

## CHAPTER 3

### PRICES, WAGES AND EMPLOYMENT

#### Consumer Price Index and Inflation

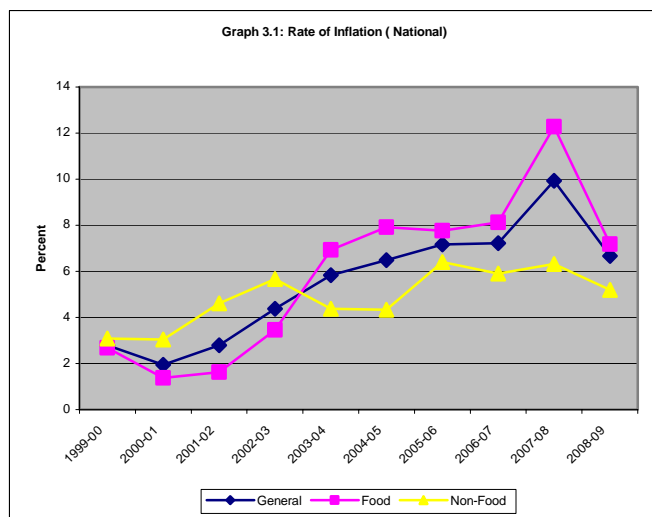
Bangladesh Bureau of Statistics (BBS) computes National Consumer Price Index (CPI) using food and non-food commodities and services utilized by the consumers in their daily life. Using 1995-96 as the base year, the current CPI has been constructed. In order to construct the price index, the commodity and weight of the index basket from the Household Income and Expenditure Survey (HIES), 1995-96 is used. All Rural and All Urban price indices were compiled using the lists of consumer goods of rural and urban households based on the survey. Then national price index has been estimated taking into account the weighted average of the consumption expenditure of two areas. All indices are shown separately by food and non-food groups that are disaggregated by a number of sub groups. Consumer Price Index and inflation during FY 1999-00 to FY 2008-09 are shown in Table 3.1.

**Table 3.1: Consumer Price Index and Inflation**

(Base year 1995-96=100)

Index	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General	124.31	126.72	130.26	135.97	143.90	153.23	164.21	176.06	193.54	206.43
(% change)	(2.79)	(1.94)	(2.79)	(4.38)	(5.83)	(6.48)	(7.17)	(7.22)	(9.93)	(6.66)
Food	128.52	130.30	132.43	137.01	146.50	158.08	170.34	184.18	206.79	221.64
(% change)	(2.68)	(1.38)	(1.63)	(3.46)	(6.93)	(7.91)	(7.76)	(8.12)	(12.28)	(7.18)
Non-food	118.64	122.25	127.89	135.13	141.03	147.14	156.56	165.79	176.26	186.67
(% change)	(3.08)	(3.04)	(4.61)	(5.66)	(4.37)	(4.33)	(6.40)	(5.90)	(6.32)	(5.91)

Source: BBS.



The rate of inflation (national) in FY 2008-09 stood at 6.66 percent which was 9.93 percent in the previous fiscal year. From the above table and graph, it is observed that there is an increasing trend of inflation from FY 2001-02 to FY 2007-08 but in FY 2008-09 the rate of inflation came down. During this period the food inflation is higher than non-food inflation. It is noted that the weight of food and non-food item in the urban-CPI are 48.8 percent and 51.2 percent and that in rural-CPI 62.96 percent and 37.04 percent respectively.

On point-to -point basis, the rate of inflation in July, 2008 at the national level was 10.82 percent. After assumption of office, the present government has taken initiatives to lower the price level and to keep the prices of essential commodities such as rice, edible oil, pulse etc. stable. Included among them are strengthening the TCB, increasing domestic production, ensuring imports of essential commodities and market monitoring. As a result, the rate of inflation came down to 2.25 percent in June, 2009. During this period food inflation came down to 0.25 percent from 13.92 percent showing a sharp decline. The monthly rate of inflation during FY 2008-09 calculated on point-to-point basis is presented in Table 3.2.

