

# Creating Rural Non-Farm Jobs Experience Of Bangladesh

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# Dynamics of Rural Growth in Bangladesh

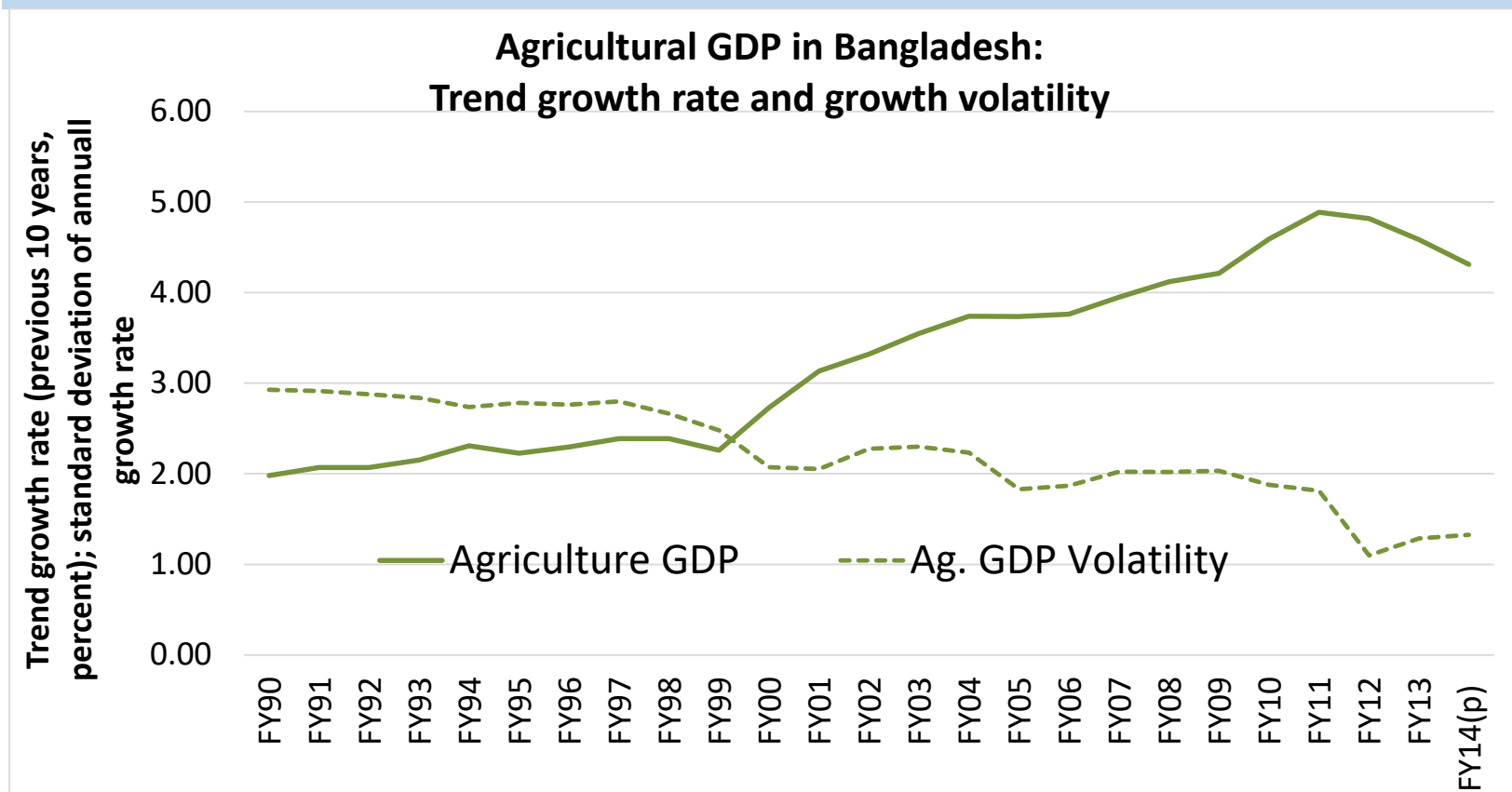
## Context

- Unprecedented changes in Bangladesh's rural economy
- Agriculture – main contributor to poverty reduction (2000)
- Yet the underlying story remains underexplored and under-appreciated

## Broad conclusions

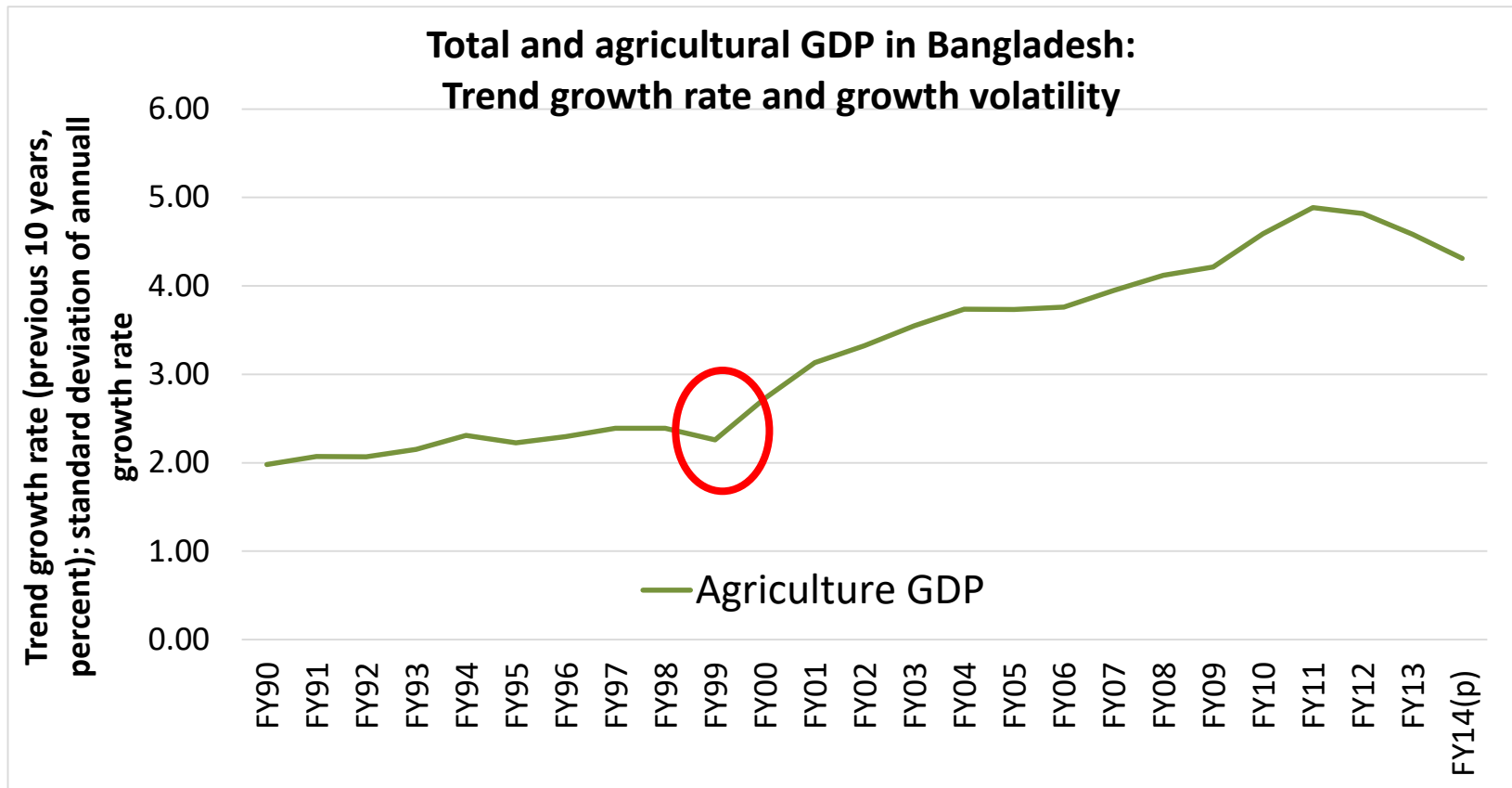
- Agriculture growth has strong catalytic effect, with strong farm-non-farm linkages
- Robust RNF economy is critical to sustain growth and poverty reduction, and will continue to grow in importance
- A balanced strategy with focus on agricultural and non-agricultural growth more effective than single sector focus

# Significantly improved performance



- Agriculture performed extremely well – acceleration in growth rate till 2011
- Agriculture is also markedly less volatile
  - fewer natural disasters
  - increased resilience: irrigation; technology; sub-sector performance.

