acknowledge that women in Bangladesh contribute significantly more household and childcare work than men, which is not measured in LFP. That said, increasing women's LFP can increase their empowerment and promote equitable growth, especially when women's labour is relatively underutilized.

On the supply side, gender norms in Bangladesh appear to be a key barrier to women's LFP. For example, Bangladeshi women get married earlier than their counterparts in other South Asian countries, and marriage is associated with exit from educational and labour market activities, in part due to norms around household and childrearing responsibilities. Among Bangladeshi women who participate in the labour force, a large share report working at or nearby to their home, possibly due to mobility constraints. And working women are likely subject to other norms, such as the breadwinner norm, which is that husbands should earn more than their wives (Bertrand et al., 2015), and norms around the suitability of different occupational choices.

⁵ The PKSF is an apex body that was established by the GoB in May 1990 for sustainable poverty reduction through employment generation.

⁶ The MRA was established by the GoB under the "Microcredit Regulatory Authority Act 2006" to promote and foster sustainable development of microfinance sector through creating an enabling environment for NGO-MFIs in Bangladesh. The MRA is the central body to monitor and supervise microfinance operations of NGO-MFIs.

Jayachandran (2020) reviews the academic literature on social norms and women's LFP; she discusses both the potential for programs to increase women's LFP by working around existing social norms and by directly changing individuals' beliefs and attitudes that underly the norms. Beginning with the former, Jayachandran suggests that policies that reduce society's tolerance and practice of gender-based violence (GBV) and more specifically, intimate partner violence (IPV), may increase women's LFP by reducing the threat of IPV in response to a woman's decision to work. Outside of the home, she cites evidence that policies that target real and perceived risks to women's safety at work, while commuting, and while living outside their familial home may also increase women's LFP. In the context of educational investments, Borker (2020) finds that women in India chose worse quality colleges in order to avoid risky commutes.

These approaches may hold promise for Bangladesh, where GBV, IPV, and sexual harassment against women more broadly are high. Inside the home, 40-50% of Bangladeshi women report ever experiencing IPV (World Health Organization, 2012). Outside of the home, a 2017 study by BRAC University found that 94% of women in Dhaka who commute via public transportation report experiencing sexual harassment during the commute. And while underreporting plagues measurement, there is reason to believe that there are high rates of sexual harassment in the workplace. For example, Bangladesh does not have a comprehensive law governing sexual harassment in the workplace, and compliance with its existing directives is reportedly low (The Daily Star, 2019). This evidence suggests that the scope for policy and social change is large and potentially powerful; women's rights advocates recently published a [list](#) of policy changes that help to reduce GBV (Human Rights Watch, 2020). More research is needed to understand the effects of policies that aim to address GBV/IPV/sexual harassment on women's LFP in Bangladesh.

Gender norms also restrict women's LFP in other ways, for example, through child-rearing and household responsibilities. A complete review of all of these channels, however, is beyond the scope of this paper.

Related factors, such as child marriage, may contribute to reducing women's LFP in Bangladesh. Bangladesh has the highest rate of child marriage in South Asia and ranks among 10 countries in the world with the highest levels (UNICEF, 2020). Early marriage causes Bangladeshi girls to leave school (Field and Ambrus, 2008) and potentially to exit the labour force. In 2018, Bangladesh's government launched its National Plan of Action to End Child Marriage to completely eliminate child marriage by 2041. But UNICEF reports that Bangladesh's progress must be 8 times faster than the rate of the past decade in order to meet its national target (ibid, 2020).

Buchmann et al. (2021) provide novel evidence from a field experiment in rural Bangladesh that points toward a promising policy direction. The researchers offer communities a conditional incentive transfer program in which unmarried girls aged 15-17 were eligible to collect cooking oil once per four months until they married or turned 18. They find that the incentive reduced the likelihood of a girl's marrying before age 18 by 19%. In contrast, empowerment intervention that aimed to shift gender norms did not encourage later marriage. These results are consistent with a theoretical model in which families decide to marry their daughters off younger in order to signal to prospective husbands that she is the type of woman who will make a good wife (i.e., that she adheres to gender norms). They suggest that financial incentives to postpone marriage could be a cost-effective policy that make everyone better off. From a research perspective, understanding how increasing compliance with the required age of consent (18) feeds back into gender norms, girls' educational attainment, and women's LFP and job quality in Bangladesh is an interesting direction for future research.