**Table 3.2: Monthly Rate of Inflation (Point- to- Point) during FY 2008-09**

Category		2008-09												
		July'08	Aug'08	Sept'08	Oct.'08	Nov.'08	Dec'08	Jan.'09	Feb.'09	Mar.'09	April'09	May'09	June'09	Average
National	General	10.82	10.11	10.19	7.26	6.12	6.03	6.06	5.81	5.04	5.36	5.39	2.25	6.66
	Food	13.92	12.36	12.07	8.08	6.68	6.83	6.83	6.15	4.49	4.80	4.89	0.25	7.18
	Non-Food	5.93	6.55	7.19	5.95	5.25	4.76	4.88	5.33	6.11	6.53	6.49	5.94	5.91
Urban	General	9.91	9.11	9.12	7.12	5.43	5.45	5.24	5.08	5.00	5.72	5.60	2.55	6.24
	Food	14.17	12.40	11.93	8.59	6.48	6.74	6.60	5.87	4.86	5.91	5.94	0.71	7.43
	Non-Food	4.89	5.20	5.70	5.28	4.13	3.88	3.58	4.12	5.19	5.50	5.18	4.92	4.80
Rural	General	11.19	10.51	10.62	7.31	6.40	6.26	6.39	6.11	5.06	5.21	5.31	2.13	6.83
	Food	13.82	12.34	12.13	7.87	6.77	6.86	6.92	6.28	4.33	4.32	4.44	0.05	7.09
	Non-Food	6.32	7.05	7.76	6.21	5.68	5.10	5.37	5.79	6.46	6.92	6.98	6.33	6.33

Source: BBS.

## Wage

Bangladesh Bureau of Statistics has constructed a Wage Rate Index using 1969-70 as the base year. The Wage Rate Index during FY 1998-99 through FY 2006-07 is presented in Table 3.3. In FY 1999-00 the nominal wage rate index stood at 2390 which grew to 4227 in FY 2007-08. Compared to FY 2006-07, the nominal index was up by 11.85 percent in FY 2007-08. The real wage index was 149 in FY 2004-05. In FY 2005-06, the index remained unchanged. It is observed from the Nominal Wage Rate Index that in FY 2008-09 the growth of construction sector index was the highest (23.00%) which is almost double than that of previous year. Besides this, agriculture, fishery and manufacturing sector index registered a growth of 22.53 percent, 16.53 percent and 19.13 percent respectively.

**Table 3.3: Rate of Increase in Wages**  
(Base year 1969-70=100)

Fiscal Year	Nominal Wage Rate Index					CPI for industrial labour (national)	Real Wage Rate Index (General)
	General	Agriculture	Fisheries	Manufacturing	Construction		
1999-00	2390 (5.80)	2037 (4.46)	2220 (3.84)	2701 (7.10)	2286 (5.69)	1973 (2.71)	121 (2.54)
2000-01	2489 (4.14)	2141 (5.11)	2292 (3.24)	2832 (4.85)	2356 (3.06)	1999 (1.32)	125 (3.31)
2001-02	2637 (5.95)	2262 (5.65)	2411 (5.19)	3035 (7.17)	2444 (3.74)	2024 (1.25)	130 (4.00)
2002-03	2926 (10.96)	2443 (8.00)	2563 (6.30)	3501 (15.35)	2624 (7.36)	2068 (2.17)	141 (8.46)
2003-04	3111 (6.31)	2582 (5.69)	2775 (8.28)	3765 (7.55)	2669 (1.69)	2129 (2.95)	146 (3.55)
2004-05	3293 (5.85)	2719 (5.31)	2957 (6.55)	4015 (6.64)	2758 (3.33)	2216 (4.08)	149 (2.05)
2005-06	3507 (6.50)	2926 (7.61)	3133 (5.95)	4293 (6.92)	2889 (4.75)	2351 (6.09)	149 (0.00)
2006-07	3779 (7.76)	3156 (7.69)	3332 (6.35)	4636 (7.99)	3135 (8.52)	-	-
2007-08	4227 (11.85)	3488 (10.52)	3635 (9.09)	5144 (10.96)	3505 (11.80)	-	-
2008-09	5026 (18.90)	4274 (22.53)	4236 (16.53)	6128 (19.13)	4311 (23.00)	-	-

- indicates data is not available  
Source: BBS.

