

# **The Business Standard: The low-wage specialisation niche in Bangladesh is not a long-term solution: UN Special Rapporteur**

Friday 16 June 2023, by [DE SCHUTTER Olivier](#) (Date first published: 30 May 2023).

**At the end of the 12-day visit to Bangladesh, UN Special Rapporteur on Extreme Poverty and Human Rights, Olivier De Schutter, sat for an exclusive interview with The Business Standard.**

**Let's start with your takeaways from the trip.**

The progress made by the country in the fight against poverty is very impressive. The data collected by the Bangladesh Bureau of Statistics show, for example, that the figures for extreme poverty have declined from 34.3% in 2000 to 5.6% in 2022. This is a very significant improvement, and the improvements are similar for the upper poverty line and the poverty rates.

However, there are limits to these indicators, and in particular, income inequality has risen at the same time. Also, this progress is fragile because many households just above the poverty line may not have been able to create savings or have collected enough assets to withstand shocks. So in times of crisis, confronted with inflation and climate disruptions, some households – although they are above the poverty line – may fall back into poverty.

For example, more than half (51%) of the families that are in poverty today in Dhaka are the new poor. They've fallen into poverty as a result of rising prices in recent months, although they had been above the poverty line before that. So it's fragile progress.

**There is a lot of talk about the reduction in poverty rate, but is that true in terms of reduction of absolute poverty as well?**

The numbers have been reduced significantly.

Of course, the poverty rate only tells part of the story. The figures come from household income and expenditure surveys conducted every 4-5 years by the Bureau of Statistics, and that doesn't measure multidimensional poverty; they measure only income compared to a basket of basic needs that have to be satisfied.

A multidimensional measure of poverty would also look at access to health, nutrition, education, and quality housing. And there is some progress, but progress is less impressive.

**What should the government do in terms of protecting the vulnerable groups who are always at risk of falling behind the poverty line?**

Well, I think the most obvious priority is to re-examine the social protection system. Today, we have a patchwork of 119 different social protection schemes, many of which have very limited coverage

and provide a very minimal level of protection.

And the bulk of the money really goes to one single scheme, which is for old-age pensions for civil servants. So most of the population is not really protected by social protection. There is no life cycle protection, as there should be, protecting people from birth to death – maternity benefits, child allowances, unemployment benefits, disability benefits, sickness benefits, and old age pensions.

With the rate of economic growth we've seen in recent years, which has been 7-8%, there is now more that could be done in that regard. Many people I spoke to and many experts I spoke to felt that maybe too much emphasis has gone to building physical infrastructure, such as roads, bridges, and dams, but too little has been invested in people's health education. And indeed, better wages for the underpaid workers.

**You mentioned there's been rising inequality. I'm curious to understand what are the risks of having very high inequality when everyone benefits from high economic growth, albeit unequally?**

What you are alluding to is the Kuznets curve, which has been criticised not only by Kuznets himself, but also by many other economists. It is simply not true that economic growth is stimulated by growing levels of inequality, as if inequality were triggering people to make more effort to improve their productivity.

I think if you spread the benefits of growth more equally across the population, many multiplier effects result for the economy. Because those at the bottom of the income ladder spend most of their income, this has important multiplier effects on the local economy. That's something that the accumulation of assets by the wealthiest does not have.

This is why the growth of inequality is a matter of concern: not only does it mean that growth will not benefit those at the bottom as much as those at the top, but it also means that the future prospects of development for the country will be jeopardised in the long run.

**Is there some gap in our understanding of poverty, because I've seen in some of your writings that you're critical about the way we measure poverty. You seem to be saying, there is something misleading if we just measure how many people are below or above the poverty line. Would I be right in assuming that?**

Yes, I think the main problem is that when you speak to people in poverty about their experience, they do refer to a lack of income, decent wages, or, indeed regular jobs. But they also speak about issues that those indicators do not capture.

For example, the humiliation they're subjected to, the social discrimination they face, and the shame they experience when, although they're able to satisfy basic needs because they're above the extreme poverty line, they are unable to pay for a decent wedding for the daughter, or the funeral of the parents, and thus experience shame.

Those dimensions of poverty that are much more connected to the way people experience social exclusion are not captured by these indications. And these are the measures, or dimensions of poverty that are called the hidden dimensions of poverty that someone like Amartya Sen has brought to our attention.

The picture of poverty reduction in the country is very impressive. Now we must work on the other dimensions. I recommended to the Bureau of Statistics to focus more in the future on multidimensional poverty and wealth inequality, and they agreed. They need to also ensure that the

sampling they have is a better representation of all the population circumstances. For example, in the Chittagong Hill Tracts district, the people there experience situations that are not captured by general measures.

