Chapter 3
Inclusive Growth in Bangladesh: Evidence and Issues

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Abstract Bangladesh has been able to achieve noteworthy progress in terms of sustained economic growth, poverty alleviation and several other social indicators. Despite these being no mean achievement, the extent of inclusiveness of the attained growth still requires closer inspection. To this end, the present chapter attempts to assess Bangladesh's progress over time in achieving inclusive growth through a set of indicators under seven broad pillars, viz. poverty and inequality, growth and structural transformation, employment, access to infrastructure and public services, health and education, gender equality, and governance and institutions. This exercise would help to assess and underscore the sources and foundations of inclusive growth, and to identify the binding constraints to future growth and its equitable sharing. Furthermore, this chapter provides a cross-country comparison with six other Asian countries to portray a comparative performance of Bangladesh. Finally, it presents a composite inclusive growth index that enables both cross-country and intertemporal assessment. Based on the findings, this paper has identified four priority areas to be acted upon for the attainment of inclusive growth in Bangladesh, i.e. employment; access to infrastructure and public services; access to education, health and social protection; and governance and institutions.

3.1 Introduction

Since its independence in 1971, the Bangladesh economy has been a subject of widespread interest and research among national and international academia and development practitioners. During the 1970s Bangladesh was seen as a *test case*

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for development, with such challenges as, inter alia, tackling mass poverty (nearly four-fifths of the population was below poverty threshold) (Faaland and Parkinson 1976). Early efforts to grow a war-torn economy were handicapped by severe lack of resources, infrastructure and binding fiscal and balance of payments constraints. A quarter century later, at the back of sustained intensification of productivity of food agriculture, readymade garments (RMG)-based growth of industrialisation, and a steady flow of remittances from a rapidly rising number of migrant workers going abroad to seek an earning, Bangladesh managed to ease some of those binding constraints, and lay the foundations of stable growth, especially since the late 1990s (Rahman et al. 2014). It has since been a story of remarkably steady acceleration of economic growth with corresponding steady decline in poverty. Such overall robust economic performance has helped Bangladesh in graduating to a status of lower middle-income country (LMIC) according to World Bank income criteria in 2015 (Rahman and Bari 2016; ADB 2016). Understanding these achievements amid severe uphill conditions has equally given rise to varied research accounts on development planning in Bangladesh.

Furthermore, Bangladesh has attained substantial progress in a number of social indicators, and is often cited as the *development surprise* or *Bangladesh conundrum* for having leapfrogged on several social indicators, especially those under the Millennium Development Goals (MDGs), ahead of India and Pakistan, whose per capita incomes are relatively much higher (Mahmud et al. 2013; Asadullah et al. 2014). In particular, on counts of life expectancy, fertility rates, infant mortality, and girls' education, there has been significant progress within a short time. Population growth, within the dynamic of declining fertility and mortality rates and increasing enrolment of girls in primary and secondary education, has declined quite perceptibly; the demographic factor, often neglected in growth analysis, has played a significant role (World Bank 2012; Rahman et al. 2014). Per capita gross domestic product (GDP) growth has accelerated faster than overall GDP growth, thanks to a decline in population growth, moving from 1.5% during the 1980s to nearly 5% in the recent years, and to nearly 6% during the two most recent years. Together with this respectable per capita GDP growth, there has been the introduction and a rapid proliferation of various public expenditure and non-government organisation (NGO) programmes (especially microcredit), catering towards poverty alleviation, as well as elaborate safety nets and special employment and income programmes. These factors, along with changing demographic structure (resulting in a decline in dependency ratio), and increase in labour income, etc. have, within a span of two decades, nearly halved the incidence of poverty from its benchmark of nearly 57% in the early 1990s to attain an important MDG milestone (GED 2015a).

Despite this being a commendable feat, this chapter argues that the challenges in attaining an inclusive growth in Bangladesh are still formidable, one that would require a concerted and purposive strategy. Bangladesh's noteworthy economic and social progress over the last two decades—particularly in the case of poverty reduction and sustained economic growth was achieved in spite of major internal and external challenges, including natural calamities, the Global Financial Crisis

(GFC), and periods of major political instability. At the policy level, the importance of inclusive growth has also been recognised in Bangladesh. The Seventh Five Year Plan (7FYP) of Bangladesh aimed not only to adopt a set of strategies for fostering economic growth to a *seven-per-cent-plus* level, but also sought to implement complementary strategies and policies for making the growth-path inclusive (GED 2015b). The plan document, while defining inclusiveness, went beyond the income concept of welfare and included issues such as opportunity, productive employment and access to services for the marginalised and physically challenged people. Thus, the present policy framework of Bangladesh government aspires to attain an economic growth which is sustainable, broad-based in terms of employment opportunities, and one that would benefit the marginalised. The importance of governance-related issues was also acknowledged in the inclusive growth concept of 7FYP. The plan document emphasised that for development to be meaningful, its benefits must be widely shared by all the citizens of the country which would require strengthening of the key institutions, ultimately fostering inclusion (GED 2015b). Among the institutional aspects recognised by the 7FYP, pluralistic democracy is one. However, other institutional aspects concerning issues such as gender equality, access to education, health and social protection, employment opportunity, protection of labour rights to organise and strive for decent wages are also recognised as critical. These issues are particularly outlined in the 2030 Agenda for Sustainable Development, which Bangladesh has adopted as future guideline for its national development agenda. Having such a comprehensive development perspective has become more pertinent in view of the recent outbreak of COVID-19 when guarantee for healthcare, social protection and decent employment for all citizens has become critical for every nation.

How inclusive has growth been in Bangladesh? There may be multiple issues with regard to building an empirical base to assess a country's progress on inclusive growth. Nevertheless, the present chapter attempts to trace the progress of Bangladesh on the seven pillars involving seven development goals that the present book has identified (see Chap. 2), through trend analysis of various indicators under each pillar. The multiple indicators under each pillar are purported to provide a broad gauge of how Bangladesh is faring with regard to the respective development goals. Although inclusive growth has many qualitative dimensions as well, such empirical constructs nevertheless would help to assess and underscore the sources and foundations of such growth, and to identify the binding constraints to future growth and its equitable sharing in its outcomes and processes. To this end, this chapter tracks progress in the areas of the aforementioned seven goals related to inclusive growth in Bangladesh. Finally, it attempts to construct an inclusive growth index[1] for Bangladesh to evaluate broad progress of the country as well as its relative position vis-à-vis a select set of developing countries, drawn largely from South Asia (India, Nepal, Pakistan and Sri Lanka) and two from Association of Southeast Asian Nations (ASEAN) (Vietnam and Cambodia). This is simply indicative in nature, intending to portray

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[1]See Box 3.1 in Sect. 3.10 for details on the construct of the index.

the comparative performance of Bangladesh. The proposed inclusive growth index also provides a benchmark assessment of Bangladesh's journey towards inclusive development during the recent period.

3.2   Sustainable Growth and Structural Transformation

During the past two decades, there has been, by and large, a marked increase in the rate of economic growth of Bangladesh. GDP growth has been fairly steady and rising; apart from the initial odd years since the mid-1990s, average annual growth rates have steadily increased from around 5% to around 7% (8.2% in 2018–19). Such a growth trend over a long period also showed remarkable resilience during the global financial and economic crisis of 2007–08 and has contributed significantly to a decline in the poverty incidence (Rahman et al. 2009, 2010; ADB 2016). The average growth rate of GDP per capita has increased by two and half times between 1991–1995 and 2011–2015 periods in Bangladesh. From among the selected countries, India had the highest average per capita GDP growth (5.5%) during 2011–2015, followed by Cambodia (5.5%), Sri Lanka (5.3%) and Bangladesh (5.1%) (Fig. 3.1). However, Bangladesh is the only country among them which could sustain and increase its average per capita GDP growth rate for a prolonged period. All the others have experienced volatility. Thus, growth has also been less volatile in Bangladesh, compared to the comparator countries. However, this growth trajectory may change in view of COVID-19. The global economy collectively is expected to experience the deepest recession in the recent decades (World Bank 2020), while GDP growth in Bangladesh is also anticipated to slow down in 2020. According to CPD (2020), GDP growth rate may not be more than 2.5% in 2019–20, which was originally programmed to be 8.2%.
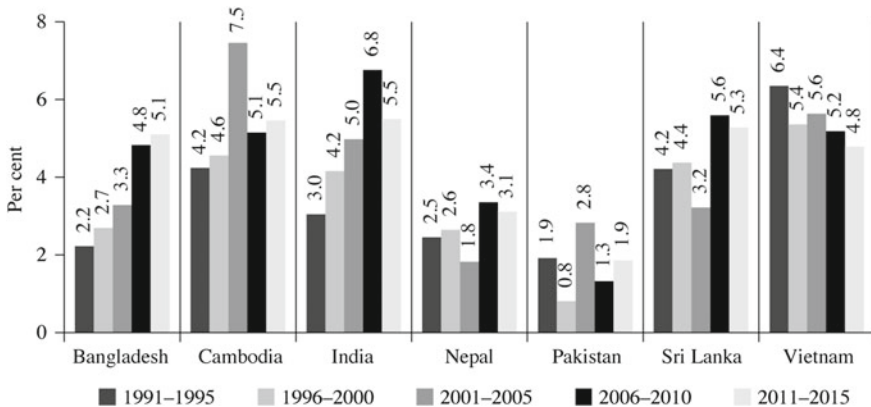

