Funded by the European Union

Enhancing the Participation of Community-based Organizations (CBOs) and Civil Society Organizations (CSOs) in Democratic Governance in Bangladesh

Income and Employment Situation in COVID Times: How the People Are Coping?

Findings from Household Survey

Towfiqul Islam Khan
Senior Research Fellow
Centre for Policy Dialogue (CPD)

Dhaka: 5 May 2021

Presented at a dialogue organised in association with

Citizen's Platform for SDGs, Bangladesh
এসডিজি বাস্তবায়নে নাগরিক প্ল্যাটফর্ম, বাংলাদেশ

Study Team & Acknowledgement

Professor Mustafizur Rahman, Distinguished Fellow, CPD

Mr Towfiqul Islam Khan, Senior Research Fellow, CPD

Mr Muntaseer Kamal, Senior Research Associate, CPD

Ms Nawshin Nawar, Research Associate, CPD

Ms Marfia Alam, Programme Associate, CPD

Mr Md Sabbir Hossain, Programme Associate, CPD

The Team would like to thankfully recognise the guidance and intellectual support received from *Dr Debapriya Bhattacharya*, Distinguished Fellow, CPD and Team Leader "Enhancing the Participation of CBOs and CSOs in Democratic Governance in Bangladesh" project

We also acknowledge the support of Development Research Initiative (dRi) for conducting the survey

Structure of Presentation

- Context of Discussion
- Analytical Framework
- Survey Methodology
- Answers to Seven Key Questions Based on Survey Results
- How the People Are Coping in COVID Times?
- Conclusion

Context of Discussion

- Since the first detection of COVID-19 in March 2020 and in the backdrop of the upward trends in the number of infections and deaths, **Bangladesh** has **experienced stoppage and slowdown** of economic activities
  - This has resulted in **the loss of employment and income** for a large number of people in the work force
- The adverse implications of the pandemic will no doubt have **ramifications in terms of attaining the SDGs** in Bangladesh
  - Given its labour abundance, **decent employment** (as is conceptualised in SDG 8) has **emerged** as a **critical concern** in Bangladesh, alongside health, in view of the COVID-19 pandemic
- **Loss of employment and income** induced by the pandemic and **subsequent adjustments at the individual and household levels** are expected to have an **impact on the attainment** of a **number of other goals** apart from SDG 8 including elimination of hardcore poverty and reduction of income inequality

