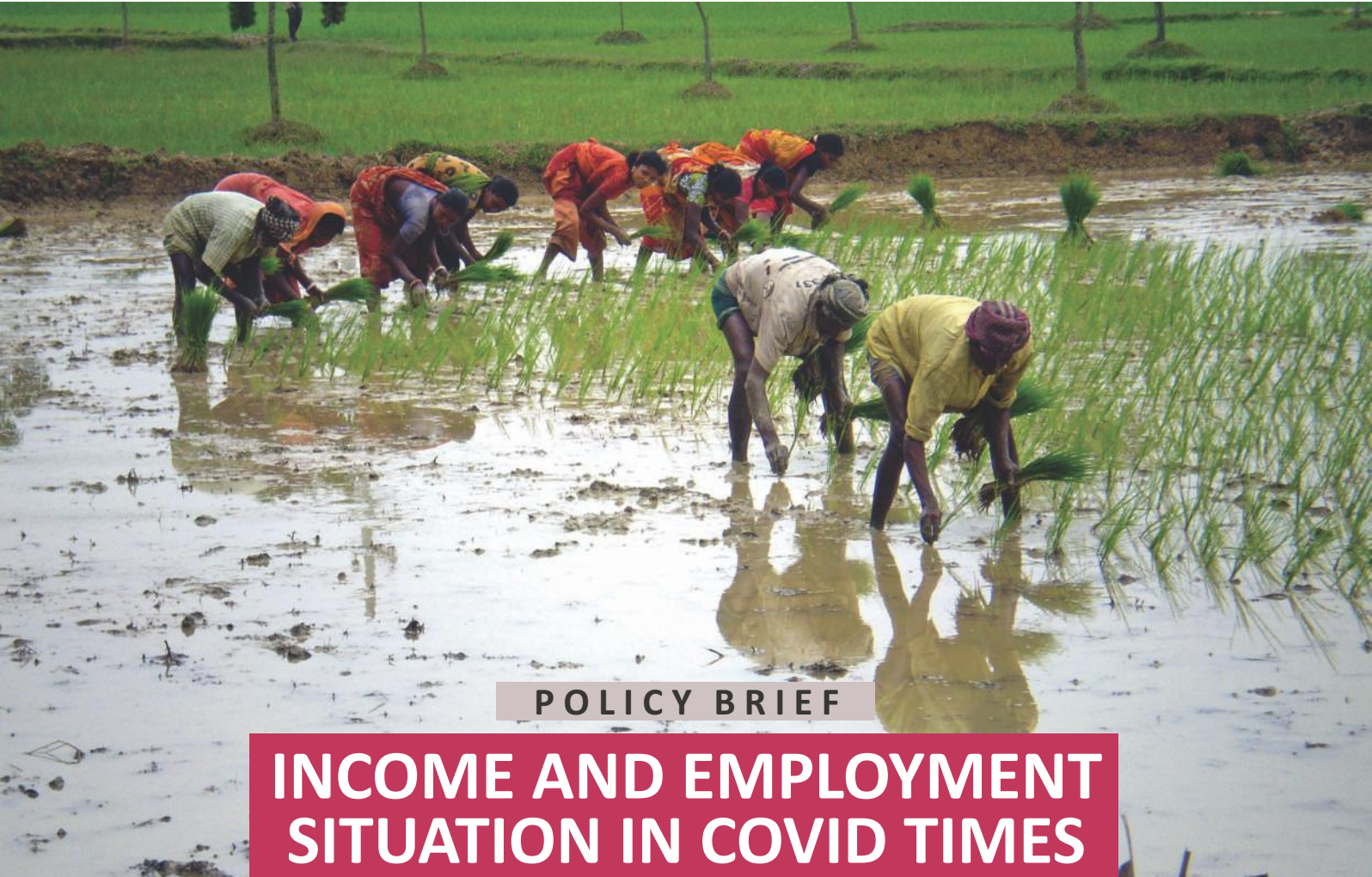




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POLICY BRIEF

INCOME AND EMPLOYMENT SITUATION IN COVID TIMES

HOW THE PEOPLE ARE COPING?