Fig. 3.1 GDP per capita growth (annual %, 5-year average) *Source* World Bank (n.d.a)

Table 3.1 Bangladesh's performance under selected indicators of growth and structural transformation

Indicator	1991	1995	2000	2005	2010	2015	2018
GDP per capita growth (annual %)[a]	N/A	2.3	2.7	3.3	4.8	5.1	6.3
Output per worker (GDP constant 2010 USD)	1,263	1,352	1,491	1,709	2,088	2,617	2,948
Manufacturing, value-added (% of GDP)	14.0	15.9	14.0	14.7	16.1	16.8	18.0
Gross value of agricultural production (current USD) per hectare	796	926	896	1,359	2,052	2,813	2,877[b]
Gross fixed capital formation, private sector (% of GDP)[a]	N/A	11.2	16.4	19.1	21.4	22.1	23.1
Export concentration index (HHI)	N/A	0.34	0.37	0.38	0.40	0.41	0.40

Source World Bank (n.d.a), ILO (n.d.), FAO (n.d.); UNCTAD (n.d.), and authors' calculations
Note HHI: Herfindahl-Hirschman Index
[a]The considered periods were 1991–1995, 1996–2000, 2001–2005, 2006–2010, 2011–2015, 2016–2018; [b]As of 2016; N/A implies not available

A decomposition of per capita GDP shows that around 71% of the growth in GDP per capita was attributed to increasing productivity, particularly in the industry sector (World Bank 2013). Labour productivity increased by more than two times to USD 2,948 in 2018 from USD 1,263 in 1991 (Table 3.1). However, the extraordinary growth levels of total factor productivity (TFP) that have been important drivers for Bangladesh's growth so far (Rahman et al. 2014; World Bank 2012) may not be sustainable. The contribution of capital stock to GDP growth has been minor in recent years, despite increases, albeit slow, in investment to GDP (ADB 2016).

Along with a steady GDP growth, Bangladesh's economy has been undergoing a moderate degree of structural transformation. There can be multiple dimensions and indicators of structural transformation, the more traditionally understood being the changing shares of the various sectors in national value-added, and in total employed labour force. In Bangladesh, the transformation is more evident in terms of the former than by the latter. In terms of value-added, the manufacturing sector has increasingly claimed a greater share in total GDP from 14% in 1991 to 18% in 2018 (Table 3.1). The role of services in the growth process is vital as it is the single largest contributor to the GDP (53% in 2018). This stable share of services and rising share of industry, particularly manufacturing, brought down the share of agriculture from about one-third of GDP in 1990 to 13.1% in 2018. While this shift has often been identified as a *poverty-reducing shift* and is necessary to sustain and improve the current growth rates (World Bank 2013), a more critical measure widely used to characterise structural transformation is the sectoral shares in employment, which have not correspondingly changed as markedly as the sectoral shares in value-added (ADB and ILO 2016). This is further discussed below.

There are indeed several other indicators that would support the extent and nature of the structural transformation in the economy. The present study has briefly looked

at three such indicators. First, growth in agriculture and its productivity which is vital to an economy's transformation. Bangladesh has more than tripled its value of agricultural production from USD 796 per hectare in 1991 to USD 2,877 per hectare in 2016 (Table 3.1); however, this is still tangibly behind Vietnam, Nepal and Sri Lanka. One may note that agricultural productivity was far higher in East Asian economies during the 1960s and 1970s than those achieved by the countries under study. In Bangladesh, introduction of high-yielding variety (HYV) technology and higher cropping intensity have led to higher productivity from which farmers have certainly benefitted (Rahman and Khan 2015). The value of agricultural production per hectare grew at a faster rate (8.9%) in Bangladesh during 2001–2016 period compared to 1991–2000 period (1.3%). This pace of acceleration was much higher in Cambodia, Vietnam and Nepal during the corresponding period.

Second, the average share of private investment to GDP which has increased by more than 10 percentage points from 11.2% in 1991–1995 to 23.1% during 2016–2018 period. This is well below the observed levels (more than 30% of GDP) attained by the majority of the East and Southeast Asian countries during their early growth episodes. Furthermore, private investment in Bangladesh has been stagnated around 22% of GDP during most part of the last decade. Lack of adequate infrastructural facilities including supply of quality electricity and gas, relatively high rates of lending and lack of confidence among investors due to political uncertainties are some of the commonly cited reasons for stagnation in private investment in Bangladesh during this decade (CPD 2014, 2015).

Third, the export structure of Bangladesh, which reflects growth and maturity in the trade and industrialisation scenario of an economy, is yet to show perceptible diversification; instead, it is highly concentrated in some particular products. Based on the HHI or concentration index, export concentration in Bangladesh has increased in recent times and (with a value of 0.4) is the highest among the selected countries (Table 3.1). In point of fact, Bangladesh's export basket has continued to remain concentrated in only *one* product—apparels, and particularly in low-end items (Rahman 2014). In Bangladesh, the export growth was mainly concentrated in the garments sector (i.e. RMG) due to the advantage given to garments by Multi Fibre Arrangement (MFA) quotas before 2005 and preferential access to foreign markets (ILO 2013).

Bangladesh has been able to maintain a steady economic growth since the 1990s leading up to 2018. Nonetheless, stagnant private investment and high concentration of export to a single product will continue to pose challenges. Increased physical and human capital investment, coupled with the growth of TFP will be crucial towards graduating to upper middle-income country (UMIC) status as well as achieving a sustainable economic growth.

3.3 Poverty and Inequality

Bangladesh's sustained growth, complemented by a large number of long-standing public and NGO programmes that are focused on providing income and employment entitlements to the poor and vulnerable, have led to a significant fall in the incidence of poverty, and have contributed to meeting the MDG target of halving poverty incidence by 2015 (see Tables 3.2 and 3.3). There have equally been significant improvements in various other MDGs and social indicators (Jolliffe et al. 2014). As shown in Table 3.2, the poverty incidence declined from 56.6% in 1991–92 to 24.3% in 2016. The incidence of extreme poor denoted by the lower poverty threshold has

Table 3.2 Poverty trends in Bangladesh during 1991–92 to 2016 (%)

Year	National poverty line		USD 1.90 (2011 PPP)
	Upper	Lower	
1991–92	56.6	41.0	44.2
1995–96	50.1	35.6	35.7
2000	48.9	34.3	34.8
2005	40.0	25.1	25.7
2010	31.5	17.6	19.6
2016	24.3	12.9	14.8

Source Household Income and Expenditure Survey (HIES) (various issues), Bangladesh Bureau of Statistics (BBS); World Bank (n.d.a)
Note PPP: Purchasing Power Parity

Table 3.3 Income Gini coefficient in Bangladesh: 1973–2016

Year	National	Rural	Urban
1973–74	0.36	0.35	0.38
1981–82	0.39	0.36	0.41
1983–84	0.36	0.35	0.37
1985–86	0.38	0.36	0.37
1988–89	0.38	0.37	0.38
1991–92	0.39	0.36	0.40
1995–96	0.43	0.38	0.44
2000	0.45	0.39	0.50
2005	0.47	0.43	0.50
2010	0.46	0.43	0.45
2016	0.48	0.45	0.50

Source Statistical Yearbook of Bangladesh (various issues) and HIES (various issues), BBS

been even more significant, dropping from 41 to 12.9% during the same period. The rate of decline during this period outperformed a majority of countries (Giménez et al. 2014).

Nevertheless, Bangladesh's notable progress in reducing income poverty during the last two decades has been universally acclaimed by national and international experts as noteworthy, partially overcoming the challenges of being a *test case of development*. In fact, the rate of poverty reduction has been faster in the present decade compared to the previous ones (GED and UNDP n.d.). The incorporation of MDGs with national plans and policies, after their inception in 2000, powered the poverty reduction process of Bangladesh (Rahman et al. 2014). The steady growth of per capita income, growth of agricultural productivity and real wages, the spurt in RMG exports and remittances from migration have been significant explanatory factors (Rahman et al. 2014; ADB 2016). Empirical studies (Osmani et al. 2013; Osmani and Latif 2013) identified few other important factors that significantly contributed to rural poverty reduction, such as access to assets (both land and non-land), education, increasing number of household working members and greater connectivity. Furthermore, microfinance activities grew immeasurably during the 1980s and 1990s in terms of both scale and scope following the expansion of NGOs including Grameen Bank and BRAC. Khandker and Samad (2014) estimated that microcredit intervention contributed to more than 10% of extreme poverty reduction in rural Bangladesh during 2000–2010 period. Meanwhile, using a longitudinal household panel database, Razzaque (2010) estimated that the poverty headcount ratio of all the eligible non-participant households would fall by 7 percentage points, if they were brought under microfinance.