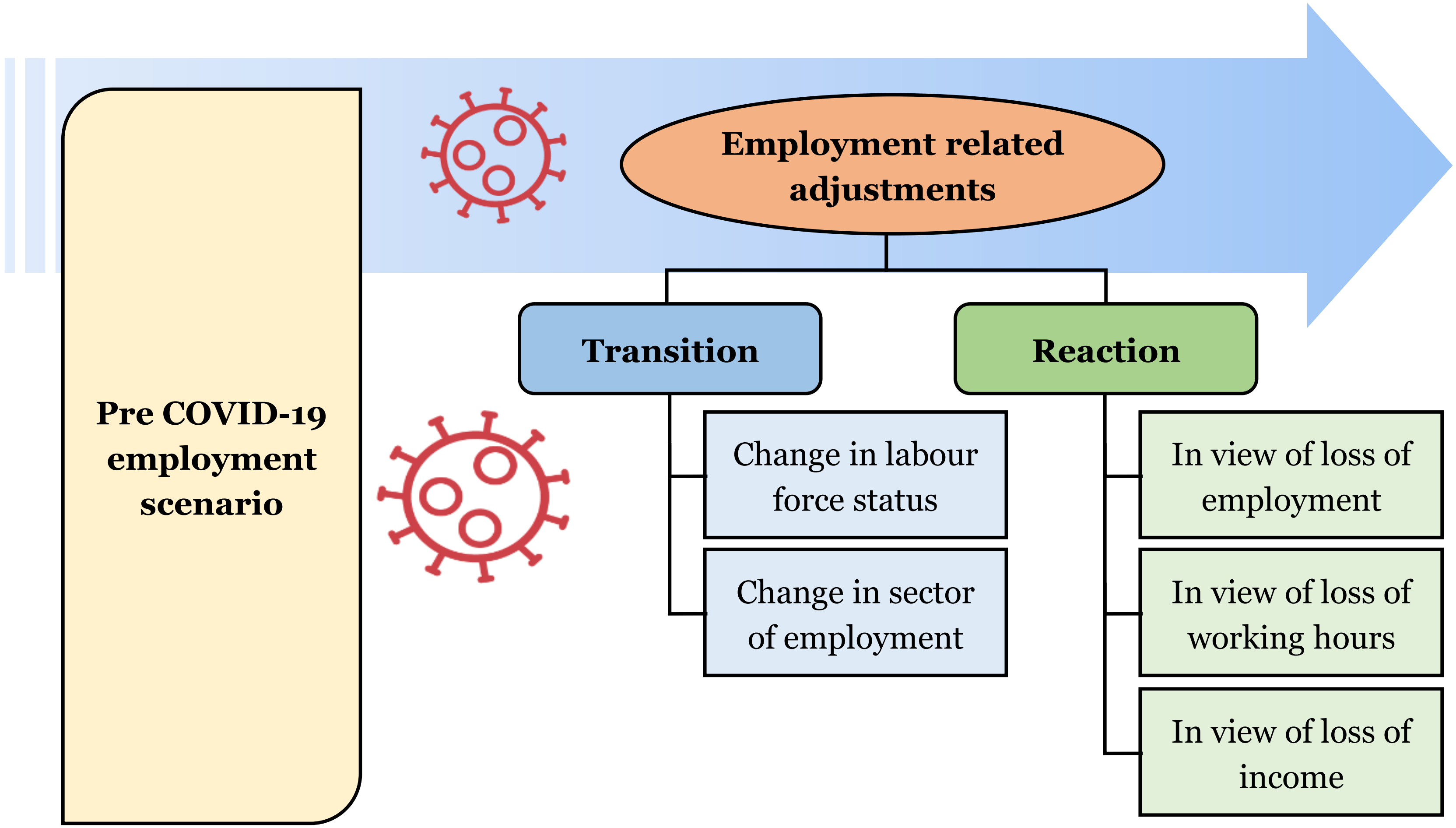
Context of Discussion

- The actual **impact of COVID-19 on employment** can be **best captured through** an in-depth study of the **adjustment processes pursued by individuals and households** concerning employment and income
- Study of these processes allows to have a **deeper understanding** of COVID-19-induced **vulnerabilities and risks**, **adjustments and opportunities**, and **efficacy of delivery of government policies**, as far as employment scenario is concerned
- Individual and household-level **adjustments in income and expenditure** critically **hinge on** the underlying **adjustments in terms of employment**
- An in-depth investigation into the employment adjustment processes will **enable policymakers** to have **an informed understanding** as regards **what policies to pursue** to help those in the labour force who are vulnerable and at risk, to better adjust and cope with the emergent situation

Context of Discussion

- The **primary objective** of the study is, thus, to **examine** in detail the **adjustment processes from the point of view of employment** as a consequence of the COVID-19 pandemic
- The study puts its spotlight not so much on labour market from a firm's perspective but on households as units of agents in the labour market
- In connection with the aforementioned objectives, the presentation seeks to answer the following seven key questions, as evinced from household survey
  1. ***How the pandemic had impacted the employment scenario in Bangladesh?***
  2. ***Where did the jobs got relocated?***
  3. ***What happened to working hours?***
  4. ***Are incomes being restored to pre-COVID level?***
  5. ***Are people satisfied with their present employment status?***
  6. ***How did the households try to cope with lower income?***
  7. ***What does the impact of COVID-19 mean for income and inequality in the country?***