**What has been the impact of Covid-19 and ongoing inflation on Bangladesh that you've seen during your trip?**

Well, I think there are two things: first, the wages and the social protection benefits, however minimal they are, are not regularly adapted to the increased cost of living. So in the current juncture in which we've seen inflation levels of 8-9%, not least for food items, very quickly, the safeguards provided by social protection schemes or by the minimum wage decided by the minimum wage boards appeared to be inefficient, and so they should be adapted much more regularly. There are some recommendations from the UN in this regard.

There should be a realistic assessment of the cost of living as well. For example, for the workers in the RMG sector, the minimum wage is now Tk8,000. The unions demand Tk23,000 per month, and one NGO, the Asia Floor Wage Alliance, calculates that to support a family of four with two parents and two children, you need a monthly wage of Tk51,000, which strikes my interlocutors here as very high.

It's not my calculation, it's calculations by the NGO. But it seeks to take into account the high costs of rent in the capital city, education, health, and so on. Whether we agree or not with the fee of Tk51,000 per month for the single wage earner for a family of four, the reality is that Tk8,000 is very minimal.

At the same time, and perhaps quite paradoxically perhaps, many people whom I spoke to would like to become RMG workers because the conditions are better than in the informal sector.

**There's a lot of emphasis in Bangladesh on an 'investment-friendly business environment.' Do you think there are risks involved in adopting such policies?**

I think one risk is that more countries will compete for investment. And clearly, Bangladesh is competing with Pakistan, Cambodia, and, to a lesser extent, Nepal. The more it develops into a "beggar-thy-neighbour" attitude; that is in the interest of no one, particularly the tax holidays that are significant in export processing zones and special economic zones, which usually provide tax holidays for five to 10 years.

One may expect certain investors to benefit from these tax holidays and then leave the country once those benefits expire, because their investment will not be profitable anymore.

In these special economic zones, there's no tax on corporate income, no tax on corporate benefits, and no tax on foreigners' wages. There's no export duty, access to utilities is subsidised, and so on.

There are huge benefits, and there is a risk that the system will be abused by certain investors who will depart from the country once those benefits expire. I did not receive a convincing answer to that risk materialising.

**What are your thoughts on the current model of poverty alleviation which is heavily reliant on development organisations? It has had an impact on poverty alleviation, but it has also created an aid industry around it. Do you think it's a very feasible model?**

No, definitely not, and that's almost by definition not sustainable. I think the graduation from LDC status is really an opportunity to raise that kind of debate in the country.

What does it mean to graduate from LDC status? It means exports will be much lower than in the past. You know, quota-free and tariff-free, and the cost competitiveness of the country will be impacted as a result, and the country will have to think about how to build its growth and development on the increase in internal demand.

Domestic demand is much greater than exports due to the increase in export volume or value, and that is an opportunity.

If wages are increased domestically and social protection is strengthened, it may allow local companies to have access to broader local markets, and maybe that is more sustainable than increasing exports further.

This is what China did right 15 years ago – moving from purely export-driven growth to much more domestic demand-driven growth. It takes years to gradually shift from one model to the next, but I think it's in the long-term interest of Bangladesh to depend less on the narrow range of things that it exports, namely migrant workers and garment products.

### **What is the situation in the Rohingya camps, both in terms of poverty and human rights, now that international aid is dwindling?**

It's really terrible because these people depend entirely on humanitarian support. And the last joint response plan that was sent out by the UN agencies and their NGO partners for \$876 million received a very low rate of response from the international committee. Only 17% to this date for an appeal filing in March. And so I'm very worried.

I think the Rohingya crisis was high on the agenda in 2017, but now it's below the radar. And the problem is that these people have no access to income-generating activities or employment. The camps are literally fenced off from the rest of society. And so this means that the rates of stunting among children in the camps will increase because of malnutrition. It means families will grow more desperate.

And so, I made a strong call for the international community to provide more support and for the government of Bangladesh to provide or ensure access to employment for the Rohingya.

And the government and many people see this as leading to the Rohingya potentially competing for employment opportunities with the local communities. But on the other hand, it alleviates the burden on humanitarian actors. Of course, it may also result in money being injected into the local Bangladeshi economy and multiplier effects benefiting the local population.

One also should recall that this joint response fund or plan is not only meant to benefit the 980,000 Rohingya; it's also meant to benefit some 450,000 local Bangladeshis, in order to help the local communities. So I think it's in the best interest of everyone that this appeal be responded to.