Nonetheless, despite this impressive achievement, there is little scope for complacency. Sobhan (2010) suggested that the persistence of widespread deprivation has been owing to the failure of policy regimes to address the root causes of poverty, i.e. in the inequitable distribution of economic and political resources. The incidence of poverty in Bangladesh is still one of the highest among the seven countries that are examined in this paper. Furthermore, the national poverty still encompasses a substantial portion of vulnerable population. Indeed, based on both national and comparative perspectives, deprivation still remains widespread in Bangladesh. A recent study by Bhattacharya et al. (2016) found that there exists regional disparity with regard to poverty reduction during the MDGs period. In view of COVID-19, poverty rate in Bangladesh may further increase—CPD (2020) estimated that COVID-19 may result in a rise of national poverty rate to 35% in 2020.

While poverty is on the decline, there is concern over steadily rising inequality, which could potentially inhibit the pace of growth and poverty reduction (Khan 2015). Bangladesh's income inequality has risen since the 1990s, commonly measured with Gini index, and as observed in Table 3.3. Osmani (2015) noted that from 2000 to 2010, Bangladesh experienced steady and strong GDP growth, averaging a rate of 5.8% per year, accompanied by rising income inequality. In fact, income inequality has been steadily increasing, and in view of COVID-19, income inequality may increase further to 0.52 in 2020 (CPD 2020).

Table 3.4 Performance of Bangladesh in selected indicators of poverty and inequality

Indicator	1990	1995	2000	2005	2010	2015	2018
Poverty headcount ratio at national poverty lines (% of population)	56.6[a]	50.1	48.9	40.0	31.5	24.3[b]	N/A
Poverty headcount ratio at USD 1.90 per day (2011 PPP) (% of population)	44.2[a]	35.7	34.8	25.7	19.6	14.8[b]	N/A
Median wealth per adult (USD)	N/A	N/A	452	544	1,069	2,152	2,673
Gini index (World Bank estimate)	27.6[a]	32.9	33.4	33.2	32.1	32.4[b]	N/A
Palma ratio	1.0[a]	1.3	1.3	1.3	1.3	1.3[b]	N/A
Expenditure on social protection (% of total government expenditure)	N/A	N/A	3.8[c]	2.5	7.5	6.5	6.3[b]

Source World Bank (n.d.a), IMF (n.d.), Credit Suisse (2019); and authors' calculations
Note [a]As of 1991; [b]As of 2016; [c]As of 2001; N/A implies not available

Inequality is tricky to measure, and various assumptions and perspectives provide different outcomes. Thus, as World Bank (2017) suggests, referring to consumption expenditure, inequality in Bangladesh has been steady and at an acceptable level. In terms of consumption expenditure, Bangladesh has had a relatively lower inequality among the selected countries. Though expenditure inequality was higher in post-2000 periods than it was in 1990s, it is relatively low by regional comparison and has remained fairly stable in recent years.

An alternative measure of inequality is the Palma ratio,[2] which is seen to be increasing consistently since the mid-1990s. The ratio increased from 1 in 1991 to 1.3 in 2016 (Table 3.4). However, Bangladesh appears to have a comparatively better ratio, while Vietnam, Sri Lanka and India showed more inequality with ratios of 2.1, 1.6 and 1.5, respectively. Income share held by the poorest 40% of population is regarded as a proxy for assessing the conditions of the vulnerable non-poor. In Bangladesh, these vulnerable groups include particularly those in self-employment, own account workers, unpaid family helpers and casual day workers (Islam 2014).

The above empirical observations tend to show fairly convincingly that income inequality in Bangladesh is much higher than consumption inequality (as observed from the respective Gini values), and that income inequality is constantly rising. As well-known, incomes of the rich are almost always underestimated, partly due to non-reporting and tax-avoidance. However, part of the explanation of rising income inequality may lie in the overall wealth distribution and other income-generating assets amongst the population. Bhattacharya et al. (forthcoming) attempted to estimate an approximate wealth distribution based on unit-level data from HIES 2005, 2010. Table 3.5, estimated under some assumptions, shows that wealth distribution is even more skewed than income, and that wealth inequality has increased (Gini ratio increased from 0.72 in 2005 to 0.74 in 2010). The aforesaid study demonstrated that income and wealth inequalities have increased in recent years which appear to be

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[2]Palma ratio is the ratio of the richest 10% of the population's share of gross national income (GNI) divided by the share of the poorest 40%.

Table 3.5 Concentration of wealth at household level in Bangladesh: an approximation

Household position/indicator	National		Rural		Urban	
	2005	2010	2005	2010	2005	2010
Bottom 5%	0.06	0.04	0.01	0.08	0.02	0.02
Top 5%	47.99	51.32	35.24	35.75	51.67	53.64
Gini coefficient	0.72	0.74	0.63	0.62	0.78	0.79

Source Bhattacharya et al. (forthcoming)
Note Wealth is the sum of the value of agricultural assets, non-agricultural enterprises, owner-occupied houses, consumer durable goods, other land and properties, and other assets

greater in urban areas. In addition, there exists vast disparity between households with the highest and lowest wealth status. Meanwhile, median wealth per adult increased by 10.4% on average from USD 452 in 2000 to USD 2,673 in 2018 (Table 3.4), which is the third lowest among the comparator countries.

Social protection may contribute to different well-being dimensions to various degrees. Babajanian et al. (2014) identified reduced household health expenditure, increased food security and productive capacity, enhanced knowledge and social relations, and increased household consumption to be main contributions of social protection schemes based on their study on India, Bangladesh, Afghanistan and Nepal. Each of the aforementioned impacts has significant implication towards poverty reduction. For social protection, Bangladesh spent 6.3% of total government outlay in 2016 while the figure was 3.8% in 2000 (Table 3.4). In the regional context, Bangladesh is lagging behind India and Sri Lanka (see Sect. 3.6).

Reduction of poverty and equality and enhancing the living standards of the bulk of the population will continue to remain a major development challenge. It is in order to ameliorate the conditions of these vulnerable groups and million others, who constitute the socially excluded, that Bangladesh has embarked on an inclusive growth strategy (GED 2015b). Such a strategy would need to scrutinise why inequality is growing so persistently and ascertain whether this could potentially slow down the pace of poverty reduction. Results by Zaman et al. (2012) indicated towards a shift in the spatial distribution of poverty over the last three decades and suggested the need for policy adjustment to spur further reduction in regional poverty.

3.4 Employment

As contended in a previous chapter, productive employment generation is a central metric of inclusive growth, and will be an imperative policy challenge to absorb the growing labour force, to distribute the benefit of economic growth, and to reduce poverty in a sustainable way. Empirical evidence also showed that in many countries, including Bangladesh, economic growth has not transpired to desired rate of growth of productive employment (Islam and Islam 2015). According to recent Labour

Force Surveys (LFSs), labour force is growing at 3.51% annually, while employment is growing at around 3.36% (Islam 2014). Although the unemployment rate is officially stated as 4.2% (BBS 2017), which could apparently signal a condition of full employment, there are multiple indicators to show that there exists considerable slack in the labour market. Thus, the employment challenge would be to absorb not only the net additions to the workforce, but also the stock of unemployed and underemployed. Additionally, there are studies to suggest that the bulk of the labour force in Bangladesh is vulnerable. These include particularly those in self-employment, own account workers, unpaid family helpers and casual day workers (Islam 2014).

Table 3.6 provides some reflections on the progress Bangladesh has achieved with respect to employment and labour market outcomes. Labour income was the single most important contributor to poverty reduction in the period 2000–2010, with a share of 70% in total income (World Bank 2013). Bangladesh is characterised by its large labour force which provides the country with a comparative advantage in the production of labour-intensive goods (World Bank 2007). Around 59% of the population in Bangladesh participate in the labour force, which was not very different in the early 1990s (Table 3.6).

