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 that single sector focus
Significantly improved performance

Agricultural GDP in Bangladesh:
Trend growth rate and growth volatility

- 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.

- NRA - All Agriculture
- NRA - Non-agricultural Tradeables
- RRA - Relative Rate of Assistance

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Structural transformation underway

Share of Agriculture in GDP and Employment

![Graph showing the share of agriculture in GDP and employment over time with equations for the trend lines: $y = 29.647e^{-0.019x}$ for GDP and $y = 72.734e^{-0.022x}$ for employment.]

Ratio of non-agriculture to agriculture labor productivity

![Graph showing the ratio of non-agriculture to agriculture labor productivity over time.]

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Structural transformation: within rural space

**Urban and rural workforce (millions), 2010**

- Urban: 12.4
- Rural Farm: 22.7
- Rural Non-Farm: 18.9

- 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

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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

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Rural Cottage Establishments by Industry, 2011

- Manuf food products: 21%
- Manuf textiles: 17%
- Manuf furniture: 13%
- Manuf wood products: 9%
- Manuf fabricated metal: 9%
- Other manuf: 9%
- Manuf apparel: 5%
- Manuf non-metallic products: 3%
- All others: 14%

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

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

Source: MH Panel Survey Data
Limited progress in sophistication and high exits

Progression in RNFE sophistication (% households)

<table>
<thead>
<tr>
<th>Activities</th>
<th>1998/99</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>28.8</td>
<td>24.7</td>
</tr>
<tr>
<td>Advanced</td>
<td>17.9</td>
<td>17.1</td>
</tr>
<tr>
<td>Households with no RNFE</td>
<td>53.3</td>
<td>58.2</td>
</tr>
</tbody>
</table>

Transition from basic to advanced activities RNFE (% HH)

<table>
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<tr>
<td></td>
<td>Basic</td>
</tr>
<tr>
<td>Basic</td>
<td>47.3</td>
</tr>
<tr>
<td>Advanced</td>
<td>22.4</td>
</tr>
</tbody>
</table>

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

- Transport congestion: 30.3%
- Transport delays: 26.2%
- Poor handling infra.: 16.7%
- Left-over after sales: 16.8%
- Product kept too long: 13.4%
- Damage in storage: 2.7%

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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
THANK YOU