Figure: Employment-related adjustments in view of COVID-19



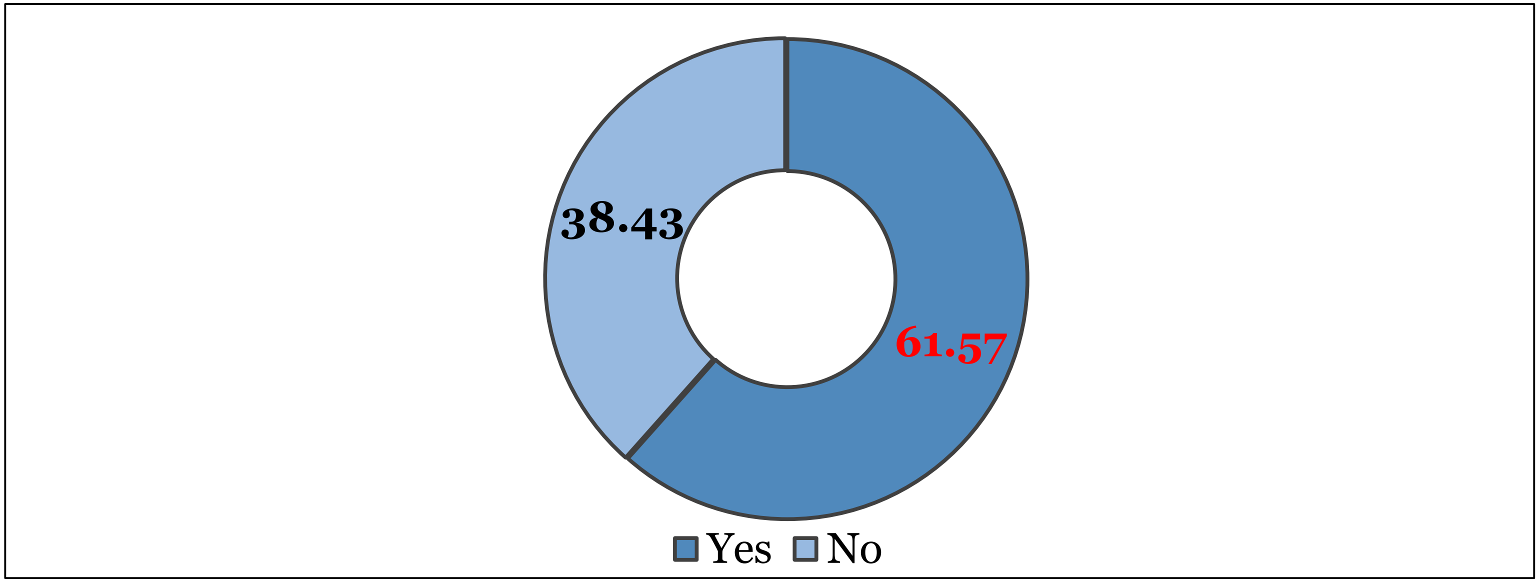
Survey Methodology

- The study employed an **integrated research approach** that involved **both quantitative** and **qualitative** tools and techniques
- A **nationally representative household survey** was conducted in **16 districts** of Bangladesh following the Labour Force Survey Framework
  - A total of **2600 households** were selected for the survey, ensuring **equal representation of rural and urban areas**
- **16 FGDs were conducted** as part of the qualitative research in order to draw additional insights, and complement the household survey findings
  - The FGDs were carried out with participation of **8 predefined groups** viz. RMG workers, returnee migrants, retail or sales workers, construction workers, transport workers, MSME entrepreneurs, hotel and restaurant workers, and domestic help (cleaners and housemaids)
- The **fieldwork** for the survey was conducted between **late January and early February 2021**
- **Did not capture the second wave of the pandemic**

How the pandemic had impacted the employment scenario in Bangladesh?

- **A large number of the employed population**, i.e. **more than 60%, lost their jobs at some point** (mostly in April and May 2020 when the 'general holiday/lockdown' was in place) **due to COVID-19**

Figure: Respondents' perception (who were employed in February 2020) as regards becoming unemployed due to COVID-19 (in %, excluding not applicable responses)



Source: Calculated from household survey data.

How the pandemic had impacted the employment scenario in Bangladesh?