According to World Bank (2012), at the present rate of labour force growth (3.2%), approximately 21 million people will enter into the labour force over the next decade. This poses both a challenge and a window of opportunity of demographic dividend for Bangladesh. However, Bangladesh economy has absorbed just under 50% of the increase in the working age population into the economy in the period 2000–2010. World Bank (2012) illustrated that even a 7% GDP growth annually would add only

Table 3.6 Performance of Bangladesh in selected employment indicators

Indicator	1990	1995	2000	2005	2010	2015	2018
Labour force participation rate, total (% of total population aged 15+) (modelled ILO estimate)	57.8	57.8	57.7	57.5	56.9	56.6	59.0
Unemployment, total (% of total labour force) (modelled ILO estimate)	2.2[a]	2.5	3.3	4.3	3.4	4.4	4.3
Unemployment, youth total (% of total labour force aged 15–24) (modelled ILO estimate)	5.5[a]	6.3	9.7	8.9	6.4	10.8	12.1
Employment in industry (% of total employment)[b]	N/A	13.0	10.0	14.1	16.1	20.8	20.5
Employment in manufacturing (% of total employment)[b]	N/A	11.8	7.4	10.4	11.7	16.4	14.4
Share of own account and contributing family workers (%)	N/A	69.4[c]	68.9	63.6[d]	62.2	57.7[e]	55.8[f]

Source World Bank (n.d.a); ILO (n.d.)
Note ILO: International Labour Organization
[a]As of 1991; [b]The considered periods were 1991–1995, 1996–2000, 2001–2005, 2006–2010, 2011–2015, 2016–2018; [c]As of 1996; [d]As of 2006; [e]As of 2016; [f]As of 2017; N/A implies not available

1.5 million jobs if the employment elasticity of growth does not decline any further. Islam and Rahman (2017, p. 6) citing ADB and ILO (2016) noted that in order to fully utilise surplus labour within about 15 years, Bangladesh needs to grow 8% annually. Furthermore, except for in Nepal, youth unemployment is increasing gradually in all the selected countries in the recent years. About 12.1% of youth were unemployed in 2018 in Bangladesh, which is nearly thrice the national average unemployment rate. An analysis by Toufique (2014) showed an increasing rate of youth unemployment with each incremental level of education which indicates the low level of skills required by labour market, dominated by self-employment. Rahman (2014) stated that the assumption of youth entering the labour market smoothly through family employment contributed to the negligence towards youth labour force in the context of Bangladesh's labour market analysis. The author further stressed, since the youth receives education and aspires to get paid jobs and move to new occupations, this assumption may no longer be valid. Therefore, they require separate analysis as they face distinct demand and additional vulnerabilities due to their age (Rahman 2014).

Bangladesh is still dependent on the agriculture sector to engage its vast labour force which provides employment to nearly half of its workforce. Its share of employment in the industrial sector is still very low—only 20.5% in 2016–2018 period, below all the selected countries. Most of the labour force is being absorbed in the informal sector characterised by low skills and low earnings rather than in productive manufacturing sector (Ghani and Ahmed 2009). Employment in manufacturing sector was only 14.4% during 2016–2018 period (Table 3.6). It should also be noted that decline in real income in the industry sector that occurred during 2006–2010, more than offset the gains that took place during 2000–2005 (World Bank 2013). At the same time, the share of own account and contributing family workers in total employment declined from about 69.4% in 1996 to 63.6% in 2005 which further reduced to 55.8% in 2017 (Table 3.6).

Bangladesh is far from achieving a major structural transformation, especially when measured by the changes in the sectoral shares of employment. As Table 3.7 shows, the share of employed workforce in agriculture had remained somewhat constant over 1995–96 to 2016–17 period, although the sector's share in GDP had fallen sharply.

Thus, in order to attain a sustained growth-path toward a middle-income country (MIC), Bangladesh would require undergoing substantial *structural transformation* that would be commensurate with the foundations of a higher-income economy

Table 3.7 Sectoral composition of employment (%)

Sector	1995–96	1999–00	2005–06	2010	2015–16	2016–17
Agriculture	48.9	50.8	48.1	47.5	42.7	40.6
Manufacturing	10.1	9.5	10.9	12.4	14.4	14.4
Construction	2.9	2.8	3.2	4.8	5.6	5.6
Services	38.8	36.1	37.5	35.3	36.9	39.0

Source LFS (various issues), BBS

Table 3.8 Employment elasticity between 1999 to 2017: Selected sectors

Sector	Employment growth per annum (%)	GDP growth per annum (%)	Employment elasticity of GDP
Agriculture, forestry and fishing	1.31	3.86	0.27
Manufacturing, mining and quarrying	4.96	8.55	0.42
Construction	6.95	7.89	0.81
Wholesale and retail trade, repair of motor vehicles	2.55	6.59	0.27
Transportation and storage	4.52	7.35	0.48
Total	2.65	5.98	0.33

Source Authors' calculations based on the data from BBS

(ADB and ILO 2016). Such a transformation is commonly observed through shifts in the *sectoral shares in total employment*. In particular, this is associated with tangible increases in the modern sector's share in total employment. The latter simply characterises relatively rising labour productivity in the economy, with labour force shifting away from low-productivity agriculture to high-productivity manufacturing and services sectors which signifies the Lewisian turning point (Khan 2015). In order to boost productivity and structural transformation, measures would need to be put in place to upgrade skills and education, and infuse higher technology and innovation (World Bank 2012; ADB and ILO 2016). Thus, productive employment generation would need to be associated with growth of jobs in higher productivity sectors, and other conditions to facilitate labour movements between sectors, as well as between regions.

Table 3.8 provides some estimates of the employment growth in selected sectors of the economy during the period 1999–2017, alongside sectoral employment elasticities with respect to output. The relatively higher elasticity, i.e. employment potential, came from manufacturing and construction sectors. It is not clear how much of this employment is in informal form, and how productive and remunerative these are (see Chap. 6 for a further discussion).

The lack of, or slow growth in formal sector jobs during the past three decades is possibly among the greatest failures of development planning in Bangladesh. It is unclear from planning documents how a future development agenda would affect a process of structural transformation which, in turn, would lead to an increase in labour demand and shifts in labour demand to higher productivity sectors. The notion of sustained formal sector job growth (as part of an employment strategy) is, in the ultimate analysis, a significant cornerstone in the promotion of decent work.[3]

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[3]It has institutional implications, including the potential to have a larger proportion of the workforce covered by some degree of social protection.

One must note that the employment question is not simply an issue in monitoring the number of jobs added. It is important to assess the quality of job creation, especially with regard to how productive and remunerative the jobs are. A World Bank study cited above contends that along with growth of jobs, the quality of employment has also improved. It provides evidence on this, through a number of indicators, e.g. the rise in wages of wage-workers, poverty decline among the self-employed, and a reduced risk of income uncertainty among the vulnerable groups. Several other studies however provide different perspectives on the quality of employment and contend that employment conditions continue to be poor. Real wages have risen, but has declined or remained stagnant in the recent past. Bulk of the employment continues to be in the informal sector, and that too in the low-end services sector. The incidence of the working poor is still unacceptably high, i.e. those who are working, often more than the standard working hours, but continues to remain below the poverty line (ADB and ILO 2016).

It is equally important to recognise that while the quantity matters in an employment-generating strategy, there must be a close understanding of the specific characteristics and functioning of the labour markets, and how job generation is affecting the various groups in the workforce. A detailed characterisation of the labour markets is beyond the scope of the present study. Apart from the less-than-satisfactory achievements in the quantity and quality of employment, the pattern of growth has also been one that cannot be described as inclusive. The phenomenon of rising inequality in Bangladesh can, in some sense, be found intriguing when bulk of the job generation appears to have occurred in labour intensive sectors, such as agriculture and RMG. On the other hand, rising inequality has its own dynamics where such factors as suppressed wages (i.e. lower than productivity growth), and low aggregate share of wages (in national income) could provide plausible explanations.

3.5   Access to Infrastructure and Public Services

The development of infrastructure is almost universally acknowledged to foster structural transformation, and if appropriately designed, to enhance job creation. In Bangladesh, access to infrastructure is a major bottleneck that, among other factors, inhibits private investment and acceleration of economic growth (CPD 2015, 2016; World Bank 2017). Nevertheless, Bangladesh has made some significant strides in expanding the access of its population to economic infrastructure, though still inadequate (World Bank 2012, 2017; ADB 2016). Investment in infrastructure, particularly in the quality of roads, ports, air transports and electricity supply, was cited in the Global Competitiveness Report as immediate policy priority for doing business in Bangladesh (WEF 2016). Let us examine the nature and extent of the development of infrastructure and public services in Bangladesh, with respect to selected indicators, and in relation to comparator countries.