On the demand side, many employers in Bangladesh report concerns about hiring women due to the need to provide separate workspace facilities and potential dynamics in the workplace (World Bank, 2017). The RMG sector, which has at least partially overcome these barriers, has played a critical role in increasing women's LFP, investment in girls' education, and delaying early marriage and childbirth (Heath and Mobarak, 2015). We may expect that helping employers in other sectors to overcome them may provide similar benefits to Bangladeshi women.

What do we know about how to encourage employers to hire both men and women, and as is relevant, to provide gender-segregated spaces, such as bathrooms? Recent research on women's LFP in Saudi Arabia provides two insights. First, firms may face high fixed costs of preparing the workspace for integration, meaning employing both men and women, which means that it is only worth integrating if they anticipate hiring a sufficiently large number of women (Miller et al., forthcoming). Further, especially for smaller firms, this barrier may interact with other constraints, such as credit constraints, due to imperfections in Bangladesh's capital markets. Miller et al argue that providing one-time incentives for firms to integrate may have long lasting effects on women's employment.

Providing employers with incentives to hire more women or to prepare the workplace for more women workers may indeed be a promising direction for Bangladesh, but it would first be worth investigating the extent to which employers and other stakeholders accurately perceive the social norms. Indeed, the second insight from Saudi Arabia is that Saudi men and women underestimate the level of support for women working outside of the home, and correcting these beliefs increases men's willingness to help their wives seek employment and women's willingness to work outside of the home (Bursztyn et al., 2020). If similar misperceptions exist in Bangladesh, this finding suggests a much lower cost intervention correcting them via informational campaigns. Evidently, more research is needed on the possibilities that employers in Bangladesh face constraints that prohibit integration of their workplaces and/or that common misperceptions about gender hinder women's LFP.

Bangladeshi women are also substantially less likely to be engaged in nonagricultural self-employment, which includes entrepreneurial activities, compared to their male counterparts; among working women, 10% are engaged in nonagricultural self-employment, compared to 32% of men (2016 LFS). Further, according to the financial firm Mastercard's ranking of countries by how conducive and supportive they are to women entrepreneurship, Bangladesh does not provide an enabling environment for entrepreneurship among women; in 2020, it ranked 58 out of 58 countries included, below countries such as India, Iran, Egypt, and Algeria (Mastercard, 2020).

Many factors likely contribute to these figures. Academic research has found that women face substantially higher entry and business registration costs (Chiplunkar and Goldberg, 2021) and have worse social capital and are constrained by gender norms in many ways (Field et al., 2010; Field et al., 2014). Further, women microentrepreneurs may live in households with male entrepreneurs, whose businesses may be prioritized for investment (Bernhardt et al., 2019). Finally, women may have limited agency, so programs targeting them for, for example, business training, may need to take into account male family members' roles in running their businesses (Gine and Mansuri, 2019; Jayachandran, 2020). Consequently, in order for policies that aim to support entrepreneurship among women to be effective, they need to be designed with women's specific constraints in mind, and possibly, to directly try to alleviate those women-specific constraints that are most binding. This is an area where partnerships between the government and researchers to test different approaches would be particularly valuable.

Research directions in Bangladesh

- Effects of GBV, IPV, and sexual harassment on women’s LFP in Bangladesh and of policies that aim to address these issues on women’s LFP, well-being, and broader outcomes.
- Effects of policies that encourage changes in gender norms on gender norms, girls’ educational attainment, and women’s LFP, mobility, and job quality.
- Barriers to gender integration of workplaces in Bangladesh, potential for misperceptions about gender norms to hinder women’s LFP, and effects of policies that aim to address these issues on women’s employment.
- Barriers to entrepreneurship that are specific to women and effects of policies that aim to address these women-specific barriers on establishment and growth of women-owned businesses.

What roles should key government departments/agencies play?

In recent years, the GoB has made significant adjustments in labour laws to promote gender equality in the workplace. For example, the Labour Act of 2006 contains several changes that aim to support women’s participation in the labour force, such as equal pay for equal work, screened washing facilities, and screened shelter facilities for female workers. While these reforms are commendable, it is important to note that labour laws are not extended to informal job setting where majority of females are employed. More recently, under the 2013 amendment of the Labour Law, Bangladesh increased maternity leave from twelve to sixteen weeks. Similarly, the Child Marriage Restraint Act, 2017 is expected to deter incidence of early marriage, to help to reduce the concentration of household responsibilities, and to boost the school to work transition for women.