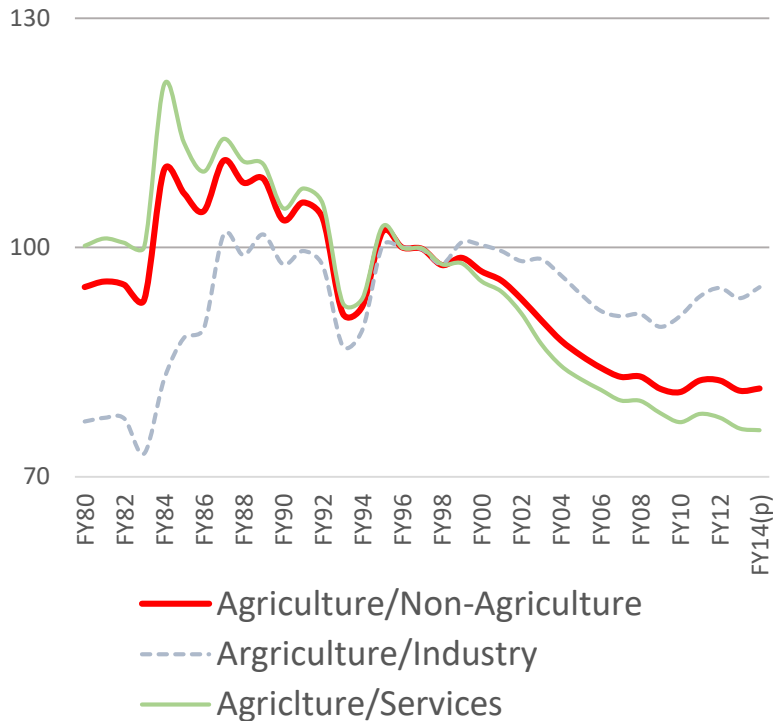
# Mutually reinforcing actions



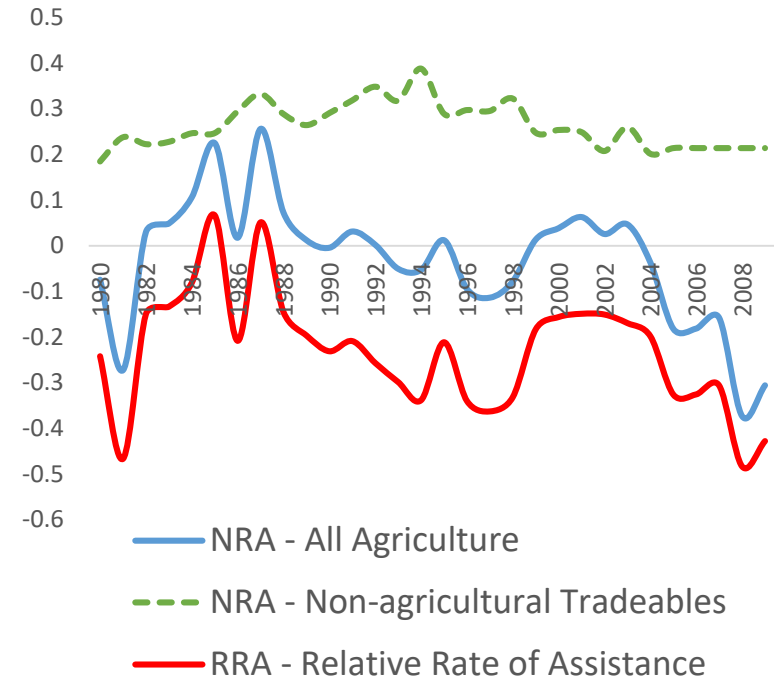
- Marked shift in performance: structural break in mid-1990s – policy reforms
- Complementary Investments in R&D/technology, roads, irrigation, efficient markets, and mechanization