### Labour Force and Employment

According to the Bangladesh Labour Force Survey, 2005-06, a labour force (above 15 years) of 4.74 crore (male 3.61 crore and female 1.13 crore) is engaged in a range of professions, the highest (48.10 percent) still being in agriculture. According to the Labour Force Survey, 2002-03, the total labour force of over 15 years of age was 4.43 crore (male 3.45 crore and female 0.98 crore) with Agriculture remained the highest (51.69 percent) source of employment. Between the two survey periods, the number of agriculture workers decreased by 3.59 percent. According to Labour Force Survey, 2005-06, it is observed that highest 41.98 percent of labour force is engaged in self-employment which was 44.70 percent in 2002-03. It may be noted that during the two survey periods, the number of self-employed labour force decreased by 2.72 percent. According to the Labour Force Survey 2005-06, 18.14 percent of labour force was engaged as daily labourers and 13.92 percent as full time employed workers, which was 20.09 percent and 13.77 percent respectively according to the previous survey. The latest survey also indicated that 21.73 percent of the labour force was engaged as unpaid family labourers indicating an increase by 3.45 percent. The share of employed labour force (above 15 years) by different sectors of the economy as per Labour Force Survey 1995-96, 1999-00, 2002-03 and 2005-06 is shown in Table 3.4.

**Table 3.4: Share of Employed Labour Force (Above 15 years) by Sector**

Sector	1995-96	1999-00	2002-03	2005-06
Agriculture, forestry and fishery	48.85	50.77	51.69	48.10
Mining & quarrying	-	0.51	0.23	0.21
Manufacturing	10.06	9.49	9.71	10.97
Power, gas & water	0.29	0.26	0.23	0.21
Construction	2.87	2.82	3.39	3.16
Trade, hotel & restaurant	17.24	15.64	15.34	16.45
Transport, maintenance & communication	6.32	6.41	6.77	8.44
Finance, business & services	0.57	1.03	0.68	1.48
Commodities & personal services	13.79	13.08	5.64	5.49
Public administration and defence	-	-	6.32	5.49
Total	100.00	100.00	100.00	100.00

Source: Labour Force Survey, 1995-96 , 1999-00,2002-03 & 2005-06 BBS.

Note: According to Labour Force Survey 2002-03 and 2005-06, population above 15 years of age has been counted as labour force, but in the previous surveys the criterion for counting labour force was population above 10 years.

### Overseas Employment and Remittances

A sizeable number of Bangladeshi labour force are employed in different parts of the world including the Middle East. According to the Bureau of Manpower, Employment and Training, a total of about 65.7 lakh Bangladeshi workers went overseas during 1976 to June 2009. Bangladesh has achieved a huge success in manpower export during FY 2007-08. A total of 6.50 lakh Bangladeshis went abroad for employment in FY 2008-09, which is 33.74 percent lower than the previous fiscal year. To protect Bangladeshi workers abroad from being retrenched by their employers in the backdrop of global recession, the present government has taken several steps which include:

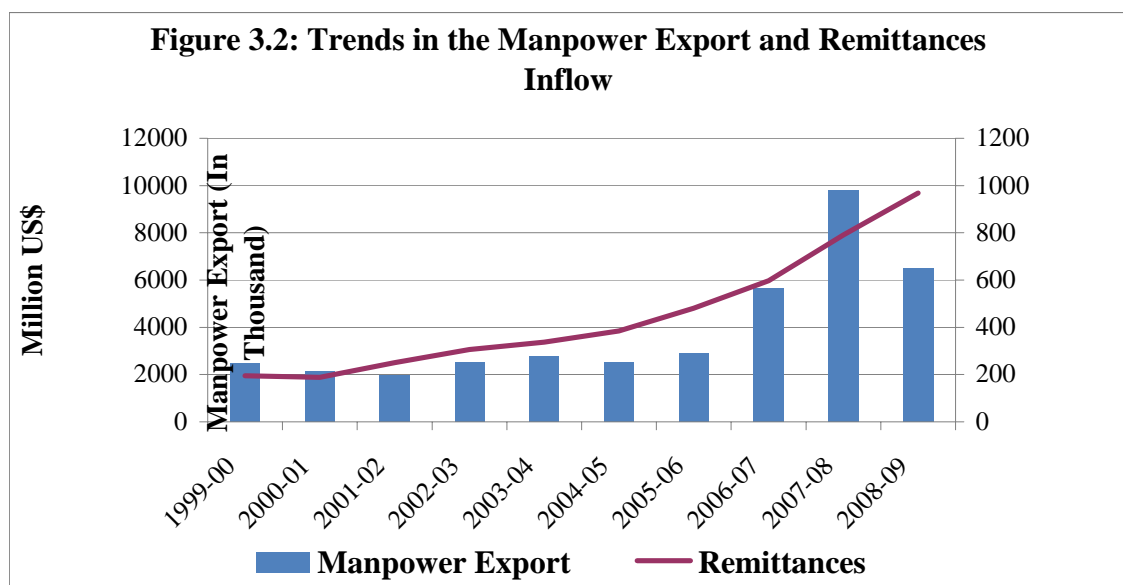
- Strengthening the diplomatic efforts and exploring new labour markets;
- Reforming the laws and regulations relating to manpower export;
- Establishing an Expatriate Welfare Bank for providing better service to the expatriates;
- Establishing new labour wings in Bangladesh missions where a significant number of Bangladeshi workers are working;
- Regular and intensive monitoring and evaluation of the trend of labour markets by collecting data through Bangladesh Missions to take necessary and timely initiatives for protecting our existing labour markets; and
- Arranging proper training at home for building and skilled labour.