Mustafizur Rahman
Towfiqul Islam Khan
Muntaseer Kamal
Marfia Alam

CONTEXT

The ongoing COVID-19 pandemic has confronted Bangladesh with a multi-pronged crisis. The adverse impacts of the pandemic experienced in the form of health risks, humanitarian disasters and adverse economic implications have both short-term impacts as also medium to long-term ramifications at macro, meso and micro levels. Following the first detection of

COVID-19 in March 2020, and in the backdrop of the upward trends in the number of infections and deaths in recent times, Bangladesh has experienced frequent stoppages and slowdown of economic activities with consequent heightened risks for lives and livelihoods. Many have lost jobs, and the income of a large number of people has come down significantly, not to speak of the emergency health situation that many families have to face.

The adverse impacts of the pandemic will no doubt make the work on attaining the sustainable development goals (SDGs) in Bangladesh, a challenge even under normal circumstances, even more challenging. With the large number of new poor joining the rank of the old poor, this task has become even harder.

The task of achieving decent employment for all participants in the labour market (as is conceptualised in SDG 8) has thus emerged as a critical concern, alongside health, in the backdrop of the COVID-19 pandemic. Apart from SDG 8, the attainment of several other goals, more particularly, no poverty (SDG 1) and reduced inequality (SDG 10) will be under serious threat due to the loss of employment opportunities and income erosion induced by the pandemic. How households and individuals are coping with the emergent situation, what adjustment mechanisms they are pursuing in view of this and how effective are the public policies in terms of helping the marginalised people remain critically important concerns and considerations as Bangladesh tries to deal with the attendant challenges.

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In view of the above, the present Policy Brief spotlights the adjustment processes through the specific lens of the employment scenario in the context of the COVID-19 pandemic. The idea is to examine in detail the adjustment processes and mechanisms at individual and household levels, i.e., the supply side of the labour market, rather than the demand side of the equation.

In connection with the above, the Policy Brief sheds light on seven key aspects of the employment scenario in view of the pandemic. These relate to the impact of the pandemic on the employment scenario, the relocation of jobs in the labour market, the dynamics of working hour, income erosion and the restoration of

income to pre-pandemic levels, the perception of stakeholders in relation to their current employment status, the coping strategies of households in view of reduced income, and the overall impact of the COVID-19 pandemic on the poverty and inequality scenario of the country. It is hoped that an in-depth investigation into the employment adjustment processes will enable policymakers to have an informed understanding of the realities on the ground and provide insights into the policies to be pursued considering the emergent COVID-induced situation. The aim is to help the vulnerable and marginalised participants in the labour force so that they can better adjust to and cope with the new situation.

METHODOLOGY

To elicit necessary information and evidence for the study, an integrated research approach was pursued as part of the study involving both quantitative and qualitative tools and techniques. A nationally representative household survey was conducted as part of quantitative research. The districts covered are Dinajpur, Rangpur, Rajshahi, Sirajganj, Jamalpur, Mymensingh, Gazipur, Dhaka, Sunamganj, Sylhet, Satkhira, Khulna, Pirojpur, Barishal, Feni, and Chottogram. Following the sampling framework of the Labour Force Survey (LFS) conducted by the Bangladesh Bureau of Statistics (BBS), 2,600 households were selected for the survey, ensuring appropriate representation of rural and urban areas. In addition to this, 16 focus group discussions (FGDs) were conducted as part of qualitative research, to supplement the household survey findings. These were carried out with the participation of eight pre-defined groups, which included RMG workers, returnee migrants, retail and sales workers, construction workers, transport workers, MSME entrepreneurs, hotel and restaurant workers, and domestic help (cleaners and housemaids). The FGDs were conducted in Dhaka, Chottogram, Rajshahi and Khulna. As part of both quantitative and qualitative surveys, information were collected on respondents' education, training, work status, occupation, income, expenditure, perception regarding the impact of the pandemic and adjustment they were forced to make in terms of securing employment, among others. The collected data was disaggregated by location, age, gender, and other criteria. The fieldwork for the survey was conducted between late January and early February 2021. This was before the second wave of the pandemic hit the economy.