Further reforms are necessary to address some of the access-related barriers, such as access to safe transport, access to information, trade networks, access to ownership rights on productive assets, and access to credit. We are not aware of any initiatives to provide safe and reliable public transport to Bangladeshi women or workers. Private sector-led ride sharing transport is perceived to relatively safer and reliable option, but it is only affordable to relatively more affluent Bangladeshis in major cities.

The NSDA aims to play an important role in reform technical training systems to enhance and diversify the employability of female workers in more non-traditional formal sector. Bangladesh Bank, MFIs, and DFS have a number of ongoing initiatives to promote financial inclusion of women, but more targeted intervention may be necessary. Similarly, the Ministry of Women and Children Affairs (MOWCA) may be well placed to undertake pilot programs for female-targeted employment services. Incorporating rigorous monitoring and evaluation component in such programs provide insight for reforms and scale potential.

7. Test approaches to facilitate school-to-employment transitions among youth

Bangladesh is in the midst of a “youth bulge,” in which a high share of its population is of working age relative to the share of its nonworking-age population; this “youth bulge” will continue until around 2030 before beginning to decline (World Bank, 2017). Bangladesh can avail of this opportunity to improve its people’s livelihoods, but the large number of working age Bangladeshis also puts pressure on the labour market. During the 2010s, the increasing number of working-age youth, coupled with slowing job creation, led to a sustained spike in youth unemployment. As discussed in the previous section, this is particularly true for more highly educated youth with higher reservation wages.

Many developing countries experience “youth bulges” and/or high rates of youth unemployment. In response, policymakers often avail of active labour market policies (ALMP) with the aims of generating more and better employment opportunities for youth; examples of ALMPs include training programs to improve the skills of the labour supply, wage subsidies to spur labour demand, and job search and matching assistance (McKenzie, 2017). McKenzie (2017) reviews the academic literature on efficacy of these types of ALMPs in developing countries and concludes that they “have at best modest impacts in most circumstances.” This suggests that policymakers in Bangladesh should proceed with caution and with modest expectations when considering ALMPs to spur school-to-employment transitions. A related concern is that even when ALMPs do have positive effects on beneficiaries, they may simply change who gets a particular job, as opposed to generating new employment in the economy as a whole (ibid; Crepon et al., 2013).

That said, a few recent studies provide greater optimism for skills training and certification. Alfonsi et al (2020) test two training interventions with Ugandan youth. On the labour supply side, they provide six months of vocational training (VT) that includes skills certifications; on the labour demand side, they subsidize the cost for firms to provide six-month apprenticeships. Youth are randomly assigned to one of these two training programs or to a control group (no training). They find that both types of skills training substantially improve youths’ skills. Most youth assigned to the VT participate in the training, but less than a quarter of those assigned to the apprenticeships participate in an apprenticeship; this difference is driven by firms’ lack of interest in hiring even unpaid apprentices. Finally, the authors find that both types of training improve workers’ labour market outcomes, including increasing employment, labour supply, and earnings, but the VT has larger, longer-term effects. These effects are attributed to the VT workers’ being able to reenter the labour market after periods of unemployment by using their skill certifications to signal their skills to potential employers.

Another recent study, Abebe et al. (2020), do not provide VT, but they certify Ethiopian youths’ skills using common personnel selection tests. While they find no long-term effect on the probability of employment, they do find that certifying skills increases job quality, as measured by wages and job satisfaction. In both studies, the benefits of the training significantly outweigh its costs. As access to skills training beyond formal education in Bangladesh is scarce, fewer than 2% of the overall workforce and of youth report receiving formal training in the past year, VT programs in sectors that are in demand may be a promising direction to explore, subject to the caveats above.

Turning to job search and matching assistance interventions, Abebe et al. (2020) and Bandiera et al. (2020) test different approaches for youth using field experiments. Abebe et al. (2020) hypothesize that job search may be very costly in large, sprawling cities. They provide bus fares for Ethiopian youth to travel across the city to search for jobs for a period of about four months. In the short-term, the transportation subsidy does not increase overall employment, but it does shift youth into permanent and formal wage positions. In the long-term (four years later), however, these gains have dissipated. Their evidence suggests that, in their setting, the financial cost of job search is not the main constraint on job quality in the long-run.