# Progress while “swimming against the tide”

## Terms of Trade for Agriculture

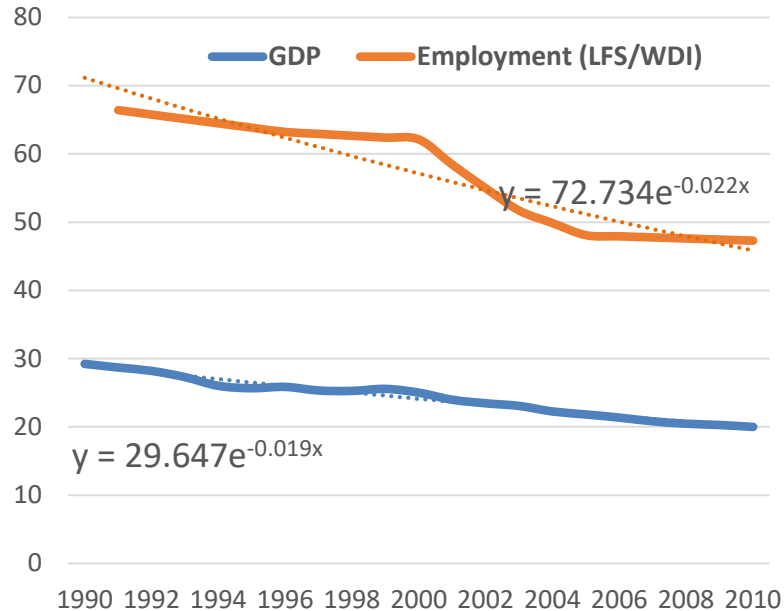


## Protection Rates: Agric. and Non-Agric.

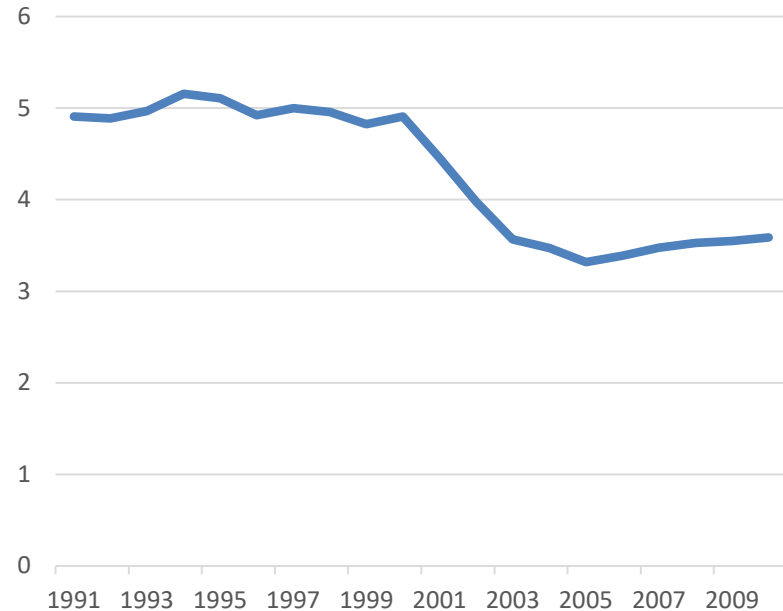


# Structural transformation underway

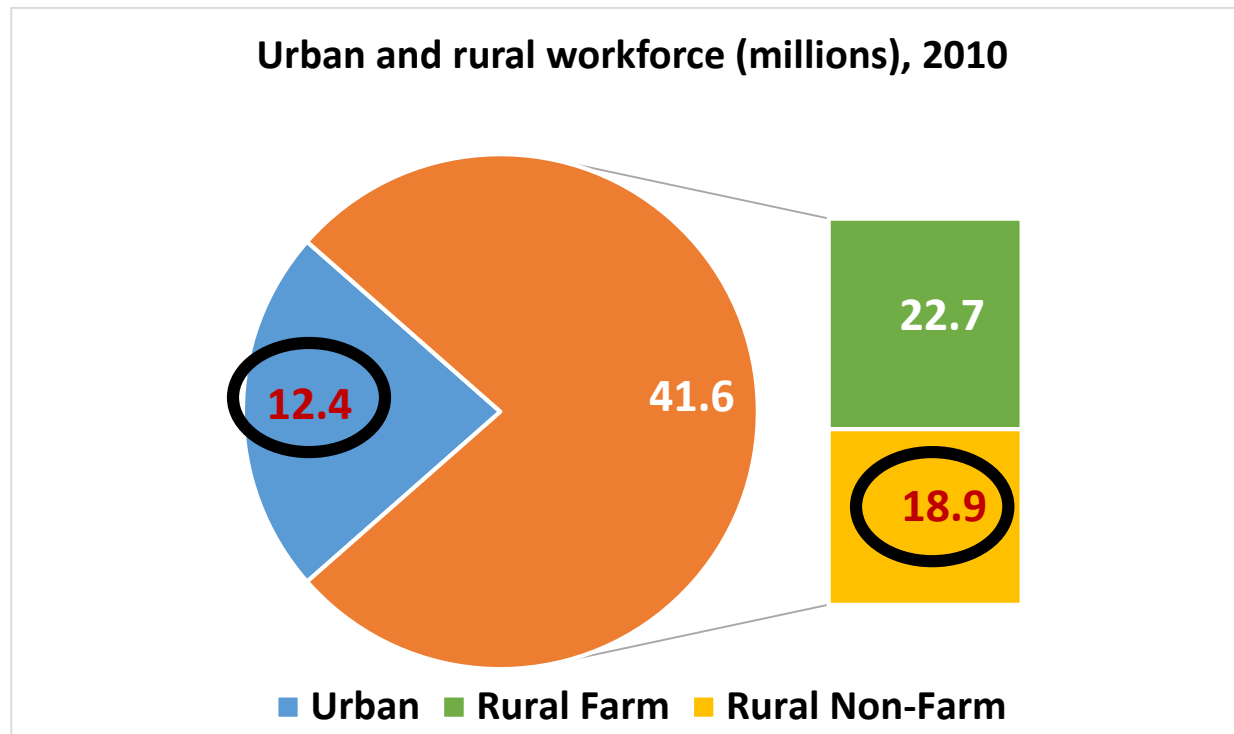
## Share of Agriculture in GDP and Employment



## Ratio of non-agriculture to agriculture labor productivity



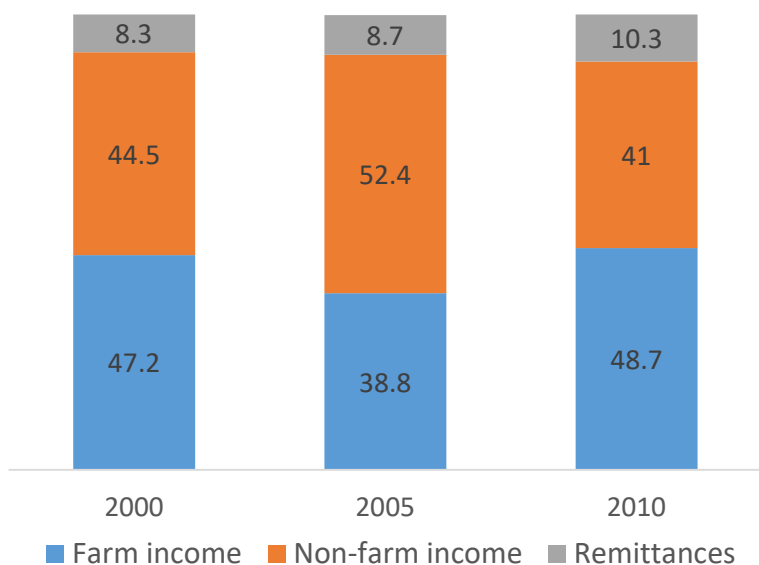
# Structural transformation: within rural space



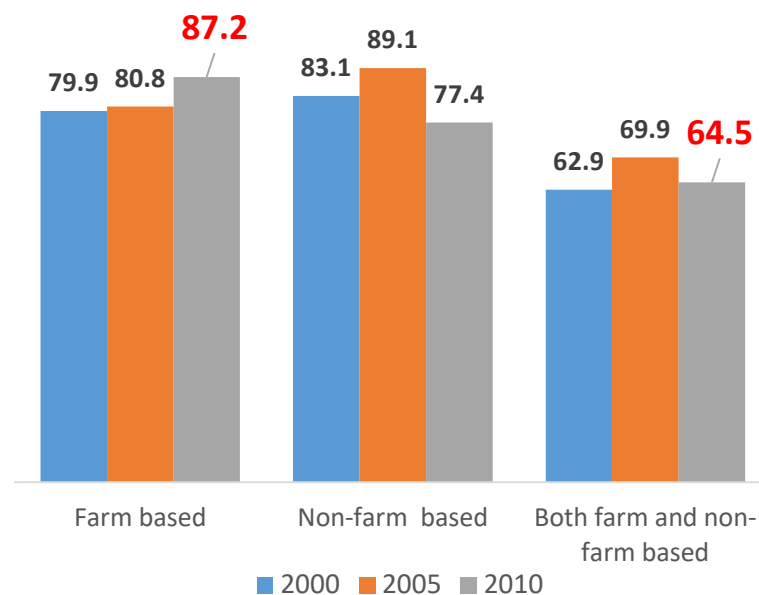
- 77 percent of workforce in rural areas
- RNFE 50% more than Urban employment
- Between 2003 and 2010 most non-farm jobs created in rural areas

# Multiple income strategies: Diversification not discrete shifts

## Shares by source



## Income by origin



- Majority have income from both farm and non-farm sources (65%)
- Increasing share of households with income from agriculture (80 to 87%)
- **Keeping one “leg” in agriculture in strategy to climb out of poverty**



# Structural changes at household level

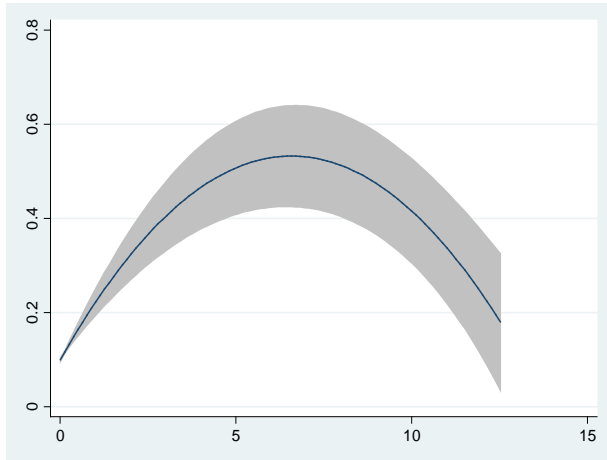
- Falling dependency ratio; rising worker-ratio
- Women's empowerment: Sharply rising female LFP
- Stabilization of land per capita (owned/cultivated)
- Growing endowment of human capital
  