- **About 85%** of the **employed people in the pre-COVID** period who had lost the jobs became **unemployed for more than one month**
- On a positive note, **almost all these people were able to find a job by January-February 2021** when the adverse impact of COVID-19 started to recede

Table: Number of days respondents (who were employed in February 2020) remained unemployed as a result of COVID-19

Days	Average days	Share of respondents
1-30	27	15.15
31-60	57	32.35
61-90	89	24.48
91-120	120	14.01
Above 120	181	14.01
Total	95	100.00

Source: Calculated from household survey data.

Where did the jobs got relocated?

- **Most of the incremental employment** was **generated** in the **agriculture sector**. At the same time, a **significant number** of people **left the services sector**
  - Given the **nature of economic recovery**, it is likely that **structural transformation went backwards**

Table: Share and growth of employed population aged 15 years and more, by broad economic sectors and rural-urban divide (in %)

Sector	Share						Growth		
	February 2020			Survey period			Between Feb 2020 and survey period		
	R	U	N	R	U	N	R	U	N
Agriculture	31.03	7.43	24.31	34.89	8.91	27.54	17.66	24.36	18.24
Industry	18.65	25.36	20.56	18.32	25.88	20.46	2.80	5.84	3.86
Services	50.31	67.21	55.13	46.78	65.21	52.00	-2.69	0.61	-1.54
Total	100.00	100.00	100.00	100.00	100.00	100.00	4.65	3.70	4.38

Source: Calculated from household survey data.
Note: 'R' indicates Rural, 'U' indicates Urban and 'N' indicates National

Where did the jobs got relocated?

- **Self-employed, contributing family members and day labourers** have **contributed to about 90%** of the **incremental jobs**, indicating a **substitution of formal by informal sector employment**

Table: Incremental share of employed population aged 15 and above, between February 2020 and survey period, by employment status, gender and location (in %)

Employment status	Rural			Urban			National		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employer	-0.22	1.66	1.44	1.61	0.00	1.61	1.39	1.66	3.05
Self-employed	7.20	17.44	24.64	5.02	7.00	12.02	12.21	24.44	36.66
Contributing family member	5.39	15.34	20.73	2.01	2.12	4.13	7.40	17.46	24.86
Employee	7.99	1.59	9.58	-0.47	1.49	1.02	7.52	3.08	10.61
Day labourer	14.73	6.93	21.67	4.30	1.01	5.30	19.03	7.94	26.97
Apprentice/intern/ trainee	1.20	0.15	1.35	-0.08	0.00	-0.08	1.12	0.15	1.28
Domestic worker	N/A	-0.10	-0.10	N/A	1.24	1.24	0.00	1.14	1.14
Others	-0.87	-2.51	-3.39	-1.60	0.42	-1.18	-2.47	-2.09	-4.56
Total	35.42	40.50	75.93	10.79	13.29	24.07	46.21	53.79	100.00

Source: Calculated from household survey data.

What happened to working hours?

❑Although people could find employment, they are **working for a lower number of hours, on average**, **particularly in** the **agriculture** sector, **followed by** the **industry** sector

Table: Average weekly working hour per employed person, by broad economic sector

Broad economic sector	Average weekly working hours						Growth		
	February 2020			Survey period			Between February 2020 and the survey period		
	R	U	N	R	U	N	R	U	N
Agriculture	37	34	37	35	29	34	-5.41	-14.71	-8.11
Industry	56	53	55	54	50	53	-3.57	-5.66	-3.64
Services	54	52	54	54	53	54	0.00	1.92	0.00
Total	49	51	50	48	50	48	-2.04	-1.96	-4.00

Source: Calculated from household survey data.
Note: ‘R’ indicates Rural, ‘U’ indicates Urban and ‘N’ indicates National

- Despite absorbing a significantly higher number of jobs, **workers in** the **agriculture** sector **experienced** the **largest decline in average income**
- **Hidden unemployment has increased!**

Are incomes being restored to pre-COVID level?