In Bandiera et al. (2020), the researchers first randomly assign youth to VT. The researchers then randomly assign them to a “light touch” job search assistance intervention in which they provide job seekers’ personal details to established employers in growing sectors. It is up to the employers to call the youth if they are interested in interviewing them for a job. The researchers have two main findings: First, among youth randomly assigned to VT, which increases these youths’ skills and their expectations about their ability to get a job, the additional job search assistance provides bad news about potential employers’ likelihood of calling them relative to what the youth had expected. This lowers the youths’ expectations about their job prospects and reduces their search effort. Second,

among youth randomly assigned *not to receive* VT training, the job search assistance confirms the poor job prospects that they had expected. This leads these youth to stop searching for wage employment and to enter self-employment. Finally, self-employment improves these youths' long-term outcomes.

In the first study (Abebe et al., 2020), the researchers do not find evidence of long-term benefits of job search assistance. In the second study (Bandiera et al., 2020), the researchers *do* find evidence of long-term impacts. From a policymaker's perspective, however, they are not likely to be of the intended kind. In particular, their evidence underscores that when labour market prospects are poor, providing information about job prospects can actually discourage skilled youth from searching for employment, and it can actually push unskilled youth into self-employment (which may be a better outcome for them). They further highlight the importance of assessing employers' labour demand and youths' expectations about the labour market before pursuing programs to provide information about job vacancies and/or "light touch" job search assistance.

Finally, returning to Bangladesh and to the fact that youth unemployment is highest among youth with postsecondary education, it is worthwhile to explore this statistic further. Among urban men, for example, unemployment of youth with postsecondary education is 13%, while for youth with upper secondary education, it is only 6%, and for older urban men, it is less than 2%. This dynamic suggests that jobs are available to urban, male youth with postsecondary education, just not jobs that they find appealing. One strategy to address this issue is to bolster the business environment, as discussed above, to facilitate firms' growth and demand for managers, bankers, and other occupations that these young men would likely find desirable. Another approach is to take firms' labour demand as given and try to temper these potentially overoptimistic youths' expectations about their job prospects, for example, by providing information about salaries of employed youth with similar characteristics. A helpful direction for research is to understand whether over-optimism is indeed a cause of high unemployment among this demographic in Bangladesh.

Turning to women, the very high rates of unemployment among both urban and rural youth with postsecondary education, 26% and 29%, respectively, compared to those with upper secondary education, 8% and 9%, respectively, suggests that there may be more to this story. One possibility is that the lack of "desirable" jobs interacts with the gender norms that restrict women's mobility and occupational choice discussed above to make it extremely difficult for these young women to find job openings. Another is that while they may continue to actively search for jobs, they do so at a very low rate in expectation of getting married and exiting the labour force. Further research is needed to disentangle these possibilities.

Research directions in Bangladesh

- Long-term effects of vocational training programs that provide skill certifications in sectors with high labour demand, both on program participants and general equilibrium or spillover effects on non-participants.
- Causes of high unemployment among highly educated urban youth who are men, including potential for overoptimistic expectations about job prospects, and policies to promote employment among this demographic.
- Causes of high unemployment among highly educated urban and rural youth who are women, including potential for gender norms to restrict women's mobility and occupational choices and/or for expectations about marriage to limit job search activity.

- Potential for internet technology (IT)-based vocational training to increase Bangladesh's competitiveness in service sectors (especially IT-related outsourcing)

What roles should key government departments/agencies play?

In the last decade, the TVET sector in Bangladesh has benefited from several legislative and policy framework developments.⁷ The relevant agencies' capacity to implement these policies remains weak, however, and issues concerning quality, access and equity, and governance remain. Technical and Madrasa Education Division (TMED) within the Ministry of Education oversees both Technical and Madrasah education. In terms of gender, despite policy provision to support and promote inclusion of women in skills development, women's enrolment rate in TVET institutes remains very low.

8. Increase resilience to global warming through jobs

As discussed in the introduction, Bangladesh is especially vulnerable to the impacts of global warming in terms of its exposure to rising sea levels, salinization intrusion, higher temperatures, and more extreme climate events. Consequently, crafting job-related policies in ways that help to facilitate spatial and structural transformations that increase Bangladesh's resilience to climate change will be important. This is an area that is ripe for research.

Several of the policy directions that we discuss in this draft may also be able to contribute toward this goal. For example, earlier, we discussed the potential for the government to develop G2G programs for international migration and to target these programs to poor, rural households; the government could disproportionately target regions that are vulnerable to sea level rise or to heavy flooding for these opportunities. Similarly, if the government explores VT programs, it could disproportionately target them to youth in agricultural regions that are especially subject to increasing soil salinization or sea level rise due to climate change (possibly paired with support to internally migrate to areas with relevant job opportunities).