- Rising confidence in agriculture
  - Rising agricultural capital per worker
  - Falling non-agricultural capital per worker
  - Increased leasing-in land by landless

# Rural non-farm sector

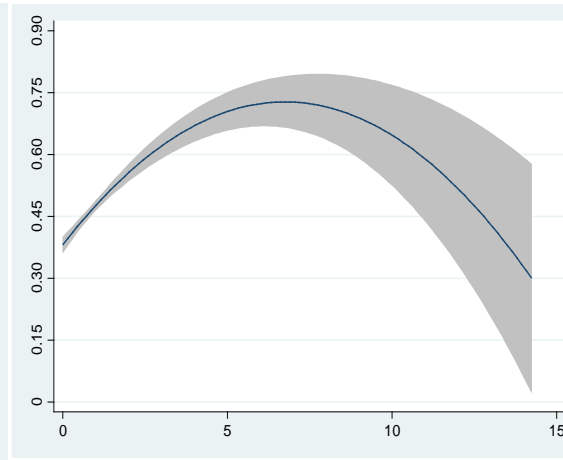
- Major source of productive employment, income and significant contributor to poverty reduction
- Land constraints will make RNF sector even more important
- Enterprises (SMEs) of particular interest as potential for growth and jobs
- Migration and remittances are very important sources of income
  - Detailed analysis beyond scope of this study