With the increase in employment of skilled manpower and creation of improved facilities for remittances, worker's remittances flow shows a significant growth in the recent years. It may be noted that in FY 2007-08, the remittances from expatriate Bangladeshi workers stood at US\$ 7914.78 million reflecting 32.39 percent rise over the previous year. In 2008-09, remittances shot up to US\$ 9689.16 million reflecting 22.42 percent rise over the preceding year. Some high level committees have been formed to monitor the growth of remittance flow and to make it sustainable. These committees have been working for growth of manpower export, growth of remittance flow and its utilisation and to determine system and deliver necessary recommendations to bring all financial transactions of manpower export sector under the legal banking channel. This has resulted in significant increase in the foreign exchange reserve. The number of expatriate Bangladeshi workers and their remittances in Taka and US dollar are shown in Table 3.5.

**Table 3.5: Number of Expatriate Bangladeshis and their Remittances**

Fiscal Year	No of employment abroad (000)	Amount of remittance			
		Million US\$	Percentage change (%)	Crore Tk.	Percentage change (%)
1999-00	248	1949.32	14.28	9825.40	19.63
2000-01	213	1882.10	-3.45	10266.00	4.48
2001-02	195	2503.44	32.81	14390.19	40.17
2002-03	251	3060.31	22.25	17719.58	23.14
2003-04	277	3372.49	10.20	19872.39	12.15
2004-05	250	3848.30	14.11	23646.97	18.99
2005-06	291	4801.88	24.78	32274.60	36.49
2006-07	564	5978.47	24.50	41298.50	27.96
2007-08	981	7914.78	32.39	54293.24	31.47
2008-09	650	9689.16	22.42	66674.87	22.80

Source: Bureau of Manpower, Employment & Training and Bangladesh Bank.

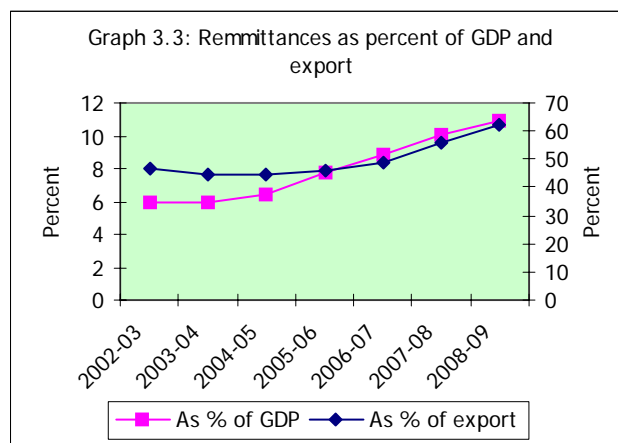


The amount of remittances in terms of GDP and export earnings has also increased over the years. In FY 2002-03, remittances as percent of GDP and export stood at 5.90 percent and 46.76 percent respectively. In FY 2008-09, remittances as percent of GDP and export were 10.96 percent and 62.25 percent respectively. Table 3.6 and Graph 3.3 show remittances in terms of GDP and export earnings for last few years

**Table 3.6: Remittances as percent of GDP and export**

Fiscal Year	As Percent of GDP	As percent of Export
2002-03	5.90	46.76
2003-04	5.98	44.35
2004-05	6.37	44.47
2005-06	7.75	45.62
2006-07	8.83	49.09
2007-08	10.02	56.09
2008-09	10.96	62.25