KEY FINDINGS FROM THE SURVEY

1. How had the pandemic impacted the employment scenario in Bangladesh?

- A large part of the employed population, i.e., more than 60 per cent, lost their jobs at some point due to COVID-19 (Figure 1). This was mostly in April and May 2020 when the 'general holiday/lockdown' was put in place in view of the first wave of the pandemic.
- About 85 per cent of the people who were employed in the pre-COVID period but lost their jobs due to the pandemic remained unemployed for more than one month (Figure 2).
- On a positive note, almost all of these people were able to find jobs by January-February 2021, when the most acute impacts of COVID-19 had started to recede, although at the cost of various degrees of income erosion.

Figure 1: Respondents' perception (who were employed in February 2020) as regards being unemployed due to COVID-19 (in per cent, excluding 'not applicable' responses)

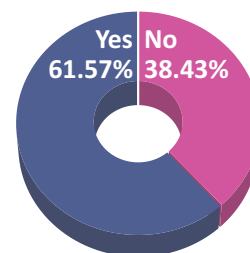


Figure 2: Number of days respondents (who were employed in February 2020) remained unemployed as a result of COVID-19

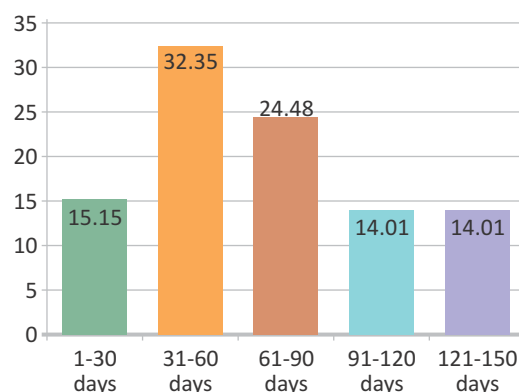
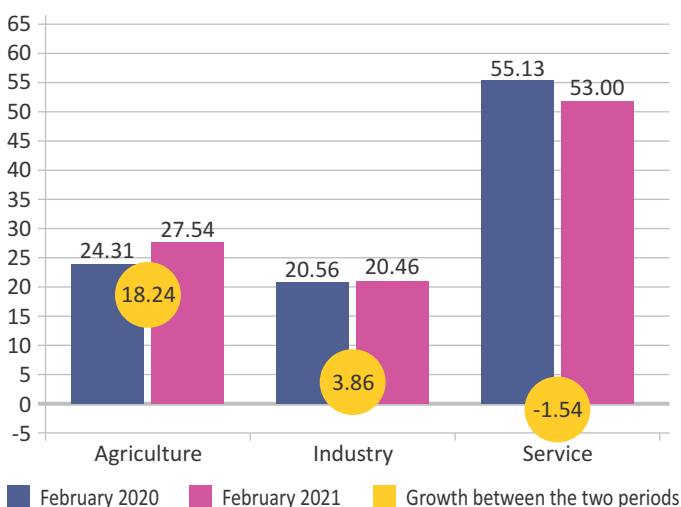