# Share of NF Income with rising income/Capita

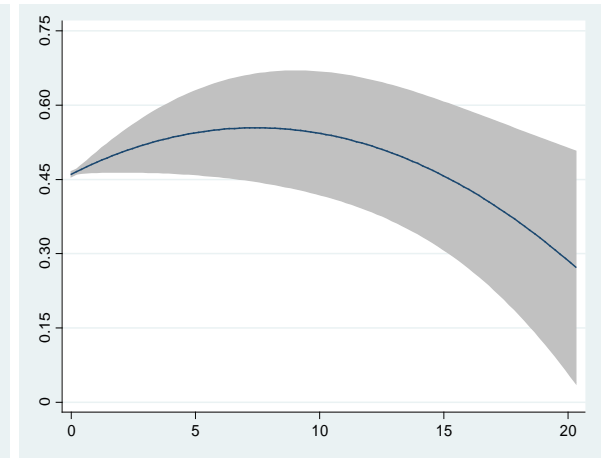
2000



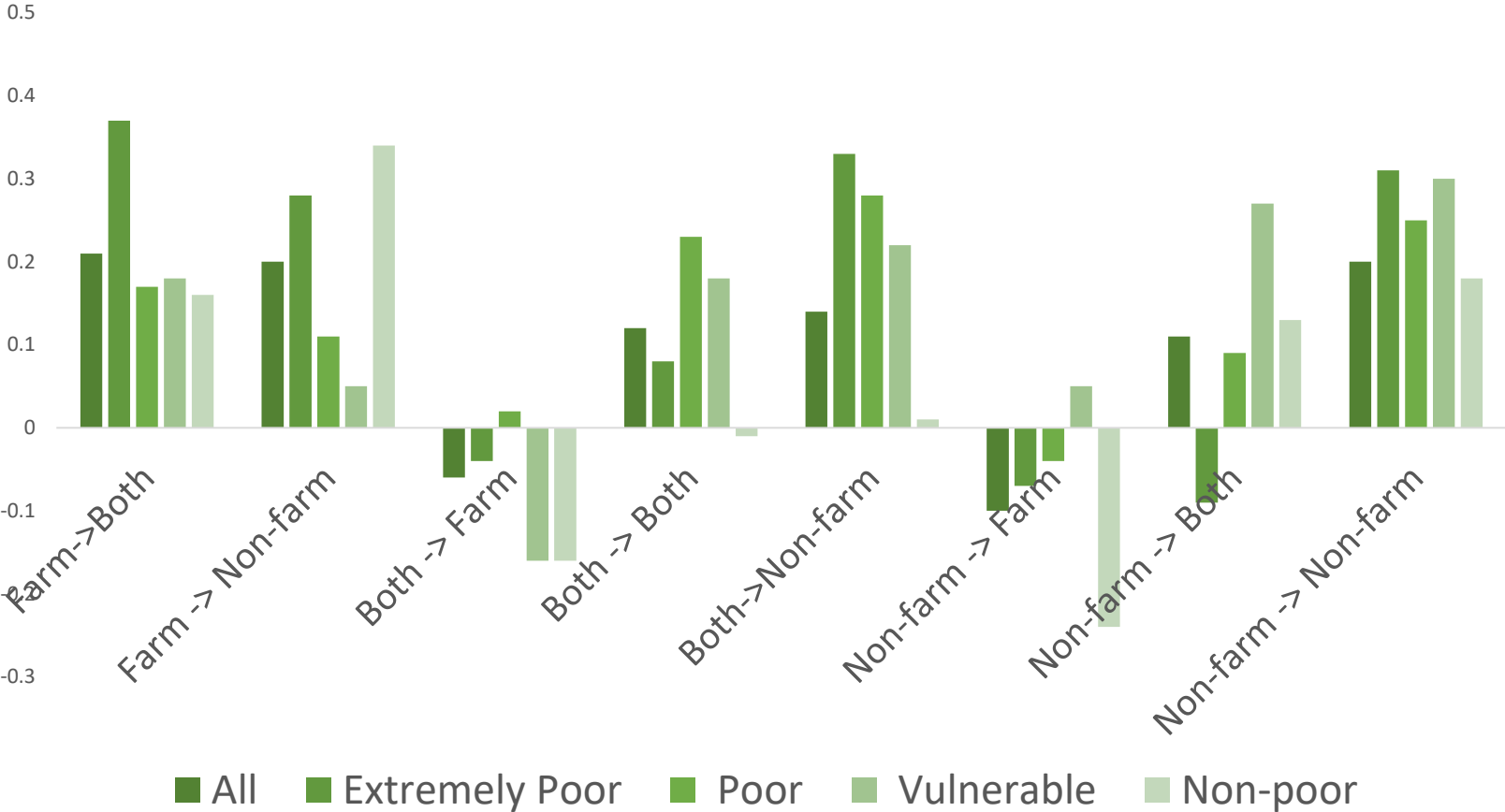
2005



2010

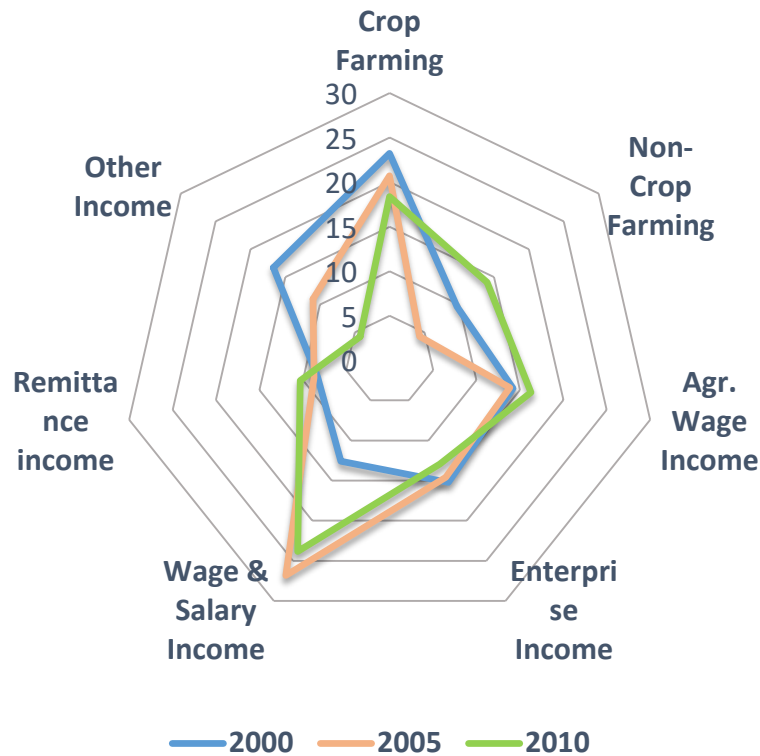


# Occupation Choice and Income Dynamics

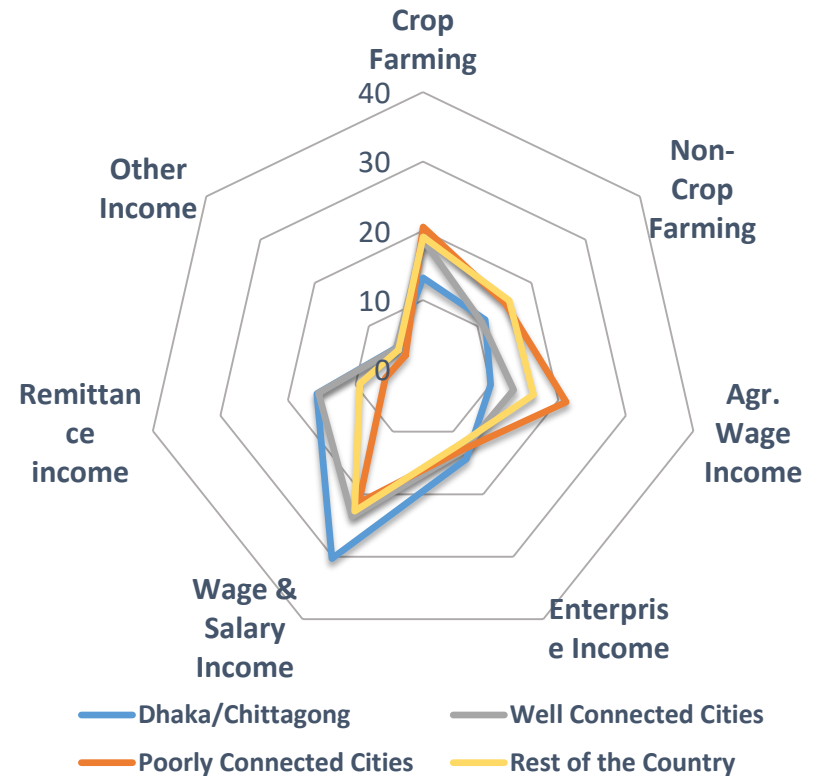


# Source of Rural Incomes

## Temporal Shifts, 2000-10

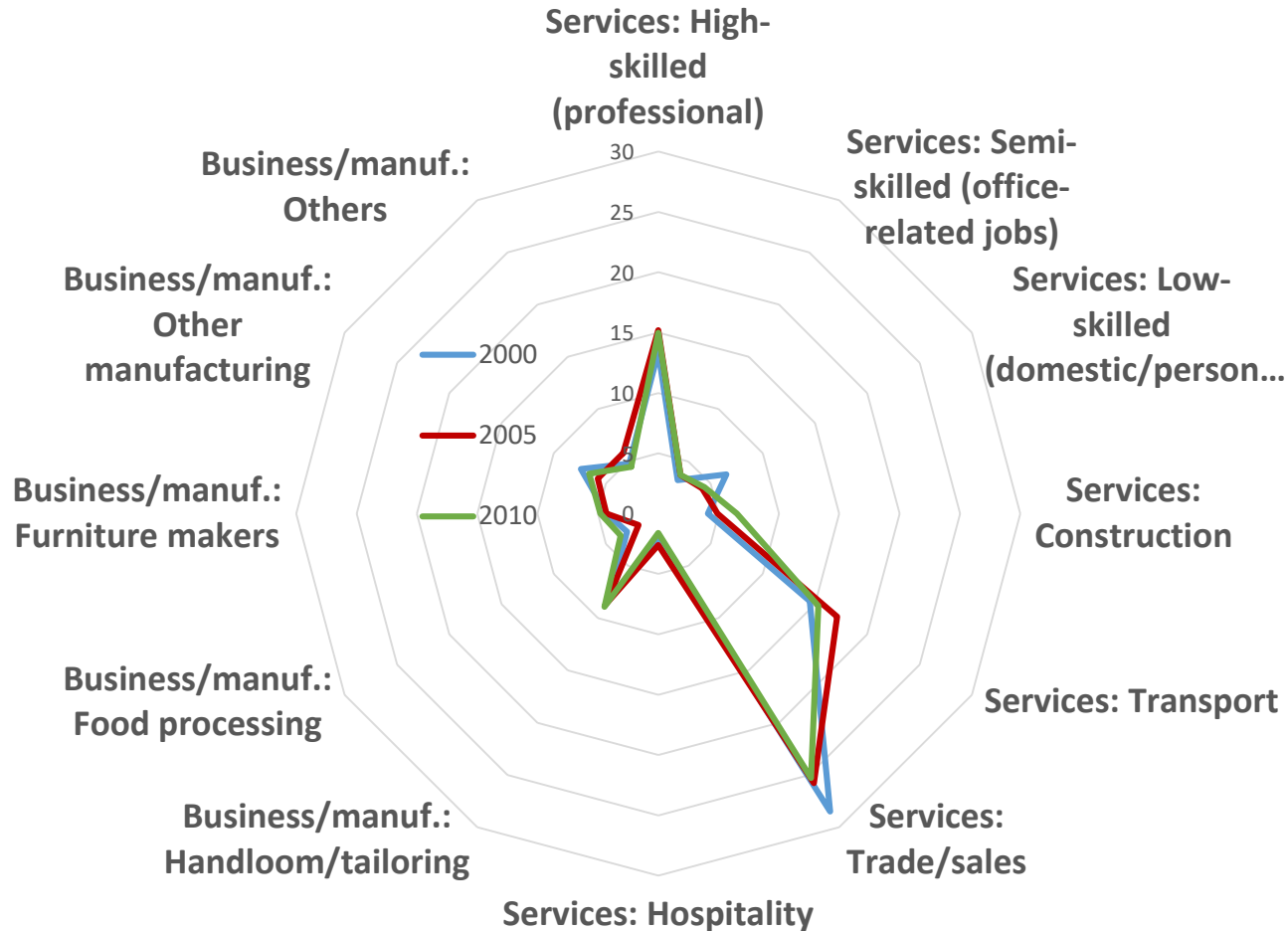