Source: BBS, EPB, Bangladesh Bank



### Expatriates Classified by Skill

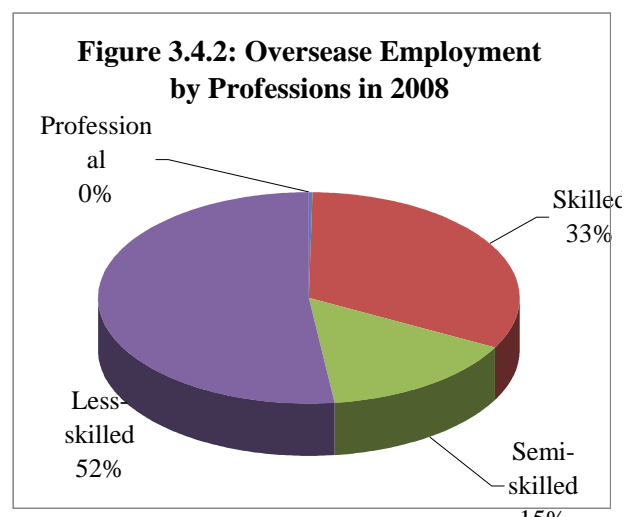
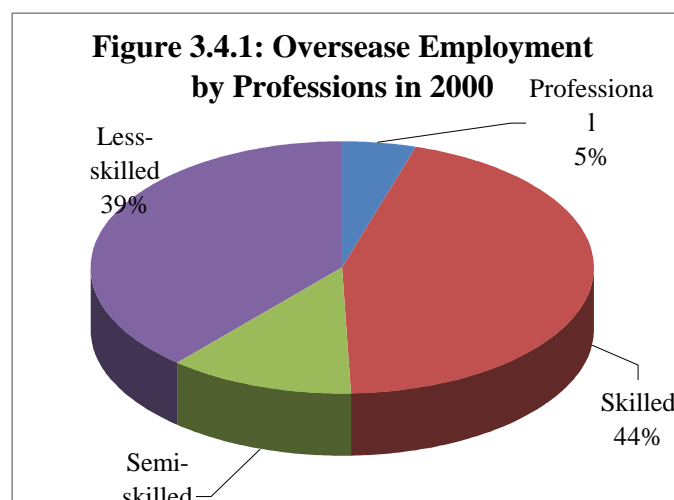
Analysing the statistics of the Bureau of Manpower Employment and Training (BMET), it is observed that about half of overseas workers that went abroad are less-skilled. Number of expatriates classified by skill is shown in the Table 3.7. From the table it is observed that the share of professional workers has decreased significantly. However, the shares of skilled and semi-skilled workers are at satisfactory level.

**Table 3.7: Number of Expatriates Classified by Skill**

Calendar Year	Professional	Skilled	Semi-skilled	Less-skilled	Total
2000	10669	99606	26461	85950	222686
2001	6940	42742	30702	109581	188965
2002	14450	56265	36025	118516	225256
2003	15862	74530	29236	136562	254190
2004	19107	81887	24566	147398	272958
2005	1945	116393	24546	112556	255440
2006	925	115468	33965	231158	381516
2007	676	165338	183673	482922	832609
2008	1864	281450	132825	458916	875055

Source: Bureau of Manpower, Employment and Training.

There is a significant change in the structure of expatriates classified by skill during the last few years. In 2000 the share of professional expatriates was 5 percent which was negligible in 2008. During the same period the share skilled workers come down to 33 percent from 45 percent. On the other side the share of less-skilled worker rose to 52 percent from 38 percent.



It has been observed that, most of the expatriates are working in Saudi Arabia, U.A.E, Kuwait, Oman, Malaysia and Singapore. Besides, new employment opportunities have also been created for Bangladeshi workers in Bahrain, Qatar, Jordan, South Korea, Brunei, Mauritius, Italy and other countries. From the inception of manpower export in 1976 to June 2008, different countries in Middle East were the destination of about 80 percent of total manpower export. The number of expatriate Bangladeshis by country is shown in the table 3.8 and the graphs 3.5.1 and 3.5.2.