While the access to electricity has more than doubled in the last two decades, nearly 15% of population still do not have access to electricity as of 2018 (Table 3.9),

Table 3.9 Bangladesh's performance in access to infrastructure and public services indicators

Indicator	1990	1995	2000	2005	2010	2015	2018
Access to electricity (% of population)	14.3[a]	19.7	32.0	44.2	55.3	73.1	85.2
Mobile cellular subscriptions (per 100 people)	0.0	0.0	0.2	6.5	46.0	84.1	100.2
Internet user (per 100 people)	0.0	N/A	0.1	0.2	3.7	14.4	15.0[b]
Improved water source (% of population with access)	68.1	72.1	76.0	79.8	83.5	86.9	N/A
Improved sanitation facilities (% of population with access)	34.4	40.0	45.4	50.7	55.8	60.6	N/A
Logistics Performance Index: Quality of trade- and transport-related infrastructure (1 = low to 5 = high)	N/A	N/A	N/A	2.3[c]	2.5	2.1[d]	2.4

Source World Bank (n.d.a)
Note [a]As of 1991; [b]As of 2017; [c]As of 2007; [d]As of 2017; N/A implies not available

which is the second lowest after Pakistan among the selected countries. Furthermore, Bangladesh has the worst ranking among Asian competitors with regard to power outages which has been a key reason for its low productivity in manufacturing sector (World Bank 2013). This has been hindering the potential for private investment and employment generation. In particular, the Bangladesh Enterprise Survey found that 78% of firms identified lack of access to electricity as a major constraint for businesses (USAID and DFID 2014).

The emergence of different private cellular network companies revolutionised mobile phone subscription in Bangladesh in the post-2000 period. In 2018, around 100 people out of every 100 persons had a subscription in Bangladesh. This was negligible in 2000 (Table 3.9). The extension of fibre optic lines by private operators across the country for the development of speedy internet facilities nationwide have also increased the number of internet users manifold over the last decade (GED 2015a). However, Bangladesh still has one of the lowest incidences of internet users among the selected countries. In 2017, only around 15 people per 100 persons had an internet subscription which was marginal in 2000.

Bangladesh has achieved marginal progress on the access of its population to either an improved water source or to an improved sanitation facility. In 1990, 68.1% of the population had access to improved water sources which increased to 86.9% in 2015, but still lagged behind other selected countries. However, access to safe water for all is an additional challenge here due to arsenic contamination and salinity intrusion which exacerbate the problem of availability of safe water especially for the poor (GED 2015a). ADB (2016) suggested that the probability of having access to clean water increases with the presence of a migrant worker in the family.

Bangladesh almost doubled its access to improved sanitation from 34.4% in 1990 to 60.6% in 2015 (Table 3.9), thanks to different government and non-government awareness programmes. However, more than 40% of population are still deprived of having improved sanitation facilities and the situation is worse in urban slum areas. In

the slums, only 12% of the households use an improved sanitation facility in conformity with the government standard, with 15 or more people sharing one toilet due to lack of space (BBS 2014; GED 2015a). ADB (2005) in a study also found inadequate number of public toilets to be a serious problem in larger cities. By comparison, Sri Lanka, Vietnam and Pakistan have a far better access to improved sanitation. Furthermore, using the propensity matching technique, Begum et al. (2011) suggested that the combined access to improved water and sanitation can reduce incidence of diarrhoea which still persists as a major cause of infant mortality, morbidity and acute child malnutrition.

Quality trade and transport-related infrastructure is essential for a country's economic growth as well as national well-being (World Bank 2013). The Logistics Performance Index attempts to delineate said infrastructural quality of a country. In the aforementioned index, Bangladesh scored 2.4 in 2018 which was 2.3 in 2005 (Table 3.9). This situated Bangladesh in the fourth position in terms of infrastructure quality amongst the selected countries in 2018, while its position was fifth and third in 2005 and 2010, respectively.

3.6   Access to Education, Health and Social Protection

Bangladesh has achieved commendable success in some of the major social indicators, particularly in health and education, within a short period of time (Mahmud et al. 2013). Bangladesh was able to make notable improvement, e.g. in reducing hunger during last two decades (from a score of more than 50 in 1995 to 26.1 in 2018; Table 3.10) by successfully reducing the share of the undernourished population and the prevalence of stunting children by half and the under-five mortality rate

Table 3.10   Performance of Bangladesh in selected health and education indicators

Indicator	1995	2000	2005	2010	2015	2018
Global Hunger Index	50.3	36.1	30.7	30.3	27.3	26.1
Births attended by skilled health staff (% of total)[a]	9.5	10.1	12.8	22.3	39.1	49.8
Per capita government expenditure on health (PPP int. USD)	N/A	7.9	9.3	13.5	15.6	15.7[b]
Lower secondary completion rate, total (% of relevant age group)[a]	N/A	52.8	58.2	55.3	64.9	82.6
Pupil–teacher ratio in primary level	N/A	N/A	47.0	43.0	30.1[b]	30.1
Per capita government expenditure on education (PPP int. USD)	22.7[c]	28.3	31.4[d]	44.8[e]	59.1[f]	90.4

Source World Bank (n.d.a); IFPRI (n.d.); WHO (n.d.); and authors' calculations
Note [a]The considered periods were 1991–1995, 1996–2000, 2001–2005, 2006–2010, 2011–2015, 2016–2018; [b]As of 2017; [c]As of 1997; [d]As of 2004; [e]As of 2009; [f]As of 2016; N/A implies not available

by more than three times (IFPRI 2015). Bangladesh has tangibly reduced the hunger score, and has fared comparatively worse than most of the comparator countries, apart from Pakistan (32.6) and India (31.1) in 2018.

The successful programmes for immunisation, control of diarrhoeal disease, treatment of respiratory infections and supplementation of vitamin A are considered to be the most significant contributors in improving child nutrition status and the decline in child deaths (UNICEF 2014; GED 2015a). Klemm et al. (2008) found that supplementing newborns with vitamin A within days of being born significantly reduced mortality under 6 months of age by 15%. Also, the Expanded Programme of Immunization (EPI) has prevented an estimated 2 million deaths and disabilities of children since its inception and preventing estimated 200,000 deaths each year (Begum 2009). However, still 40 children per 1,000 live births aged below 5 years die every year, which is the third highest—after Pakistan and India—among the selected seven countries. These government interventions of Bangladesh have helped to nearly halve its underweight and stunting prevalence among its under-5 children (Bhattacharya et al. 2016). Indeed, National Nutrition Programme (NNP), launched in 2004, itself contributed to reducing prevalence of low birth-weight, moderate and severe malnutrition as well as improving exclusive breastfeeding practice, better than the national average (Chowdhury and Osmani 2010). The incidence, however, is still relatively high compared to other countries in the region. There are also rural–urban, regional and gender differences (Bhattacharya et al. 2016). Bangladesh has also achieved some progress as regards births attended by skilled health personnel. In Bangladesh, during 2016–2018, around 49.8% births were attended by skilled health personnel on an average, which was only 9.5% in the 1990s (Table 3.10). The incidence, which is the lowest among the selected countries, needs to be vastly improved to reduce further the incidence of child mortality.

Per capita government expenditure on health can be a useful lens to look into social protection efforts from the government. Bangladesh has long been an underperformer under this indicator. During 2000, the per capita government expenditure on health in international PPP was a mere USD 7.9, which became USD 15.7 in 2017 (Table 3.10). In the regional perspective, apart from 2000, Bangladesh has consistently been the poorest performer. In addition, still a large number of households, particularly the impoverished, are further burdened by out-of-pocket (OOP) expenditure for healthcare, which accounts for 64% of total health expenditure (MoHFW 2012; USAID 2016).

Although Bangladesh has made significant progress in raising its net enrolment in primary education, net enrolment in secondary education is only 66.5% mainly due to high dropout rate and low completion rate. Bangladesh had the third lowest secondary school completion rate among the selected seven countries, with 82.6% having completed secondary school education during 2016–2018 period. Poverty, through its interlinkage with other factors such as quality of education, parental attitude, etc. influences dropout rate of children (Ahmed et al. 2010). Poverty also has interlinkages with factors such as direct cost, indirect cost and opportunity cost of schooling, and pressure for early marriage (Sabates et al. 2010). Such dropout

rates and the resulting low level of literacy and years of schooling in the early ages make skills acquisition challenging when they enter into the labour force.

Pupil–teacher ratio is a key indicator for assessing the quality of education since it provides a general indication of the average amount of time and attention a teacher is likely to give to its pupil. Bangladesh was successful in shrinking the pupil–teacher ratio in primary level over the last decade from 47 students per teacher in 2005 to 30.1 students per teacher in 2018 (Table 3.10). In a regional comparison, it is in the fourth position after Vietnam, Nepal and Sri Lanka. However, this is still not adequate to ensure effective learning of students (Rahman et al. 2016). Furthermore, around 80% of schools in Bangladesh run in double shifts which reduces the learning time in a school-year, which is currently about half of the international average of thousand years (CAMPE 2015). Effective learning is hampered by such systemic factors.

Similar to government expenditure on health, expenditure on education is also an important social protection instrument of the government. Despite education being one of the most priority sectors in national plan documents, Bangladesh is one of the lowest ranked countries in the world in terms of public expenditure for education, both as a share of GDP and total budget (Rahman et al. 2016). However, per capita expenditure on education, in PPP terms, has increased four times over the last two decades from a mere USD 22.7 in 1995 to USD 90.4 in 2018. Among the comparator countries, it was the lowest in 2018. Nevertheless, in a situation of lower domestic resource base, underutilisation of resources, delay in budget implementation, erosion of the real value of the primary and secondary school stipends, leakages in education-related social safety net programmes (SSNPs) are some of the commonly cited reasons that hamper the effectiveness of education spending from a social protection prism in Bangladesh (Rahman et al. 2016).