## Spatial Profile, 2010



# Nature of Rural Non-Farm Activities: Heterogeneous but stable structure

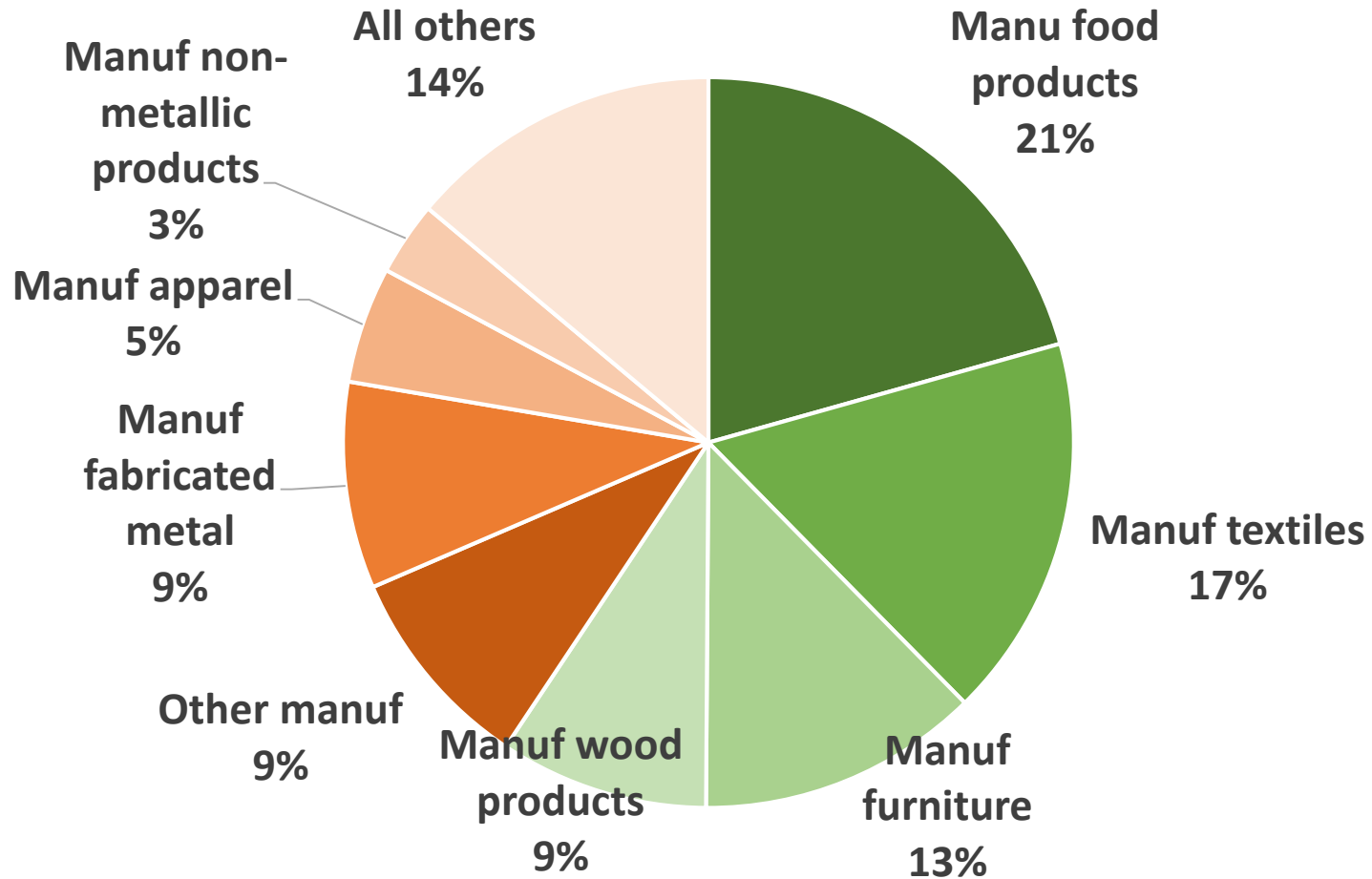
Share of rural non-farm workers involved in different sectors, 2000–10



Source: HIES data, 2000, 2005, and 2010

Agriculture Global Practice, The World Bank

# Rural Cottage Establishments by Industry, 2011



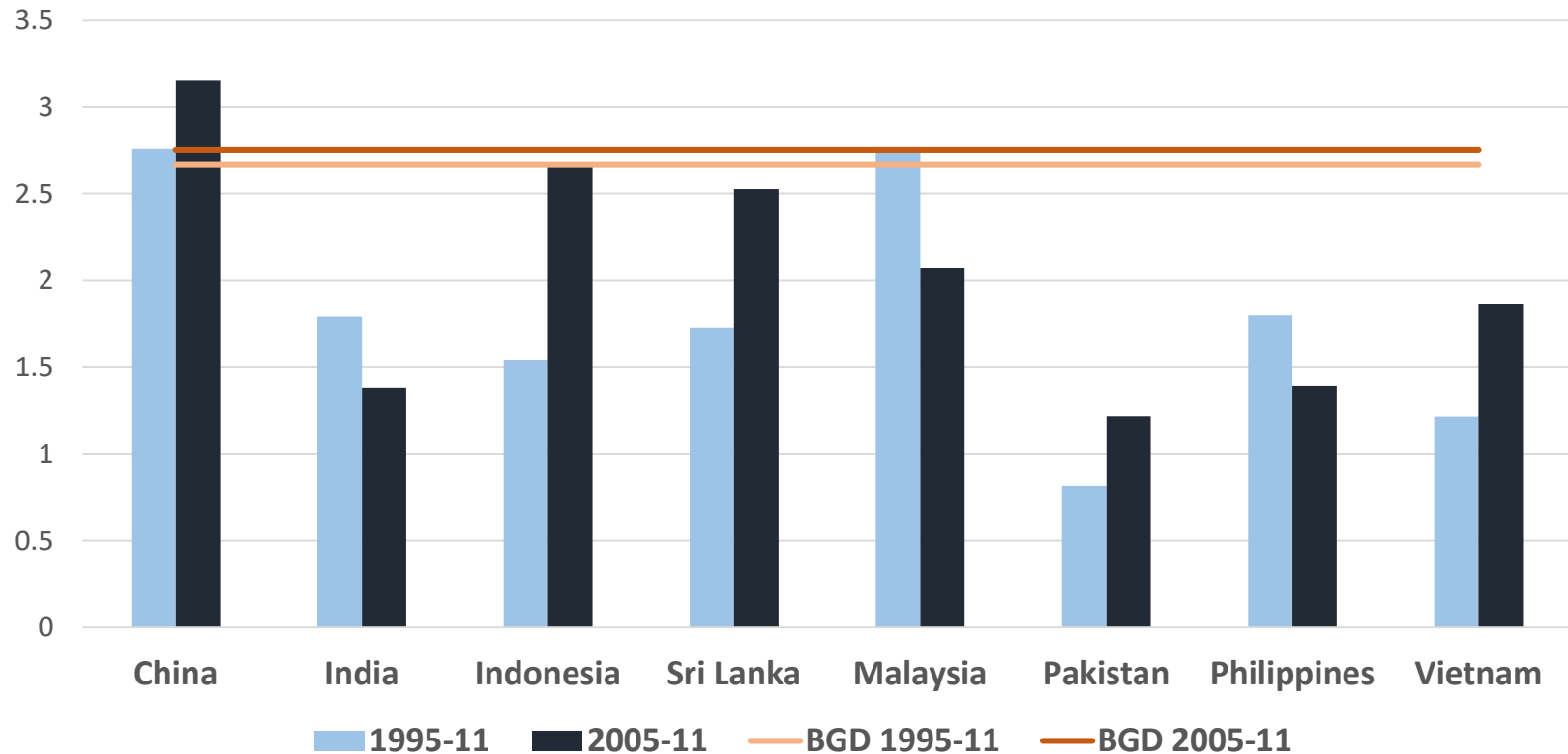
Source: BBS Cottage Industry Survey, 2011