- **Higher number of jobs failed to provide similar** to pre-COVID **or higher income.** There was income erosion
  - On average, **income loss** was **true for both individual** and **household** levels. About **45% of households** had **lower income compared to** the **pre-COVID-19** period

Table: Growth rate of average monthly income of individuals, between February 2020 and the survey period, by sector of occupation and location

Sector of occupation	Rural	Urban	National
Agriculture, forestry and fishing	-15.20	-29.07	-16.50
Manufacturing	-13.83	-10.68	-12.75
Construction	-5.54	-12.94	-8.39
Other industries	2.06	4.70	2.09
Wholesale and retail trade, repair of motor vehicle	-12.73	-15.57	-13.86
Transportation and storage	-7.39	-11.02	-8.66
Accommodation and food services activities	12.65	-19.17	-4.06
Other services	-5.97	-11.24	-7.87
Total	-11.31	-12.97	-11.92

Source: Calculated from household survey data.

Are incomes being restored to pre-COVID level?

- **Negative impact on income** is **not** an **urban phenomenon only**!
- Distress related to **loss of income** has been **observed** in **both urban** and **rural** areas
  - While the **decline in income** has been **higher for urban** areas compared to rural areas, the **difference** has **not** been **significantly high**

Table: Growth rate of average monthly income of individuals, between February 2020 and survey period, by age groups, location, and gender divide

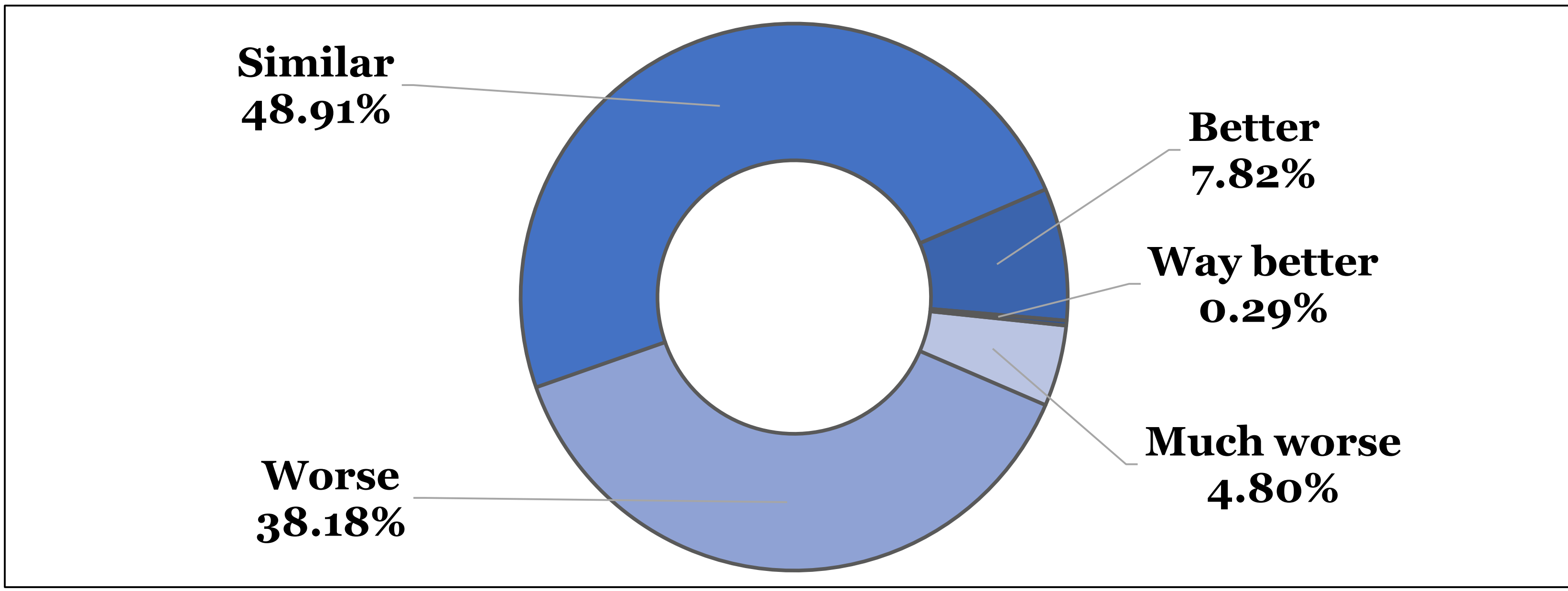
Age group	Rural			Urban			National		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
15-29	-10.49	-8.00	-10.96	-8.75	-8.49	-8.61	-9.96	-8.67	-10.20
30-64	-9.53	-14.04	-11.14	-12.24	-12.61	-13.29	-10.57	-13.53	-12.02
65+	-14.58	-2.72	-13.99	-18.20	-16.19	-19.41	-15.46	-6.59	-15.31
Total	-10.08	-11.59	-11.31	-12.35	-11.19	-12.97	-10.86	-11.54	-11.92

Source: Calculated from household survey data.