Social protection has numerous positive impacts on the socio-economic conditions of a country, especially from the perspective of inclusive development. Bangladesh has a long history of formal social safety net programmes. During the 1970s, vulnerable group feeding programmes received the highest focus. Disaster response and relief operations received the highest focus in 1980s, when introducing the component of development in addition to providing food accounted for a remarkable improvement. During the 1990s, programmes to support special groups, that included provision of conditional cash transfer, were widely introduced. In the 2000s, numerous programmes, often reinforced with graduation programmes, were introduced to support different types of risks and vulnerabilities. From 2015, Bangladesh adopted a strategic and comprehensive approach to social protection and developed the National Social Security Strategy (NSSS). The strategy followed a life-cycle approach. Nevertheless, the budgetary allocation for social safety net remained low compared to the size of the economy. According to the latest HIES data, only 32% poor households had access to social protection in 2016, while 19% of the non-poor households had this access. There is indeed room to increase coverage and improve the quality of targeting. The proportion of households in the bottom 40% receiving social protection transfers fell from 33.2% in 2010 to 29.6% in 2016. Indeed, according to the Social Protection Index of the Asian Development Bank (ADB), Bangladesh was also lagging behind Vietnam, Sri Lanka and Nepal (Table 3.11).

Table 3.11 Social Protection Index of various countries

Country	2005	2008	2009	2010
Bangladesh	0.050	0.040	0.040	0.050
Cambodia	0.020	0.020	0.020	0.020
India	0.110	0.010	0.050	0.001
Nepal	0.050	0.050	0.070	0.070
Pakistan	0.050	0.010	0.050	0.010
Sri Lanka	0.110	0.110	0.120	0.110
Vietnam	0.100	0.120	0.140	0.140

Source ADB (n.d.)

3.7 Gender Parity

Bangladesh has made notable progress in attaining gender parity on the educational front. For instance, Bangladesh has achieved gender parity in primary and secondary education in 2005 and 2000, respectively, and in youth literacy in 2010 (Table 3.12). The positive advancement occurred due to some specific public interventions which focused on girl students (UNDP 2015). Government interventions like Food for Education, Primary Education Stipend Program, and Reaching Out of School Children have been successful while considering the issue of gender parity (WFP 2015). Besides the government, NGOs have played a key role in achieving gender parity in Bangladesh. For example, the entry of BRAC schools significantly increased girls' enrolment, compared to boys (Sukontamarn 2005).

Table 3.12 Performance of Bangladesh under different gender equality indicators

Indicator	1990	1995	2000	2005	2010	2015	2018
Gross enrolment ratio, primary, GPI	0.8	N/A	N/A	1.0	1.1	1.1[a]	1.1
Gross enrolment ratio, secondary, GPI	0.5	N/A	1.0	1.1	1.1	1.1	1.2
Literacy rate, youth (aged 15–24), GPI, 10 years average[b]	0.6	0.7	0.7	0.9	1.1	1.1	1.0
Female labour force participation (%) (modelled ILO estimate)	24.7	25.7	27.0	27.9	29.9	32.4	36.1
Share of women in wage employment in the non-agricultural sector (% of total non-agricultural employment)	20.2[c]	26.7[d]	24.7	20.1	18.3	24.2	N/A
Women who were first married by age 18 (% of women aged 20–24)	N/A	73.3[e]	65.3	68.7[f]	64.9 [g]	58.6 [h]	N/A

Source World Bank (n.d.a)
Note GPI: Gender Parity Index
[a]As of 2017; [b]The considered periods were 1981–1990, 1986–1995, 1991–2000, 1996–2005, 2001–2010, 2006–2015, 2009–2018; [c]As of 1991; [d]As of 1996; [e]As of 1994; [f]As of 2004; [g]As of 2011; [h]As of 2014; N/A implies not available

However, women continue to be at a disadvantage in the labour market, earning much less than men in 2010 (BBS 2011). Regardless, labour force participation for women since 2000 has also improved. The increasing women workforce significantly benefitted from growth of the salaried manufacture-based jobs, as well as increased access to education (World Bank 2013; USAID and DFID 2014).

However, the share of women in wage employment in the non-agricultural sector, which is supposed to indicate their movement into higher quality employment, continued to decline since mid-2000s. Women in Bangladesh still have a very low share in wage employment in the non-agricultural sector, and the lowest amongst selected countries. In Bangladesh, 24.2% of women were engaged with wage employment in non-agricultural sector in 2015 which was 20.2% in 1991 (Table 3.12).

Furthermore, early marriages are still very widespread in Bangladesh; in fact, the highest in this region, followed by Nepal. In 2014, 58.6% women in Bangladesh aged 20–24, got married by the age of 18 which was 73.3% in 1995 (Table 3.12). Such marriages at early ages reduce the opportunity of women from getting empowered through participating in economic and political decision-making. Ahmed et al. (2010) found that due to the prevailing views about early marriage of girls, dropout rate is higher among girl students in rural Bangladesh. Pressure for early marriage is also present both from the religious point of view and security concern of girls, particularly in the rural areas (ICDDR 2007).

3.8 Governance and Institutions

The role of state governance and institutions is very crucial in fostering and sustaining inclusive growth. There is a large cross-country literature highlighting market-enhancing governance and institutions as an important ingredient of economic development (e.g. Acemoglu et al. 2001; Easterly and Levine 2003; Rodrik et al. 2004). The Worldwide Governance Indicators (WGI) report on six broad dimensions of governance for 215 countries over the period 1996–2015 (Kaufmann et al. 2010). The dimensions include: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption.[4] The estimate

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[4]*Voice and accountability* encapsulates perceptions regarding the degree to which citizens of a nation can take part in the government selection process, as well as freedom of expression, freedom of association and a free media; *Government effectiveness* delineates perceptions regarding public service quality, civil service quality and the extent of administrative liberty from political pressures; *Political stability* measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism; *Regulatory quality* captures opinions regarding the government's ability to create and maintain a sound policy environment that facilitates private sector development; *Rule of law* portrays perceptions of the degree of people's confidence in and willingness to follow the rules of society, and in particular, the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence; and *Control of corruption* captures assessment of the extent to which public power is misused for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests.

Table 3.13 Bangladesh's performance under different indicators of governance and institutions

Indicator	1996	2000	2005	2010	2015	2018
Voice and accountability	−0.06	−0.23	−0.57	−0.27	−0.51	−0.73
Political stability and absence of violence and terrorism	−0.55	−0.72	−1.86	−1.43	−1.21	−1.03
Government effectiveness	−0.69	−0.58	−0.91	−0.74	−0.72	−0.75
Regulatory quality	−0.93	−0.84	−1.07	−0.85	−0.90	−0.83
Rule of law	−0.93	−0.91	−0.98	−0.80	−0.75	−0.64
Control of corruption	−0.97	−1.11	−1.39	−1.06	−0.81	−0.91

Source World Bank (n.d.b)
Note (−) 2.5 correspond to the lowest and (+) 2.5 correspond to the highest state of governance

gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately (−) 2.5 to (+) 2.5.

Bangladesh's strong growth and performance in social indicators contrasts with the relatively poor perceptions of governance in the country. Bangladesh scores poorly in all six indicators, and apart from regulatory quality and rule of law, the performance worsened in the remaining four indicators between 1996 and 2018 (Table 3.13). During 2018, Bangladesh fared worse than India and Sri Lanka in all the six indicators, than Nepal and Vietnam in five indicators, than Cambodia and Pakistan in three indicators. It seems looking at recent history (from the mid-1990s to 2018), the process of development has improved some dimensions of governance quality, at least in the sense that it is no longer abnormally low. Nonetheless, Bangladesh continues to have lower ratings in several indicators compared to other selected countries (see Chap. 8). Bangladesh Enterprise Survey found that 55% of firms identified corruption as a major constraint for businesses (USAID and DFID 2014). In addition, according to the evidence, it is unlikely that governance has contributed to any social development progress in Bangladesh (Asadullah et al. 2014).[5] To the contrary, despite substandard governance quality, social outcomes have improved in Bangladesh compared to its less corrupt neighbours (e.g. India), providing evidence in support of the idea of a development surprise (Asadullah, et al. 2014). However, the effectiveness of social spending may have been undermined by poor governance (Gupta et al. 2002; McGuire 2006).

3.9 Inclusive Growth in Bangladesh: A Recapitulation

This section details out Bangladesh's performance on the basis of the pillars of inclusive growth amongst selected peer countries. Taking cue from that, it also provides an aggregate-level analysis of cross-country performance in attaining inclusive growth.