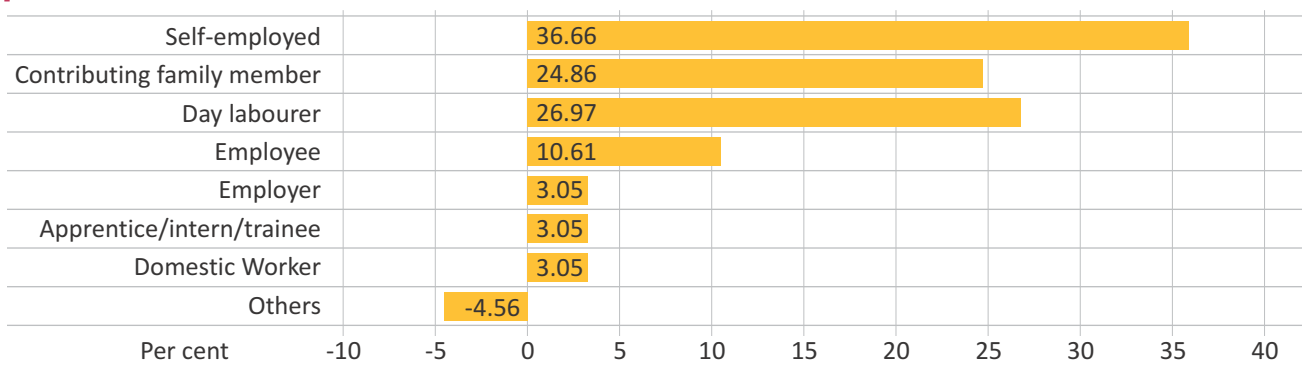
Figure 3: Share and growth of employed population aged 15 years or above, by broad economic sectors



2. Where did the jobs get relocated?

- Much of the incremental employment was generated in the agriculture sector. At the same time, a significant number of people left the service sector (Figure 3), while many of them found employment in agriculture. Given the nature of the economic recovery, it is likely that structural transformation had gone backwards.
- When the worst effects of the pandemic started to recede, there was a substitution of formal sector employment by informal sector jobs. This is corroborated by the evidence that about 90 per cent of the incremental jobs were in the form of self-employment and as contributing family members and day labourers (Figure 4).

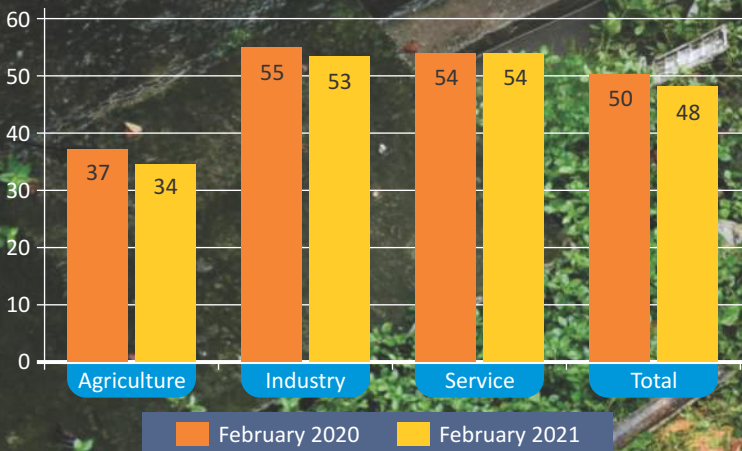
Figure 4: Incremental share of employed population aged 15 and above, between February 2020 and survey period, by employment status



3. What happened to working hours?

Average working hours have declined in view of the pandemic, particularly in the agriculture sector, followed by the industry sector (Figure 5). Although people were able to find jobs in the agricultural sector, as will be evinced later, agricultural workers experienced the largest decline in average income. These two trends, in combination, indicate an increase in hidden unemployment with consequent income erosion.

Figure 5: Average weekly working hour per employed person, by broad economic sector



4. Are incomes being restored to pre-COVID level?

- Higher number of jobs did not translate into the restoration of pre-COVID-level income, let alone higher income. There was income erosion, to various extents. On average, income loss was true for both individual and at the level of households. About 45 per cent of individuals experienced lower income compared to the pre-COVID-19 period.
- Income erosion was observed in both rural and urban areas. Even though the pandemic had affected people's income more in urban areas than in rural areas, the difference was not found to be significant (Table 1). However, a fall in income is discernible across all occupations.