**Table 3.8: Number of Expatriate Bangladeshis by Country**

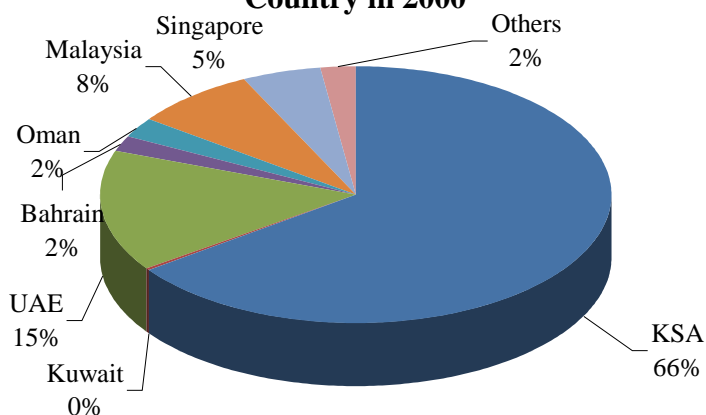
Calendar Year	Saudi Arabia	Kuwait	UAE	Bahrain	Oman	Malaysia	Singapore	Others	Total
2000	144618	594	34034	4637	5258	17237	11095	5213	222686
2001	137248	5341	16252	4371	4561	4921	9615	6656	188965
2002	163254	15767	25438	5370	3927	85	6870	4545	225256
2003	162131	26722	37346	7482	4029	28	5304	11148	254190
2004	139031	41108	47012	9194	4435	224	6948	25006	272958
2005	80425	47029	61978	10716	4827	2911	9651	37903	255440
2006	109513	35775	130204	16355	8082	20469	20139	44032	381516
2007	204112	4212	226392	16433	17478	273201	38324	52457	832609
2008	132124	319	419355	13182	52896	131762	56581	68836	875055

Source: Bureau of Manpower, Employment and Training.

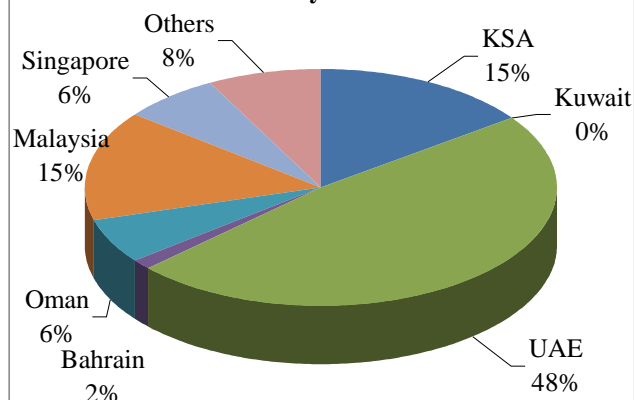
During the current decade, there is a significant change in the structure of the expatriate Bangladeshis by country. In 2000, about 66 percent Bangladeshi workers went to Saudi Arabia and

this rate decreased to 15 percent in 2008. On the other hand, in 2000, about 15 percent of the total exported manpower went to the UAE which is 48 percent in 2008. During the same period, the manpower exports in Malaysia increased twofold. In 2000, about 2 percent Bangladeshi workers went to the rest of the world which increased to 8 percent in 2008. It indicates that the overseas labour market is expanding gradually.

**Figure 3.5.1: Oversease Employment by Country in 2000**



**Figure 3.5.2: Oversease Employment by Country in 2008**



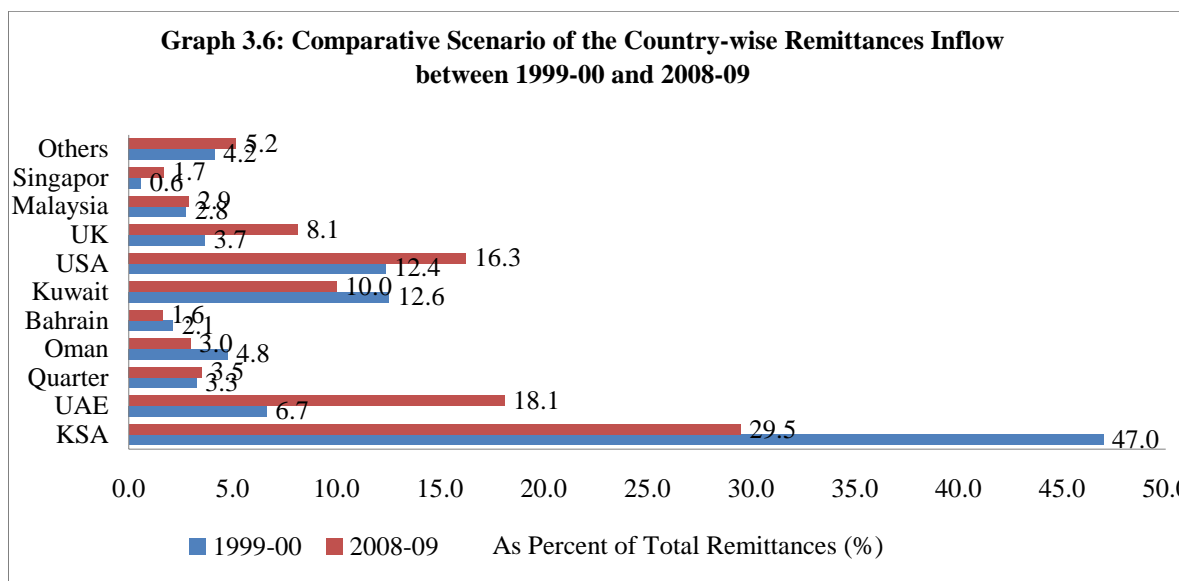
Middle Eastern countries together constitute the major sources of total remittances for Bangladesh. Individually, Saudi Arabia stands top of the list followed by UAE and USA. Country wise remittances of expatriate Bangladeshi workers over the last few years are shown in table 3.9.