### **How do you think the host committee will respond to it?**

Well, I don't know. Clearly, the fear is that if the Rohingya are provided with more opportunities, they may be tempted to stay, and there will be less pressure towards repatriation. But for the moment, repatriation is unrealistic. The three conditions that should be satisfied are not met. Access to the lands that they were given in the past, access to citizenship and guarantees of their security. And until they can be repatriated, they must be accommodated in Bangladesh, which has graciously opened its doors to these individuals.

But that entails responsibilities. And Bangladesh absolutely should be helped by the international

community. I made very concrete proposals, for example, for a public works programme financed by the ILO to build ditches and avoid erosion of riverbanks for climate change adaptation. That could benefit the Rohingya.

The fact that they should have access to employment is a requirement of human rights. These people have the right to seek employment. And the fact that Bangladesh has not ratified the 1951 Convention on the Status of Refugees does not mean they don't have this obligation because this obligation follows other human rights instruments.

**What are your thoughts on the China-brokered repatriation deal that the government has put into action now?**

I have not looked into this.

**Would you like to add anything else?**

I think the one thing that you have not raised that I think is very important is internally displaced people who have been basically fleeing areas that are either subject to regular flooding or where it's becoming impossible to practise agriculture because of the salinisation of water.

In 2022 alone, more than one million people were displaced, and although the figure is disputed, at least 10 million internally displaced people, as a result of climate-related events, have had to move in recent years, many of them to informal settlements around Dhaka.

I spoke to many of these climate refugees and learned they don't have access to solidarity networks where they arrive. They are often not registered, at least immediately, so they don't vote, and therefore the local politicians, the ward councillors, have no interest in supporting them. They are at the very end of the list of people who receive support. They find themselves in these new and more or less hostile environments without the kind of social connections and support they had in their home villages.

I think much more should be done to ensure that they can immediately register and that they receive the social protection that they need. I actually advocate for a new branch of social protection that would specifically protect climate refugees, just like people are protected from unemployment, sickness, and old age, they should be protected from climate change.

**Is there a mechanism at present that sort of tracks them so you know exactly where they're coming from and where they're settling? I get the sense climate refugees are mixed in with the larger groups of migrants.**

Well, there is one ministry responsible for this: the Ministry for Disaster Relief and it has only a limited number of schemes to respond to the needs of these people. They are certainly not sufficient in their coverage, and there is no systematic record of climate migrants. In part, it's because it's sometimes difficult to distinguish climate migration from economic migration—people in search of new opportunities—and the two are intrinsically linked.

But it's important to monitor this closely for one reason, which is that the Green Climate Fund, established to support developing countries to mitigate and adapt to climate change, could support Bangladesh much more than it does.

One of the things I said and which I will continue to emphasise is the need to provide more support to Bangladesh, and if Bangladesh has a figure for the climate migrants and of the costs of supporting them in the new place of residence that they move to, that could increase the pressure on the

international community to help.

**Over the last decade, since the Rana Plaza collapse, there's been a lot more progress in safety than in labour rights. Why do you think that is?**

Yes, I think that is very true. The strengthening of the structural buildings for fire safety has been worked upon, and significant progress has been made. No one wants to see a repeat of Rana Plaza.

However, wages remain very taboo, and when workers protest for better wages, they are indeed repressed. In fact, union rights have been increasingly restricted over the years.

The international brands play a very perverse role in this regard, because, while they impose on the suppliers that they comply with health and safety standards, that they join auditing schemes, and so on; at the same time, they continue to expect and demand low prices for the garments that they source from Bangladesh.

One study I looked at compared the prices the big brands paid to the suppliers from Bangladesh with the prices paid to suppliers from Cambodia, Pakistan, Malaysia, and India; almost systematically across the board, the Bangladeshi suppliers were lower priced. Which shows the perversity of a situation in which Bangladesh has been specialising in basically building on the comparative advantage that consists of keeping the workers in poverty. And that, to me, is not sustainable.

I think there is room to increase the minimum wage; the unions demand 23,000 taka per month. One NGO, the Asia Floor Wage Alliance, calculated that in the city of Dhaka, you need 51,000 taka per month if your wage is to support a family of four. This sounds like an exorbitant sum to many Bangladeshis, but that's based on the necessity of the cost of living.

And so I hope that the minimum wage board that started to reconvene just a couple of days ago will significantly increase wages. Because the future of Bangladesh cannot lie in maintaining its population's poverty. The low-wage specialisation niche in Bangladesh is not a long-term solution.

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