Are people satisfied with their present employment status?

- ❑**More than 40%** of the **employed population** reported that their **employment situation** was **worse** than the pre-COVID-19 period
    - About **86% of individuals** reported that they are **not earning enough** to **meet** their **daily necessities**

Figure: Comparison between pre and post COVID-19 employment situation based on respondents' perception (excluding not applicable responses)



Source: Calculated from household survey data.

How did the households try to cope with lower income?

❑ ***More people are looking for jobs;***, there has been a **considerable surge** in **labour force participation**, including on the part of **women**

- It is likely that **lower income** at the **individual** level **forced** a **higher number** of household members **to seek employment**. The **higher incremental contribution** of the **female** and **youth** cohorts in the labour force **confirms** this **phenomenon**
- These **jobs** are **created mainly** in **agriculture** sector with lower pay and lower working hours

Table: Incremental share of labour force aged 15 years and above, between February 2020 and survey period, by age group, gender and location (in %)

Age group	Rural			Urban			National		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
15-29	24.79	14.59	39.38	16.92	8.40	25.32	41.71	22.99	64.70
30-64	6.57	23.62	30.19	-3.58	6.08	2.50	2.98	29.70	32.69
65+	1.14	0.00	1.14	0.88	0.59	1.47	2.02	0.59	2.61
Total	32.50	38.21	70.71	14.22	15.08	29.29	46.72	53.28	100.00

Source: Calculated from household survey data.

How did the households try to cope with lower income?

- The **decline in income led** to **lower expenditure** of households
  - About **78%** of the surveyed **individuals** had **reduced expenditure** to cope with the impact of the COVID-19 pandemic, while **52% households changed dietary pattern involuntarily**
- About **half of households** experienced a **decline in savings**
- **More than half** of the **households** had to **resort to borrowings**. The **average loan** size of the households has **doubled** in the last year
- **Support** from the **government** was **limited**
  - Only **20% of the households** could **receive** some form of **government support**, as was found in the survey. Indeed, a **higher number** of households **received support from private sources**, i.e. friends, family, neighbours and private charity

Table: Household level coping strategies of respondents who became unemployed, or whose working hours have reduced or whose income has decreased due to COVID-19

Household level coping strategies	Of the respondents who became unemployed	Of the respondents whose working hours decreased	Of the respondents whose income decreased	All households
Obtained credit	60.91	59.17	61.69	56.42
Changed dietary pattern involuntarily	55.31	55.91	56.23	52.84
Relied on savings	52.09	50.64	54.18	46.94
Unconditional help provided by relatives/friends	51.53	46.12	46.16	46.39
Unconditional help provided by government	23.23	25.51	24.23	20.37
Reduced expenditure on health and education	13.13	12.14	14.04	12.78
Received support from private transfers	6.50	5.62	6.35	5.40
Sale of assets	4.84	5.86	6.34	5.40
Did not need any help	3.83	3.87	2.47	7.70

Source: Calculated from household survey data.

What does the impact of COVID-19 mean for income and inequality in the country?