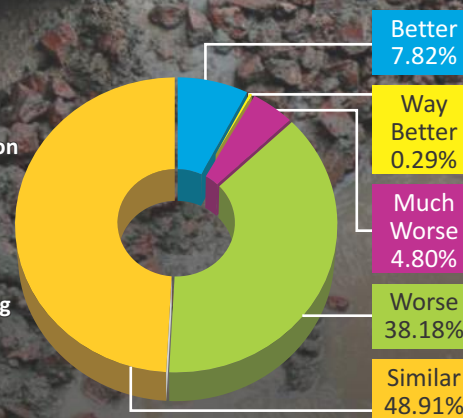
Table 1: Growth rate of average monthly income of individuals, between February 2020 and February 2021, by sector of occupation and location

Sectors	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	12.65	-19.17	-4.06
Other services	-5.97	-11.24	-7.87
Total	-11.31	-12.97	-11.92

5. Are people satisfied with their present employment status?

- More than 40 per cent of the employed population reported that their employment situation deteriorated following the pandemic compared to that of the pre-COVID period (Figure 6).
- Survey findings reveal that 86 per cent of individuals were not earning enough to meet their daily necessities in view of the pandemic.

Figure 6: Comparison between pre and post COVID-19 employment situation based on respondents' perception (excluding 'not applicable' responses)



6. How did households try to cope with lower income?

- More people were looking for jobs that offered better income. There has been a considerable surge in labour force participation, including on the part of women and youth.
- It is likely that lower income at the individual level has forced a higher number of household members to seek employment, particularly female and youth members. This is evident from the higher

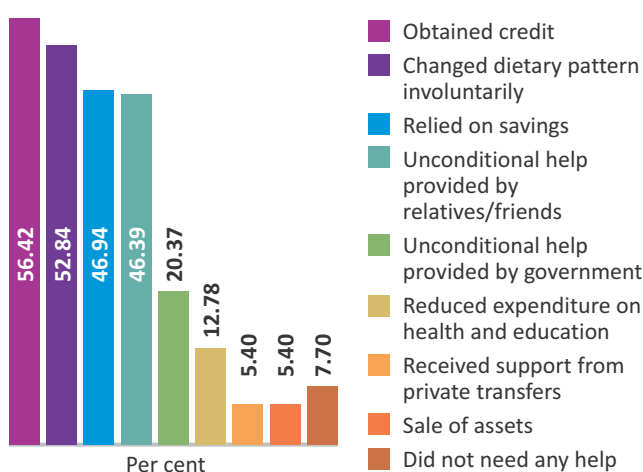
incremental contribution of the female and youth cohorts in the labour force following the pandemic (Table 2). However, as reported earlier, many ended up working with lower income and lower working hours as they moved to the agricultural sector.

- Reduction in income had compelled households and individuals to reduce lower expenditure. More than half of the households had changed their dietary pattern involuntarily (Figure 7). Survey findings reveal that about 78 per cent of the individuals had reduced expenditure to cope with lower income.

Table 2: Incremental share of labour force aged 15 years and above, between February 2020 and February 2021, by age group, gender and location (in per cent)

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

Figure 7: Household level coping strategies of respondents



- More than half of the households had to resort to borrowings to cope with the decline in income.
- Nearly 50 per cent of the households had to withdraw savings or received help from private sources such as friends, family members, neighbours and private charity.
- Government support was not adequate to compensate for the income erosion. Only about 20 per cent of the households could obtain some form of support from the government.

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

Survey findings reveal that a significant number of people has been pushed into lower-income groups as a consequence of the reduction in income. As such, this was indicative of a rise in overall poverty in the country.

Income inequality has also worsened as the income share of the bottom half of the population dropped as a direct consequence of the pandemic (Figure 8).