# Driver 1: Dynamic and Productive Agriculture

- Significant progress on food security since 1970s
- Main driver of poverty reduction after 2000
- In agriculture, significant capital deepening with irrigation and mechanization
- Potential to boost growth: heavy focus on rice
  - Diversification – major source of future growth
  - Fisheries growing rapidly but livestock stagnant
- Role of agriculture in structural transformation – from direct to leveraged contribution
  - **10% Farm income growth contributes to an additional 6% non-farm income growth**



# TFP growth among the highest globally

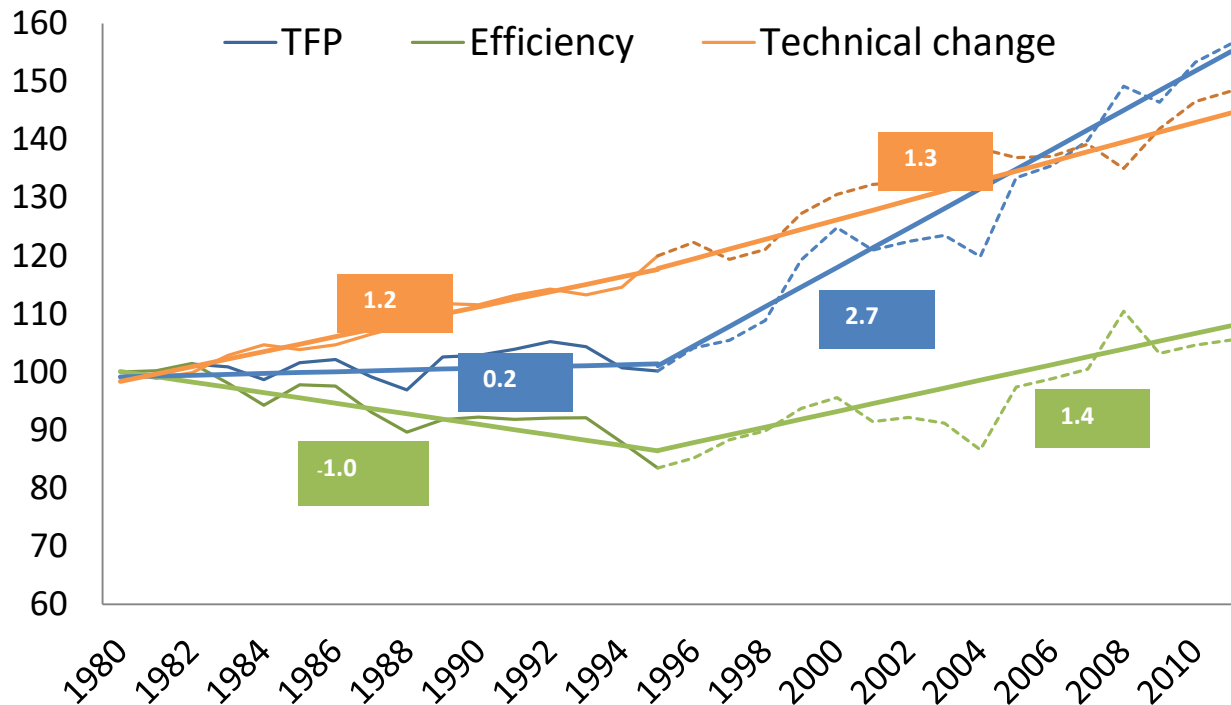


Source: Authors, using Global Productivity Database (Fuglie 2012)

# Impressive agricultural productivity growth (TFP)

## Technical Change (R&D Invest.) + Efficiency (Policy)

TFP, efficiency, and technical change in Bangladesh's agriculture

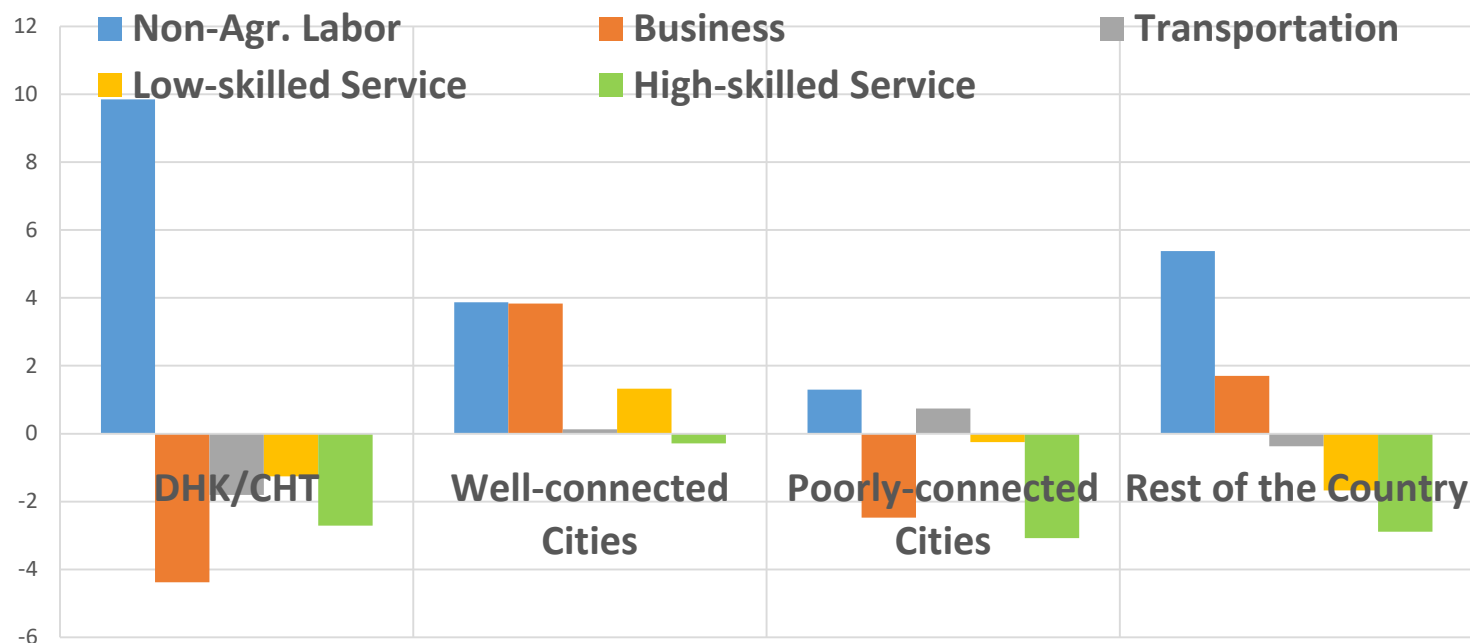


- Very impressive TFP growth since 1995
- Consistent contribution of technology – impact of agricultural research
- Major impact of policy reforms visible via efficiency trend shift in 1995

# Driver 2. Connectivity: spatial evolution of RNFE

## Role of Secondary Cities

Change in shares of employment by location, 2000–13



Source: MH Panel Survey Data

- Mega-cities a major source of informal jobs but other jobs in decline
- Secondary cities offer more promise for RNF dyanmism
- Connectivity is a critical factor for better jobs, especially for businesses.

# Limited progress in sophistication and high exits

## Progression in RNFE sophistication (% households)

Activities	1998/99	2010/11
Basic	28.8	24.7
Advanced	17.9	17.1
Households with no RNFE	53.3	58.2

## Transition from basic to advanced activities RNFE (% HH)

1998/99 activities	2010/11 activities	
	Basic	Advanced
Basic	47.3	15.0
Advanced	22.4	36.8

Source: WB-BIDS surveys 1998/99, WB-InM survey 2010/11.