- The **decline in income** has **pushed** a **significant number** of people **into lower-income groups - indicating** a **higher poverty incidence**

Table: Income category wise distribution of individuals during February 2020 and survey period (in %)

Income Category (in Tk.)	Share						Growth		
	February 2020			Survey period			Between Feb 2020 and the survey period		
	R	U	N	R	U	N	R	U	N
0-2500	18.75	9.05	15.99	22.03	12.78	19.41	22.92	46.5	26.72
2600-5000	10.83	10.72	10.80	13.70	12.32	13.31	32.44	19.13	28.67
5100-7500	13.32	12.97	13.22	15.43	15.83	15.54	21.15	26.58	22.67
7600-10000	28.46	29.13	28.65	26.46	29.30	27.26	-2.70	4.29	-0.68
10100-15000	22.05	23.18	22.37	18.07	19.94	18.60	-14.25	-10.79	-13.23
15100-20000	4.85	8.69	5.95	3.39	4.90	3.82	-26.8	-41.54	-32.94
20100-30000	1.46	4.72	2.39	0.77	3.83	1.63	-45.17	-15.93	-28.72
30100-40000	0.16	1.12	0.43	0.11	0.77	0.30	-25.94	-28.73	-28.00
40100-50000	0.06	0.17	0.09	0.05	0.28	0.11	-24.98	74.18	25.58
50000+	0.05	0.25	0.11	0.00	0.06	0.02	-100	-75.91	-83.77

Source: Calculated from household survey data.

Note: 'R' indicates Rural, 'U' indicates Urban and 'N' indicates National

What does the impact of COVID-19 mean for income and inequality in the country?

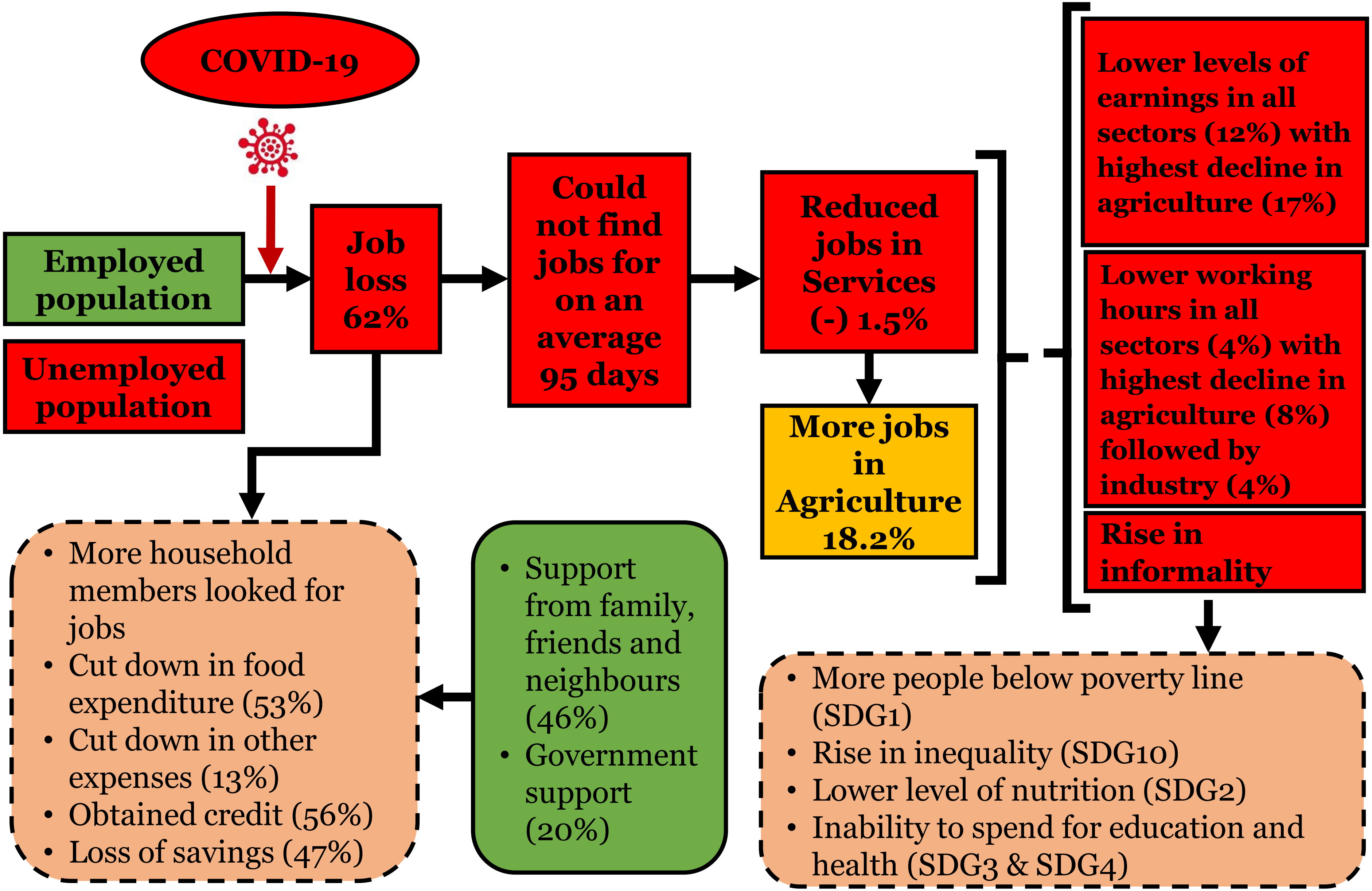
- **Income inequality** also **worsened** as manifested by lower income share of the bottom half of the population in terms of income