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[5]These issues on the comparative performance of Bangladesh regarding governance and institutions, and their impact on growth and inclusion have been treated at length in Chap. 8.

3.9.1   Poverty and Inequality Pillar

Bangladesh has performed reasonably well in this pillar. However, success in reducing poverty was somewhat offset by increasing inequality. Also, pace of progress in poverty alleviation is relatively slow compared to the peer countries. Lower share of expenditure on social protection as well as low level of median wealth per adult adversely influenced Bangladesh's performance on this pillar. Cambodia showed remarkable progress over the taken timeframe. Pakistan and Sri Lanka showed gradual progress up to 2010 on this pillar, but both declined in 2015. Meanwhile, India, Nepal and Vietnam showed mixed trends (Table 3.14).

3.9.2   Growth and Structural Transformation Pillar

India, Sri Lanka and Vietnam have performed consistently well in this premise. Over the selected timeline, Bangladesh's performance on this pillar has been moderate; however, on a welcome note, an upward trend can be observed (Table 3.14). The recent performance of Bangladesh in terms of economic growth depicts a similar story. However, it has reasons to be concerned about export concentration and labour productivity.

3.9.3   Employment Pillar

On the employment parameter Bangladesh's performance was average. Bangladesh's decline of employment score in 2015 can be attributed to a multitude of waning factors—declining labour force participation rate, stagnated unemployment rate, high level of youth unemployment, relatively lower share of employment in industry, and persisting high share of own account and contributing family workers—against drastic improvement of comparator countries. Unemployment rate, particularly youth unemployment rate, must be checked if Bangladesh wishes to reap the benefits of the demographic dividend. Increase of employment in industry or manufacturing can propel Bangladesh into a higher trajectory within this dimension. Cambodia, Sri Lanka and Vietnam consistently outperformed Bangladesh in this pillar (Table 3.14).

3.9.4   Access to Infrastructure and Public Services Pillar

The crying need for bigger and better infrastructure in Bangladesh is evident from the analysis of this pillar. Despite the success in indicators like improved water

Table 3.14 Pillar-wise scorecard

Year	Bangladesh	Cambodia	India	Nepal	Pakistan	Sri Lanka	Vietnam	Bangladesh rank
1. Poverty and inequality								
2000	4.51	2.42	4.25	2.01	5.85	5.77	5.11	4
2005	5.56	5.48	3.36	1.52	6.55	7.09	5.94	4
2010	5.63	5.97	4.29	5.40	6.69	7.29	4.36	4
2015	4.50	7.72	1.56	1.62	6.44	6.57	6.93	5
2. Growth and structural transformation								
2000	4.13	3.77	6.90	3.14	4.12	8.59	6.42	4
2005	4.51	4.23	7.06	4.14	4.49	8.02	6.47	4
2010	4.90	3.72	7.61	4.60	3.41	8.17	7.31	4
2015	5.97	4.85	7.87	4.79	3.54	8.62	7.35	4
3. Employment								
2000	4.67	5.04	4.85	6.31	4.47	5.76	6.16	6
2005	4.18	5.37	5.10	7.29	4.73	5.68	6.32	7
2010	4.79	7.82	4.61	4.61	4.75	5.84	6.90	4
2015	3.44	8.52	4.73	7.60	2.44	5.84	4.57	6
4. Access to infrastructure and public services								
2000	3.73	1.82	5.55	3.26	5.05	9.23	6.56	5
2005	4.40	2.38	5.81	2.92	6.47	7.12	8.13	5
2010	4.42	1.80	5.79	3.53	5.45	6.68	8.96	5
2015	2.92	3.53	5.07	4.34	5.00	7.10	9.48	7
5. Access to education, health and social protection								
2000	2.71	1.49	4.46	3.21	4.13	10.00	7.12	6
2005	2.89	2.45	4.39	3.49	3.58	9.81	8.03	6
2010	2.21	3.31	4.14	3.57	2.51	8.89	9.38	7
2015	2.60	3.33	5.80	4.75	2.04	8.41	9.28	6
6. Gender parity								
2000	5.20	7.13	3.91	3.73	2.70	7.05	9.22	4
2005	5.53	6.90	4.52	4.53	2.46	7.58	8.85	4
2010	5.98	7.15	4.27	6.23	1.04	6.39	8.28	5
2015	5.49	7.76	5.34	7.15	2.41	5.42	7.98	4
7. Governance and institutions								
2000	3.82	2.79	7.82	5.73	3.19	7.38	5.14	5
2005	2.56	3.71	8.10	4.25	3.77	8.48	5.80	7
2010	3.22	3.56	8.91	4.20	3.65	8.09	6.02	7
2015	3.51	3.81	8.38	3.96	2.84	8.77	6.48	6

Source Authors' estimation

source and improved sanitation, lack of basic infrastructures like access to electricity and quality trade and transport facilities is holding Bangladesh back. Regardless of the proliferation of mobile phone usage in the recent years, limited access to internet is impeding Bangladesh from reaping the benefits of the information highway. Although gradual improvement in aggregate measure can be observed till 2010, it lacked momentum and fell significantly in 2015 (Table 3.14). This fall, once again, signifies Bangladesh's slower progress as opposed to the comparator countries. Sri Lanka and Vietnam had been stellar performers in this premise, while Cambodia always seems to be lacking. Pakistan is showing gradual decline.

3.9.5   Access to Education, Health and Social Protection Pillar

Apart from Sri Lanka and Vietnam, all the other selected countries exhibit poor performance on this pillar (Table 3.14). Vietnam is showing remarkable progress in this dimension, with Sri Lanka showing signs of decline from its initial high level. Bangladesh's performance in child nutrition, child birth facilities, and per capita government expenditure in health is worrisome. Moreover, key education-related indicators such as pupil–teacher ratio at the primary level and per capita expenditure on education has been below par. Overall, Bangladesh showed resilient performance on this pillar although at a very low level. Countries such as Cambodia and Nepal have shown gradual improvement, whereas Pakistan exhibited gradual decline.

3.9.6   Gender Parity Pillar

In the cross-country context, Bangladesh has been a strong performer in the field of gender equality. Bangladesh has accomplished outstanding progress in women's education. Despite that, women's lack of involvement in wage employment in the non-agriculture sectors and early marriage are major concerns for Bangladesh in achieving further gender equality. Pakistan consistently underperformed on this pillar, while Nepal showed accelerated improvement in its performance. Cambodia, Sri Lanka and Vietnam showed great performance throughout the considered time period (Table 3.14).

3.9.7 Governance and Institutions Pillar

A clear necessity for improved governance in Bangladesh is perceptible. Bangladesh displayed mixed performance in various constituent indicators of this pillar. Particularly, enhancing regulatory quality, imposing rule of law and controlling pervasive corruption should become Bangladesh's foremost priority. Overall, Bangladesh showed improving performance before declining in 2015. India, Sri Lanka and Vietnam displayed better performances on this pillar (Table 3.14). In order to ensure the growth process being inclusive, better governance system and effective institutions are critical.

3.10 An Inclusive Growth Index

Based on the methodology given in Box 3.1 and information on the above pillars (representing the broad goals of inclusive growth) for each of the selected countries, the study has estimated a scorecard for each of the pillars, as well as a composite index. The scorecard for each of the pillar takes on a value between 1 to 10, i.e. a higher value is indicative of a better performance, whether seen comparatively or as a trend. One thing that must be taken into cognisance is that this scorecard and the aggregate index are *relative* in nature, i.e. these measure improvements or deteriorations from a set of reference points taken from the selected sample. This implies that even if a country makes progress in absolute terms, the index value might still decline given the comparators progress at a faster pace.

"Box [Constructing an inclusive growth index] starts"

Box 3.1 Constructing an inclusive growth index The proposed inclusive growth index took cognisance of pros and cons associated with several other composite indices (e.g. Human Development Index (HDI), Multidimensional Poverty Index (MPI), etc.). The design and approach of this study's inclusive growth index was profoundly influenced by the contributions of Samans et al. (2015) and McKinley (2010). However, indices from the aforesaid two studies do not bring forth an overall aggregate ranking or league table of countries. Also, different weights to the pillars and sub-pillars were not considered given the multifarious policy and institutional requirements by particular countries in the pursuit of inclusive growth.

Choice of pillars and indicators

In order to construct the inclusive growth index, seven pillars, viz. poverty and inequality; growth and structural transformation; employment; access to

infrastructure and public services; access to education, health and social protection; gender parity; and governance and institution were selected. The selection process of the pillars was based on the developed theoretical framework and interrelation among different pillars of inclusive growth alongside available global research contributions. Each pillar consists of six selected indicators (see Annex Table 3.1). The indicators under each pillar were selected keeping the developing country context and the recent list of Sustainable Development Goals (SDGs) indicators under purview.

