

Rural Unemployment and Livelihoods in Bangladesh

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Executive Summary

1. Introduction

Bangladesh is an over populated country with growing working age population. Therefore, access to decent and productive employment of this working age population is one of the challenging issues. Unemployment and underemployment are the major problems in Bangladesh. Unemployment means the state of being without any income earning work both for the educated and the uneducated. This study was conducted with the main objective to assess the status of employment, unemployment and underemployment along with their characteristics and contributing factors in rural Bangladesh in 2016. A similar study was conducted in 2012. This study has produced a change report in 2016 over 2012. The first phase of the study was conducted on 3584 households covering 16 districts, 32 upazilas, 64 unions and 128 villages from all the seven divisions of Bangladesh. The second survey was also attempted to conduct on same households of the same locations in 2016. But in reality 3329 households (92.89 percent) were found available and surveyed. Primary data were collected through direct interview method using pre-coded structured questionnaire, FGDS and Klls.

2. Socio-economic Characteristics

There was a slight decreasing trend in dependency rate, population in agriculture labour and landless in 2016 compared to 2012. Moreover, increase has observed in literacy rate, handicapped population, average size of households, quality of materials used for building houses in 2016 compared to the first round survey. Access to safe water for drinking and other household purposes is found better comparing to the study of 2012 to some extent. It has found quite interesting that the involvement of male members of the households increased for collecting water for domestic uses. The share of land cultivation indicates a decrease of 13.8 percent from 2012. On the other hand, increase was observed in the share of agriculture day labourer by 24.1 percent, livestock rearing by 6.6 percent and fish culture by 2.5 percent over the study year of 2012.

The study found that the percentage of food insecure households decreased to nearly 10 percent in 2016 over the year 2012, but still a significant number of population remains food insecure. Majority of the households reported about food deficit of 1-3 months. One of the positive findings of the study is that the household members increased their own savings during crisis period which indicates a reduction of their dependency on grant and support from government

and other institutions. The trend of going to private clinics for treatment purpose increased indicating improvement of economic condition of the households. Per capita cereal and protein intake decreased in 2016 compared to 2012 which is alarming that needs further investigation.

Women's participation in decision making power at household level activities has also been increased in current year. Household monthly average income shows an increase of 50 percent in 2016 over 2012 at current price. Similarly, monthly average expenditure under the study increased 33.3 percent in 2016 over 2012. This indicates households have savings from their income. Though the total income from agriculture increased over the two periods, but in terms of percentage share it has decreased in agriculture and increased in non-agriculture. This indicates the sign of development. In 2012, only 8.5 percent of the total households possessed annual income of more than Tk. 2,00,000, while in 2016, 22.2 percent households possessed the same. Proportion of expenditure on non-food items also increased compared to food items over the two periods. Percentage of households received credit decreased about two percentage points. Incidence of poverty over the two periods decreased significantly. The incidence of upper poverty estimated through CBN method was 66.9 percent in 2012 and 48.0 percent in 2016. In terms of multidimensional poverty, incidence of poverty was 43.6 percent in 2016, which is lower than that of CBN method.

3. Rural Employment Underemployment and Unemployment

Percentage of economically active population to the total population increased from 41.80 in 2012 to 43.75 in 2016, indicates 1.95 percentage points increase over the last four years because of recent reduction of younger age population due mainly to increased adoption of family planning methods and the shipment of previous higher percentage of younger age population into the age group of economically active population. Moreover, increased female employment also contributed to the economically active population.

Based on the BBS definition of employment overall employment and unemployment rates are about 92 percent and 8 percent respectively both in 2012 and 2016, indicates no change in employment rate in the two periods. The unemployment rate estimated in this study is about double of the unemployment rate of 4.2 percent estimated by BBS in 2011-17. On the basis of available working hours of 2400 per year, only 20.9 percent of the economically active population was full-time employed in 2012 which increased to 25.3 percent in 2016, indicates 1.1 percentage points increase per year over the last four years. The full-time employment rate

of female is nearly one-fourth of male in both the periods with 2.3 percentage points increase in current year. However, there is an increasing trend of average number of full-time employed person per household. In terms of annual working hours of 2400 there are about eight percent open or completely unemployed, which is higher among the females. Considering the labour force works less than 2400 hours per year as underemployed, the overall underemployment rate was about 63 percent in 2012 and 60 percent in 2016, indicates three percentage points decrease over the last four years. This rate was higher among the females. However, considering the annual available working hours of 2400, the overall unemployment rate was found to be 54.13 percent in 2012 and 58.15 percent in 2016, indicates about four percentage points increase over the four years. Considering household chores of women as economic activities, overall employment rate of women became about 94 percent both in 2012 and 2016. There is a declining trend of average number of unemployed person per household in 2016 compared to 2012 because of increased employment rate over the two periods. Unemployment rate, among the different divisions, has been found the highest in Sylhet in 2016 and the same was Rangpur in 2012. Thus the unemployment situation of Rangpur has been improved currently. About 61 percent of the total employees are self-employed followed by 27 percent day labourers and 12 percent salaried employees in 2016. Almost similar composition of employment types was observed in 2012 with 1.2 percentage points higher day labourers. Female workers are engaged about 11 months a year and 25 days a month, while the corresponding figures are 10 and 18 for the males in 2016.