The findings presented above reveal a number of disquieting trends. A summary picture of the aforementioned employment and income trends, in the backdrop of the pandemic, and the consequent coping

Figure 8: Percentage distribution of income accruing to household groups (deciles) in February 2020 and the survey period

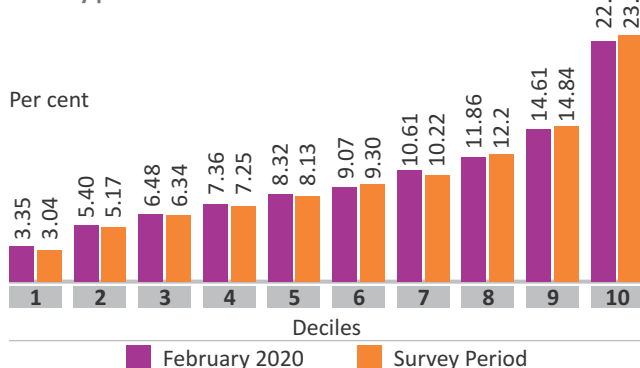
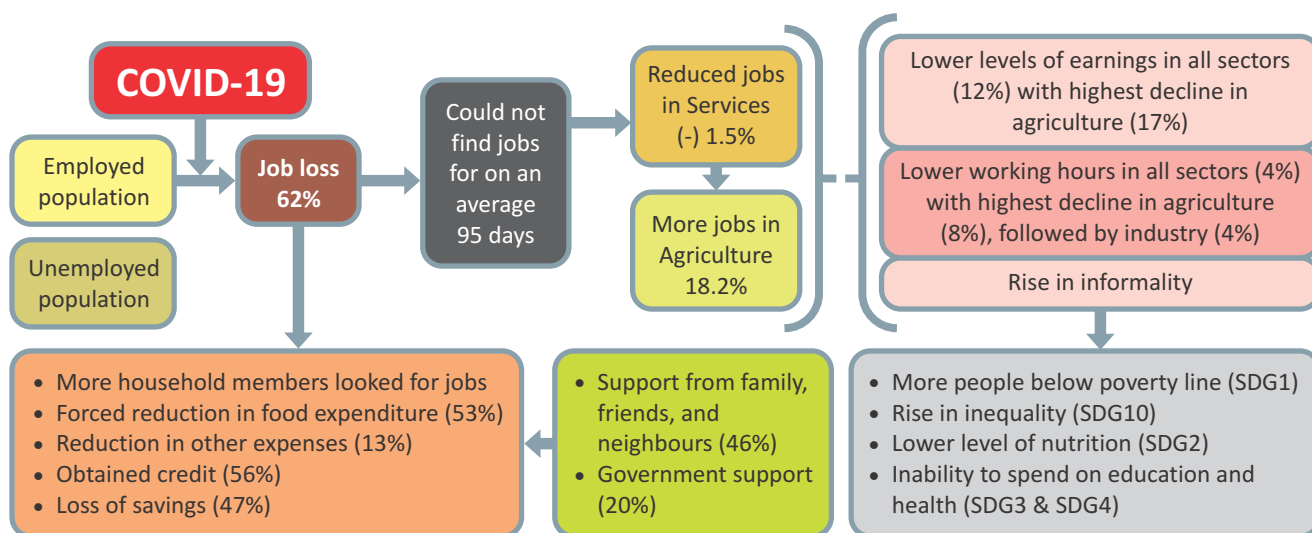


Figure 9: Impact of COVID-19 on Bangladesh through employment channel



strategies pursued by people is presented in Figure 9. There has been a significant deterioration in terms of average monthly income and loss of working hours.

A rise in distress-employment is also manifested in the increasing share of self-employed, contributing family workers, and day labourers and reverse migration to the agriculture sector. These have resulted in rising inequality with falling shares of income of the lower-income deciles and a rise in the poverty level.

Since many households had to experience reduced expenditure on food, education and health, progress in terms of the concerned development indicators also faced challenges. Loss of savings and rising debt at the household level could also slow down the recovery process.

These findings constitute a powerful body of information, not only to dispel any complacency as regards recovery and also underscores the need for better preparedness and what needs to be done in view of any likely future wave of the COVID-19 in Bangladesh.