**Table 3.9: Country wise Remittances**

(in million US\$)												
FY	KSA	UAE	Qatar	Oman	Bahrain	Kuwait	USA	UK	Malaysia	Singapore	Others	Total
1999-00	916.01	129.86	63.73	93.01	41.80	245.01	241.30	71.79	54.04	11.63	81.14	1949.32
2000-01	919.61	144.28	63.44	83.66	44.05	247.39	225.62	55.70	30.60	7.84	59.91	1882.10
2001-02	1147.95	233.49	90.60	103.27	54.12	285.75	356.24	103.31	46.85	14.26	65.29	2501.13
2002-03	1254.31	327.40	113.55	114.06	63.72	338.59	458.05	220.22	41.40	31.06	99.61	3061.97
2003-04	1386.03	373.46	113.94	118.53	61.11	361.24	467.81	297.54	37.06	32.37	123.18	3372.27
2004-05	1510.45	442.24	136.41	131.32	67.18	406.80	557.31	375.77	25.51	47.69	147.60	3848.29
2005-06	1696.96	561.44	175.64	165.25	67.33	494.39	760.69	555.71	20.82	684.84	238.81	4801.88
2006-07	1734.70	804.84	233.17	196.47	79.96	680.70	930.33	886.90	11.84	80.24	339.32	5978.47
2007-08	2324.23	1135.14	289.79	220.64	138.20	863.73	1380.08	896.13	92.44	130.11	444.38	7914.78
2008-09	2859.09	1754.92	343.36	290.06	157.45	970.75	1575.22	789.65	282.20	165.13	501.33	9689.16

Source: Bangladesh Bank





It is evident from the Graph 3.6 that, despite the significant decline in the share of remittance still the highest remittances comes from Saudi Arabia. In FY 1999-00, about 47 percent of the total remittance was received from Saudi Arabia which declined to 29.5 percent in FY2008-09. On the other hand, during the same period, the share of remittance from the UAE stood at 18.1percent from 6.7 percent. Remittance inflows from the USA and UK grew significantly over the same period.

#### **Steps taken for increasing remittance flows**

The government has taken several important steps for quick transmission of remittance through banking channel. These include

- Simplification of approval procedures along with provision of special priority to set up drawing system between exchange house located abroad and Bangladeshi banks;
- Approvals of setting up 820 drawing systems of 40 Bangladeshi banks with 280 exchange houses are located abroad;
- A regulatory framework titled “Regulatory framework to set up drawing system between exchange houses located abroad and Bangladeshi banks” has been in place to make the monitoring system more efficient and effective;
- Intensive monitoring and supervision for speeding up disbursement procedure of remitted money to the beneficiaries;

- Permission to use branch offices of Micro Finance Institutions/ NGOs along with bank branches as medium of remittance disbursement to increase remittance disbursing network and simplify and quicken the procedure;
- Introduction of US Dollar Investment Bond, US Dollar Premium Bond and Wage-Earners Development Bond in the lucrative interest rate for the expatriate Bangladeshis;
- Application of Foreign Exchange Control Act and Anti-Money Laundering Act to prevent and stop hundi activities;
- Encourage more remittance through the banking channel, CIPs are now being selected from among the highest remitter.

Remittances from expatriate Bangladeshis are contributing in a large measure to the economy. In recognition to this, the government has adopted various welfare programmes for them. Expatriate Welfare Desks have been established at Airports and expatriates are being provided with necessary legal assistance.