The important reasons for unemployment are lack of employment opportunity, lack of proper skill, lack of capital for business, corruption in getting job, over population, low level of education, inadequate agricultural land, lack of extension of small industry and lack of transportation system; while the reasons for underemployment are lack of full-time employment, lack of employment matching with skill, lack of education and skill, difficult to get adequate amount of loan, increased job seekers and lack of industry. The important suggestions of the respondents regarding employment generation are providing more technical education, financing enterprise, optimum utilisation of land, developing infrastructure for transportation, creating new position for employment, expansion of fisheries and agriculture, eradication of corruption, increasing literacy level, imparting training on cattle rearing, increasing electricity coverage and expansion of tourism.

4. Relationship between Socio-economic Characteristics and Employment Level

Per capita household annual income increased about 57 percent for full-time employed, 46 percent for underemployed and 51 percent for unemployed in 2016 compared to 2012. There is no remarkable difference between the per capita household annual income of underemployed and unemployed in both the periods. However, overall there is a positive relationship between the level of employment of household members and their per capita household annual income. Like per capita household annual income, per capita household annual expenditure is also the highest for full-time employed in both the periods. There is a declining trend of proportion of per capita household annual expenditure with the increase of per capita household annual income. This is the positive sign of development. There is a positive relationship between the level of education and the rate of full-time employment in both the periods, i.e. the higher the level of education the higher is the rate of full-time employment in both the periods. The Chi-square test also indicates the significant relationship between the level of education and the level of employment at one percent level of significance in both the periods. The recent trend reveals that unemployed people have relatively higher level of education. The reason is that after having some years of formal schooling they look for decent jobs, while the less or uneducated people do not hesitate to engage themselves in any type of economic activity. There is a positive change in employment of household members of female-headed households over the last four years. Full-time employment rate also increased in the male-headed households, but at a lower rate than that of female headed households. An increasing trend of average ages of full-time employed and underemployed people, while the declining trend of average age of unemployed people has been observed. The economic condition of the households is positively related with the rate of full-time employment. Institutional training has a significant positive impact on full-time employment generation. Full-time employment rate among the trained economically active population is more than 13 percentage points higher than that of non-trained economically active population in 2012. The same is 10.48 percentage points higher for trained population in 2016. Underemployment and unemployment rates are notably lower among the trained members compared to the non-trained members in both the years.

5. Factors Contributing to Employment

The multiple regression analysis reveals that the average employment rate of the training recipients is about four percent higher than that of non-recipients, which is statistically significant at one percent level. Thus training has a significant contribution to employment.

Co-efficient of income dummy shows that it has a positive and statistically significant contribution to employment at one percent level. Higher income group worked 10.26 percent more than that of lower income group due to the increase in personal income. It implies that well paid employees choose to work more hours because each additional hour worked is highly lucrative and they work more. The regression coefficient of crisis from illness is positive and statistically significant at 10 percent level. Regression coefficient indicates that employment level of crisis affected person is 1.88 percent more than that of crisis non-affected person due to the illness of the household members. The household size is positively and significantly related with employment rate. If the size of household increases by one person, employment opportunity increases by 3 percent. Number of literate person per household shows negative relationship with employment rate and it is statistically significant. The possible reason is that the types of job that rural people are searching do not require large number of literate person. Distance to microfinance institution shows negative relationship with employment and statistically significant at one percent level. It implies that higher the distance of MFIs from the house of the respondents lower the employment rate and vice-versa. Contribution of geographic divisions Khulna and Chattogram to the rural employment rate is positive and significant compared to other divisions. It implies that due sea port, industrial setup and infrastructural facilities rural employment opportunity is higher in these divisions compared to other divisions of the country.

6. Recommendations

The study recommended (i) improving nutritional status, access to healthcare facilities of pregnant women and children for reducing handicapped population; (ii) special programme for supplying safe drinking water especially in the areas of Bagerhat and Jhalakathi districts; (iii) demand led skill development training to the unemployed economically active population and job placement of trained people for reaping demographic dividend; (iv) considering household chores as economic activity for the housewives; (v) assessing required skill for employment and developing skill through proper training, and proving appropriate financial support to the rural unemployed; (vi) exploring employment opportunity in foreign countries along with the required skill and developing them through proper training; (vii) extending coverage of social safety net programmes of the government for hard-to-reach communities and remote rural areas; and (viii) ensuring government healthcare facilities for the poor households through identification of their gaps and challenges. The study also suggested the working definition of

employment, underemployment and unemployment. It has suggested a person in the economically active population, who worked for at least 8 hours a day for 25 days per month for the year as fully employed, while who worked less than 2,400 hours during the year is considered as unemployed for those particular hours that he/she was workless. Similarly, a person in the economically active population, who worked less than 2,400 hours during the reference year but he/she has the capacity to work up to 2,400 hours, is considered as under-employed.