Construction of the index

In order to reach a composite index, indicators of various types and dimensions were needed to be normalised first so that aggregation becomes possible. The indicators were transformed into a 1–10 scale (worst to best) using a linear min–max transformation technique adopted from Samans et al. (2015). Subsequently, this method used simple arithmetic mean of the normalised component indicator scores to reach to the pillar score. This can be presented as:

$$\text{indicator score} = 9 \times \frac{(indicator\ value - sample\ minimum)}{(sample\ maximum - sample\ minimum)} + 1$$

This transformation takes the following form for indicators which exhibit worse outcomes with higher values:

$$indicator\ score = -9 \times \frac{(indicator\ value - sample\ minimum)}{(sample\ maximum - sample\ minimum)} + 10$$

The composite index is basically a weighted average of the pillar scores. The weights were assigned based on the pillars' perceived relative significance on the process of attaining inclusive growth. Similar method can be found in McKinley (2010) which involves implicit value judgment. In this process, poverty and inequality, growth and structural transformation, and employment received 20% weight each, while access to infrastructure and public services, health and education, gender equality, and governance and institutions received 10% weight each. In the aggregate inclusive growth index, 1 represents the worst outcome while 10 represents the best.

Limitations of the index

The construction of the inclusive growth index was severely hindered due to limited availability of relevant data which dictated the choice of indicators to some extent. Some relevant indicators could not be incorporated due to poor availability/absence of data for the selected countries. Moreover, consistent time series data was rarely available. In order to find the missing data points for the selected years, data for the nearest available period was used. Additionally,

> to solve the problem of volatility in some indicators as well as to generate data points, 5- or 10-years moving average was taken. Still the problem of missing values could not be solved entirely. This concern was addressed accordingly while carrying out the aggregation process by adjusting the weighting scheme.

"Box [Constructing an inclusive growth index] ends"

3.10.1 Inclusive Growth Index

In the cross-country context, Bangladesh has not performed adequately in the attainment of inclusive growth. While the average performance could be termed on par with Nepal and Pakistan, Bangladesh is still lagging behind India, Sri Lanka, and Vietnam—with Cambodia and Nepal gradually overtaking. Moreover, Bangladesh's performance gradually improved during 2000–2010, but deteriorated in 2015 (Table 3.15). Over the timeframe, Bangladesh has performed moderately well in growth performance, and in achieving gender equality. These were complemented by modest performance in the dimensions of poverty and inequality, and employment. Conversely, Bangladesh's accomplishment in health and education, governance and institutions, and access to infrastructure and public services has been unconvincing in the cross-country context.

Amongst the seven selected countries, Bangladesh was ranked fifth in 2000, while its position was sixth for each of the review periods of 2005, 2010 and 2015. The key reason behind this apparent inertia is the rapid progress achieved by Nepal and Cambodia compared to the somewhat plateaued performance by Bangladesh. Cambodia displayed remarkable progress in poverty and inequality, employment, and health and education parameters with a prevailing high level of gender equality; although with limited access to infrastructure and constrained governance and institutions. At the same time, Nepal attained laudable success in growth and structural transformation, health and education parameters, gender equality alongside an

Table 3.15 Inclusive growth index

Year	Bangladesh	Cambodia	India	Nepal	Pakistan	Sri Lanka	Vietnam	Bangladesh rank
2000	4.21	3.57	5.37	3.89	4.39	7.39	6.34	5
2005	4.39	4.56	5.39	4.11	4.78	7.46	6.83	6
2010	4.65	5.08	5.61	4.68	4.23	7.26	6.98	6
2015	4.23	6.06	5.29	4.82	3.71	7.18	7.09	6

Source Authors' estimation

already strong employment dimension. Nepal's recent socio-economic achievements were acknowledged globally as the country was found eligible for graduation from the least developed country (LDC) category in 2015. However, Nepal is exhibiting gradual decline in governance and institution pillar.

Sri Lanka and Vietnam have been the stellar performers in the attainment of inclusive growth among the selected countries. These two countries boast impressive performance in almost all the pillars considered. Amongst them, Sri Lanka displays exceptional figures in growth and structural transformation, access to infrastructure and public services, and governance and institutions with near-perfect score in health and education. However, employment parameter for Sri Lanka seems to be stagnating. Meanwhile, Vietnam exhibits increasingly strong performance in growth and structural transformation, access to infrastructure and public services, health and education, and gender equality. However, rising inequality is undermining Vietnam's otherwise commendable performance.

Even though India's growth performance is improving and the governance and institutions scenario is amongst the very best, its aggregate performance is plateauing. This can be explained as a combination of deteriorating and fluctuating parameters, viz. poverty and inequality, employment, access to infrastructure and public services, and health and education. Pakistan, on the other hand, is a frontrunner in terms of poverty and inequality, and access to infrastructure. Despite that, poor performance in health and education, gender equality, and governance and institutions are retaining Pakistan's overall performance at an unconvincing level.

3.11   Concluding Remarks

This chapter has made an attempt to track progress of Bangladesh towards attainment of inclusive growth both over time and vis-à-vis other comparable Asian countries based on a select set of indicators. As emphasised at the beginning, estimates for several of the indicators under respective pillars are indicative and relative in nature, since data have not been always available as a consistent series over the period considered. Equally, there are many qualitative dimensions of the inclusive growth pillars which have not been considered in the present study. Given the above caveat, the empirical inquiry in this chapter brings out that Bangladesh had a mixed performance in the inclusive growth indicators as identified in the present study. Although Bangladesh did not perform exceedingly well on any dimension of inclusive growth, it registered strong performance in the areas of poverty and inequality, growth and structural transformation, and gender parity.

Bangladesh has been particularly lauded for its persistent economic growth performance over the last decade. On many counts, the country has shown resilient performance in terms of several socio-economic indicators. However, our analysis on inclusive growth of Bangladesh in a cross-country comparison shows that the country

could not improve its position against the select set of countries of South and South-east Asia. Since 2000, Bangladesh's performance in terms of the inclusive growth index value has improved, except for the period between 2010 and 2015. However, at the same time, both Cambodia and Nepal have shown drastic improvement in performance, while Pakistan slipped. It is curious to note that Bangladesh attained better score in the economic growth and structural transformation pillar compared to Cambodia and Nepal. Regrettably, the country did not attain the similar feat in three of the seven pillars, viz. employment, access to infrastructure and public services, and access to education, health and social protection. Governance and institutions is the other pillar where the country performed low, which dragged its overall performance among the bottom countries. In all these areas, Bangladesh attained less than 4 points (on a scale of 7). These areas will need to receive the highest attention when the country plans for its inclusive growth trajectory.

The policy discourse in Bangladesh often puts too much emphasis on economic growth outcome, undermining the importance of an inclusive growth concept. In the era of SDGs, it is critical to have a balance among the development objectives. In view of the COVID-19 pandemic, when the country will seek for a recovery path, the seven pillars as propagated in this chapter may provide a guideline for the future development strategy of Bangladesh.

3.12 Annex

See the Table 3.16.

Table 3.16 Inclusive growth index: Pillars and indicators

Pillar	Indicators
1. Poverty and Inequality	• The proportion of the population living below nationally determined poverty lines • The proportion of the population living below the USD 1.90 per day per person international poverty line (2011 PPP) • Median wealth per adult (USD) • Gini index • Palma ratio • Expenditure on social protection (% of total government expenditure)
2. Growth and Structural Transformation	• Real rate of growth of gross domestic product per capita • Share of manufacturing in total value-added • Value of agricultural production per hectare • Private investment as share of GDP • Export concentration index • Value-added per worker

(continued)

Table 3.16 (continued)

Pillar	Indicators
3. Employment	• Labour force participation rate • Unemployment rate • Youth (15–24) unemployment rate • Share of the employed in industry • Share of the employed in manufacturing • Share of own account and contributing family workers
4. Access to Infrastructure and Public Services	• Proportion of the population with access to electricity • Number of mobile phone subscribers per 100 people • Number of internet users per 100 people • Proportion of the population with access to safe water • Proportion of the population with access to adequate sanitation • Logistics performance index: Quality of trade and transport-related infrastructure
5. Health and Education	• Global Hunger Index • Percentage of births attended by skilled health staff • Per capita government expenditure on health (PPP international USD) • Pupil–teacher ratio in the primary level • Per capita government expenditure on education (PPP international USD) • Completion rate (lower secondary)
6. Gender Equality	• Ratio of young literate females to young literate males (aged 15–24 years) • Female–male enrolment ratio in primary schools • Female–male enrolment ratio in secondary schools • Share of women in wage employment in the non-agricultural sector • Female labour force participation rate • Early marriage: Women who were first married by age 18 (% of women aged 20–24)
7. Governance and Institutions	• Voice and accountability • Political stability and absence of violence/terrorism • Government effectiveness • Regulatory quality • Rule of law • Control of corruption

Source Authors' compilation

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