In the longer-term, an important question for Bangladesh may be how to facilitate and to accommodate, in terms of jobs, large numbers of internal migrants from geographic areas that are especially vulnerable to the impacts of global warming. The evidence on internal migration that we discuss above considers the case in which the number of migrant workers is small relative to the size of the destination city's labour market. If global warming leads to large-scale internal migration, though, this will put pressure on labour markets in destination cities. More research is needed on this possibility and the potential roles for policymaking.

Many of the other approaches discussed in this paper can also help to facilitate adaptation to climate change. For example, investing in the fundamentals of an improved business regulatory environment and of more reliable infrastructure, especially energy infrastructure, are key. A more dynamic private sector will be better equipped to adapt to a changing physical environment. More reliable energy access will facilitate the adoption of air conditioning and other cooling systems that mitigate the adverse effects of extreme heat on labour productivity (Somanathan et al., 2020). In terms of management practices, more capable managers will be better equipped to respond to environmental

⁷ National Skills Development Policy 2011, National Education Policy 2010, NSDA Act 2018, BTEB Act 2018, and NFE Act 2014

shocks (e.g., Adhvaryu et al., 2021) and may be better at recognizing opportunities for investments in technologies that mitigate these effects.

Finally, against the backdrop of growing global concern about global warming, Bangladesh will face growing pressure to de-carbonize its structural transformation. While this topic is beyond the scope of this paper, it presents important directions for research. First, in the industrial sector, an important direction is to understand the potential for job creation through clean energy and lower-carbon industrial sectors. Second, in the service sector, an important direction is to understand whether Bangladesh can pursue lower carbon emissions development trajectories by pursuing stronger development of its services sector, both domestically and as an outsourcing destination. Interesting questions include how to develop the local skills in Bangladesh necessary to pursue these approaches and to understand their implications for labour demand.

Research directions in Bangladesh

- Impacts of efforts to craft job-related policies dual goals of increasing resilience to climate change on employment and resiliency outcomes
- Implications of strategies to de-carbonize Bangladesh's structural transformation for labour demand
- Opportunities for job creation through less carbon intensive manufacturing/service sectors

What roles should key government departments/agencies play?

Bangladesh has undertaken various policies and initiatives for adaptation and mitigation of climate change and its impact, but we are not aware of any national policy for the formation and development of skills for greening the economy. The National Qualification Framework (NQF) has initiated a process of integrating skills development for "green jobs" under the EU-supported, ILO-managed Skills 21 program. Similarly, integrating training to facilitate clean energy, less carbon intensive manufacturing, and greater ICT services development under TVET sector would also be helpful.

5. Conclusion

Bangladesh has made important progress at reducing poverty, and strong job creation has been one of the main drivers. The rapid slowdown in job growth, however, and the COVID-19 pandemic has further exacerbated pre-existing concerns about stalling poverty reduction. To ensure strong labour markets and resilient jobs in Bangladesh, this white paper discusses the key trends in Bangladesh's labour market and proposes eight key opportunities for Bangladesh's labour market to further support economic development and equity across its population. The eight key opportunities and potential research directions areas are:

- 1) Improving the business environment and infrastructure by increasing judiciary capacity, strengthening contract enforcement, increasing efficiency of land registration, and investing in infrastructure.
- 2) Facilitating trade and proceed with caution to develop SEZ by implementing rigorous M&E systems and partnerships.
- 3) Supporting high potential micro and small enterprises by investigating approaches to identifying MSMEs that have the potential to grow, but that are constrained, promoting efficacy of training

and consultancy, and researching underlying reasons for microcredit products' failure to deliver transformative growth.

- 4) Upgrading labour productivity and job quality through analysing underlying reasons for low adoption of modern management practices, investing in workers' skills, attracting high quality buyers to Bangladesh, and alleviating frictions in Bangladesh's labour market that may limit employment and job quality.
- 5) Helping workers move to opportunities by strengthening migration programs and by researching the effects of outward migration on destination and home markets.
- 6) Promoting women's labour market participation by adopting policies that supply and demand-side barriers to women's employment and testing approaches to tailor entrepreneurship programs for women's constraints.
- 7) Testing approaches to facilitate youth to employment transitions, such as vocational training programs that provide skills certification.
- 8) Increasing resilience to global warming through jobs by focusing on linkages between adaptation and mitigation strategies and jobs-related policies.

We have discussed each of these key eight opportunities in detail and have reviewed the related academic literature. In addition, we have proposed policy directions and research directions in each area, along with recommendations on the key government agencies and policymakers responsible to promote research collaboration and policy coordination.

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