POLICY RECOMMENDATIONS

The present Policy Brief, prepared on the basis of the study titled “COVID-19 and Employment Related Adjustments: Findings from Household Survey in Bangladesh”, makes an attempt to capture the adjustment processes pursued by individuals and households in the backdrop of the first wave of the COVID-19 pandemic. The impact areas studied were related to employment and income.

The brief deepens our understanding of COVID-19-induced vulnerabilities and risks, adjustments and opportunities as far as the emerging employment scenario of Bangladesh is concerned. The findings from the household survey confirm that individual and household level adjustments in income and expenditure critically hinge on the underlying adjustments in terms of employment that had to be made during the pandemic. Indeed, this had ramifications for other areas associated with household well-being, including poverty level and nutritional status. The statistical analyses clearly show that employment is a key driver of an economy in times of emergencies such as the pandemic. They also make obvious its link to many critical development areas, including income, consumption, and inequality. As the scourge of the COVID-19 pandemic continues to devastate the economy, the possible impact of the second wave only calls for a more structured approach. The urgency to monitor and assess the attendant developments in the labour market scenario cannot be overemphasised. Hence the insights drawn from the survey continue to remain relevant and pertinent. One important caveat must also be remembered, looking at the unemployment rate alone will not be adequate. Rather, the overall employment scenario must be the critical metric to assess the level, nature, trend, and success of recovery from the COVID-19 crisis. Taking this into cognisance, the immediate, short-term and medium-term challenges originating from the pandemic need to be taken into cognisance while designing policy responses and executing policy actions to rejuvenate employment, stimulate the labour market and, subsequently, the economy.

Considering immediate challenges

- 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 boost domestic aggregate demand, stimulate supply-side response creating opportunities for new employment.
- Higher coverage and more budgetary allocations are required for social safety net programmes, particularly in the form of cash transfer.
- It is important to note that the impact of the COVID-19 pandemic has not been a mere urban phenomenon. Rural households have also experienced a considerable loss of income in the past year, as has been borne out by the survey. Investment in labour-intensive rural road and infrastructure and locally identified social and economic projects would bring benefits by providing the stimulation to the rural economy.
- Public investment projects need to be prioritised to address the vulnerabilities in the labour market as also to prepare for sustainable recovery.

Considering short-term challenges

- Over the short-term, the stimulus packages will need to be redesigned in light of the implementation experience of the past year. As is known, these packages were able to reach only a small part of the employed population, and the support was not adequate in view of the needs.
- Because of the slow implementation of stimulus packages for MSMEs and the agriculture sector, expected results in the form of employment protection, retention and creation could not be achieved. The relative inexperience of lenders and process complexities have led to slow and low disbursement of the stimulus package for these sectors. In view of this, greater importance must be

given to extending such supports with active involvement of non-government organisations and microfinance institutions.

Considering medium-term challenges

- In the medium term, the aspiration to 'build back better' should guide the path to economic recovery. Existing weaknesses in the labour market governance and employment related areas should be acknowledged as an important component of this road map. There should be an adequate policy response, including the introduction of an employment insurance scheme.
- To sustainably enhance decent job opportunities, the private sector will need to play a proactive role. For this to happen, investment in infrastructure, strengthening of labour market institutions, ensuring rights of workers and reforms to help improve the business scenario will be necessary. An environment conducive to such developments will need to be created to attract private investment from both domestic and foreign sources.
- Effective support to MSMEs to help these to get back on their feet must be seen as an integral part of the strategy to build back better. Agricultural MSMEs, which has the capacity to bounce back quickly, and are one of the major sources of employment for the working poor, should be given due attention through both production and marketing support. It should be recognised that MSMEs are not homogenous entities. Support should be calibrated to their specific needs.
- New drivers of employment creation will need to be identified as Bangladesh economy gets on the path of recovery. These should include proactive initiatives in the areas of fiscal support, monetary and credit policies and labour market reforms particularly aimed at creating new opportunities in the employment sector. The pandemic has revealed where the opportunities of the 'new economy' are. Steps need to be taken to help the marginalised groups access these windows of opportunities.

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