## Driver 3: RNFE Enabling Environment

- Case studies suggest challenging environment: **creative destruction and obsolescence**
- Need for better enabling environment: access to **credit/finance**, bus. develop. services, technology
- **Regulatory environment**: regulatory/tax anomalies; food safety and quality assurance
- Access to **power and market infrastructure**
- Investment in **Human capital** and **skills** development, esp. for women and youth

# Diver 4: Markets

## Trading in High Value Products

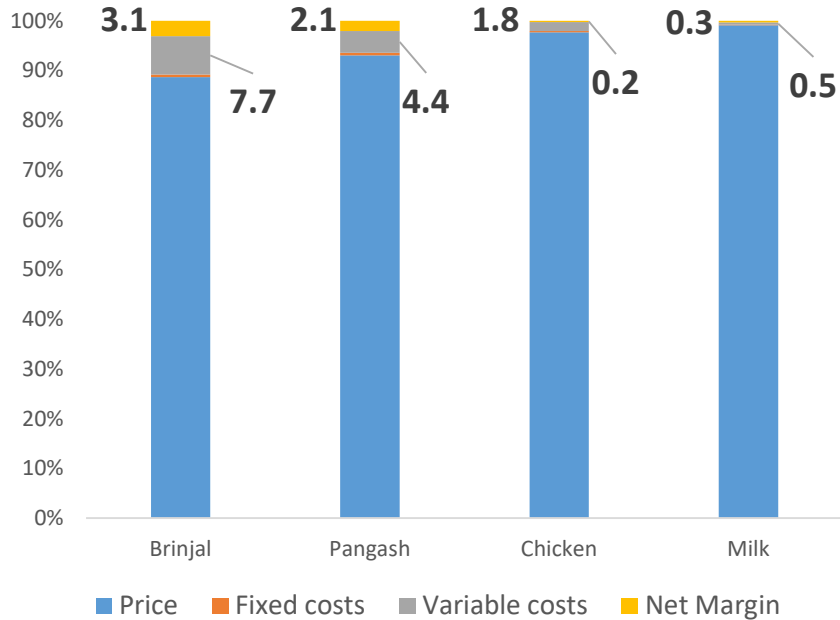
- Demand for diverse and HV products growing
- Concerns: poor developed market channels
  - Uncompetitive behavior of market intermediaries
  - Distortions in transport and marketing (extortion, etc.)
- Study on Bangladesh, China & India: rice, potato
  - Share of farmers in retail price highest in Bangladesh
- New value chain surveys: High-value Commodities
  - Vegetable (brinjal); Poultry, Milk and Fish (Pangash)

# Connecting Farmers to Markets

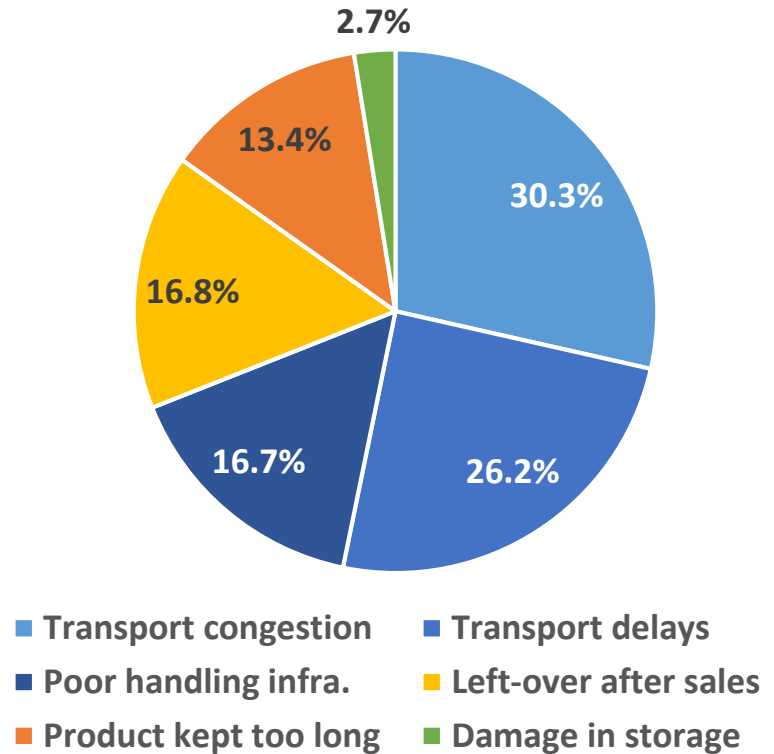
- Markets functioning very well overall.
- Marketing margins are small and reasonable
- Transport major source of traders' variable costs.
- More educated, younger people entering trading
- Farmers have good market access
  - distance and choice
- Price information flows smoothly and efficiently – better prices for farmers; good market integration
- Traders face few serious barriers to entry

# Key Findings: Low margins and low physical product loss

## Marketing margins



## Reasons for loss





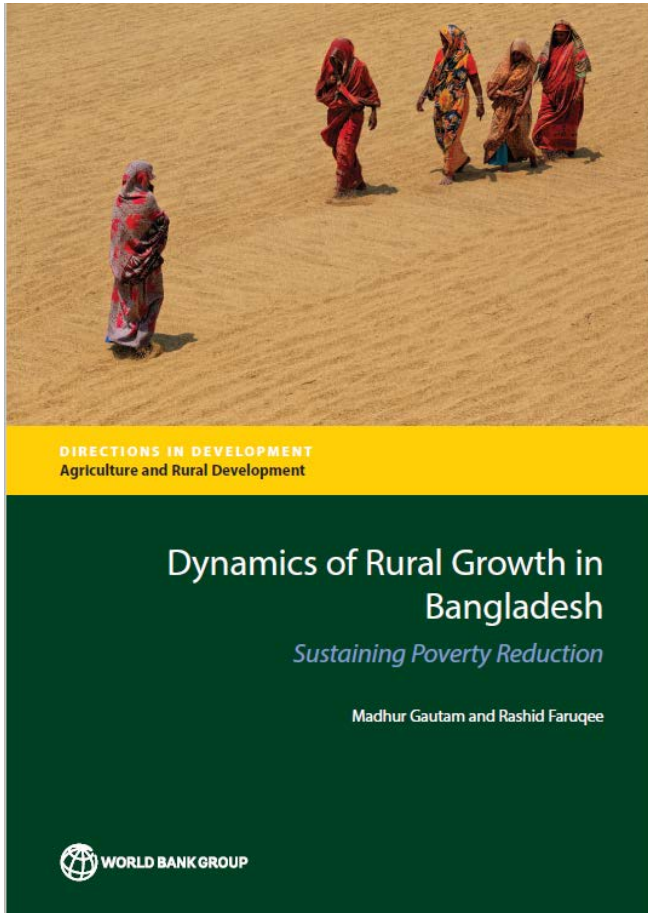
# Still room for improvement

- **Transport costs:** improve traffic conditions and upgrading trucking fleets to reduce delays and costs
- **Limited access to and cost of finance:** access to finance reported as a major constraint by most traders
- **Unreliable electricity supply:** important for upgrading market infrastructure and value chains
- **Investment in market facilities:** significant improvement needed in physical markets, facilities and basic services

# Sustaining progress: Priority areas for action

- A balanced development strategy for pro-poor growth, food security and nutrition
- Diversification in agriculture—but with carefully balanced attention to rice
- Further improving the policy framework and rebalancing public expenditure priorities
- An enabling environment for robust rural non-farm growth and more efficient value chains
- Continued investment in connectivity for remaining secondary cities and rural areas

Thank you.



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[http://dx.doi.org/10.1596/  
978-1-4648-0876-0](http://dx.doi.org/10.1596/978-1-4648-0876-0)

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