Table: Percentage distribution of income accruing to household in groups (deciles) in February 2020 and survey period

Decile group	February 2020			Survey period		
	Rural	Urban	National	Rural	Urban	National
Decile-1	4.47	2.33	3.35	3.91	2.24	3.04
Decile-2	6.73	4.19	5.40	6.28	4.13	5.17
Decile-3	7.77	5.30	6.48	7.32	5.43	6.34
Decile-4	7.88	6.89	7.36	8.41	6.17	7.25
Decile-5	8.56	8.09	8.32	8.07	8.19	8.13
Decile-6	10.66	7.60	9.07	9.25	9.35	9.30
Decile-7	10.68	10.54	10.61	10.82	9.66	10.22
Decile-8	12.14	11.60	11.86	13.21	11.26	12.20
Decile-9	13.51	15.62	14.61	15.31	14.40	14.84
Decile-10	17.60	27.85	22.94	17.42	29.18	23.53
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Calculated from household survey data.

How the People Are Coping in COVID Times?



Conclusion

- **Policy responses** in view of employment scenario and the labour market need to be **designed** considering **immediate, short term** and **medium term ramifications** of the pandemic. As we have seen from the survey, these have varied in terms of nature, intensity and impact
- **In view of** the **immediate challenges**, there is an **urgent need** to **enhance cash transfers** to the **marginalised** and **affected households**
  - **Households urgently need** to **withstand** the **immediate loss** of income and reduced expenditure. **Higher consumption expenditure** will also help to **boost domestic demand** and **create opportunities for employment**
  - **Higher coverage** and **budgetary allocation** are **required** for SSNPs in the form of cash trasfer
  - **Investment** in **labour-intensive rural road and infrastructure** would be **beneficial** to stimulate the **rural** economy
  - **Public investment projects** need to be **prioritised** to **address the vulnerabilities in the labour market, depressed state of private investment** as also to **prepare for sustainable recovery**

Conclusion

- ❑Over the **short term**, the **stimulus packages** will need to be **redesigned in view of the experience** (lower access and availability as borne out by the survey) of the past year
- ❑High cost borrowing will likely put many families into the debt trap. More **credit at a subsidised rate** required for farmers and low-income people
  - **More importance** should be **given** to extending support **through NGOs** and **microfinance institutions**
- ❑Over the **medium term**, the aspiration of '**build back better**' ought to **guide the path** to economic **recovery**
  - To **sustainably enhance decent job opportunities**, **private sector** will need to play a **more strong role.** For this to happen, **investment in infrastructure, strengthening of labour market institutions, emphasising skill development** and **reforms in doing business** will be called for **to attract private investment** from both domestic and foreign sources

Conclusion

- **The overall employment scenario**, going **beyond unemployment rate**, **should be a critical metric** to **assess** the level, nature, trend and success of **recovery** from the crisis
  - The COVID-19 **pandemic and its impacts** are **still unfolding**. There is a **heightened need** to **monitor** the **impacts of attendant developments** on the labour market scenario on a continuous basis

Thank You