

Employment for Poverty Reduction in Bangladesh:

A Review of the Rural Maintenance Program



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Objective

- * Review performance of the Rural Maintenance Program (RMP) in Bangladesh
- * Suggest ways to design RMP as a tool to create employment for the poor

Outline

- **Growth and poverty in Bangladesh**
- **Rural employment in Bangladesh**
- **RMP – the program**
- **Impact**
- **Fundamental problems/strengths**
- **Designing RMP for the future**

Headline news, October 10th 2006

***Inequality deepens – rich poor gap in villages widen,
though poverty declines in 5 years***

Rural Gini coefficient rises from 0.393 in 2000 to 0.428 in 2005

Growth – inequality – poverty in Bangladesh

❖ **Growth process**

Liberalization
Active NGO participation
Innovation in agriculture
Microfinance
Export of unskilled labor

❖ **Outcomes**

5-6% annual growth rate
Improvement in human development indicators
Reduced poverty
Substantial growth in industry (construction)
Lower dependence on agriculture

❖ **Challenges**

Increasing inequality
Low response in unemployment to growth
Poor governance

The changed face of employment in rural Bangladesh

- *Rural-urban continuum*
- *Changing livelihoods – hands not land*
- *Diversification – a common household strategy*
- *Self employment over agricultural labor*
- *Seasonal rural-urban, rural-rural migration*
- *Participation of women*

But some things seem to never change...

- *Informal market participation (90%)*
- *No skills, no technology, no investment*
- *Limited options for women*

Targeted employment strategies in Bangladesh

- **Self employment** (*NGOs and Government incentives*)

Not fit for all, particularly not for the poorest

- **Targeted and short term employment** (*FFW*)

High cost, high leakage, low impact, low capacity for adopting new technologies and managerial skills

- **Wage employment**

Low private investment, low productivity

Employment generation appears in the PRSP only as an outcome or impact of interventions – e.g.. SME development

The Rural Maintenance Program (RMP)

Objective – Provide employment to rural disadvantaged women and maintain rural earthen roads

Year of inception – 1983

Funding – Government of Bangladesh, CIDA, EC

Management – CARE Bangladesh, Local Government Division

Contract

Year round employment (6 hours for 6 days a week) for four years

Main task – regular maintenance of rural earthen roads

Wage – lower than local minimum
(after compulsory savings)

Operation steps

1. Public announcement for recruitment
2. Selection through criteria
3. Groups of ten formed
4. Groups trained on road maintenance and basic literacy/numeracy
5. Wages (minus one-fifth retained as savings) disbursed from banks
6. Regular training on basic health, social and legal rights
7. In the 3rd and 4th years, training for management skill development

Local government actively involved in 1, 2 and 5

- In 2005, RMP operated in 61 out of the 64 districts of Bangladesh – over 90% of the unions
- 42,000 women employed (over 181,000 cumulative)
- Annual budget – \$ 27 million
- In July 2006 the operation of the program was handed over to the government

Impact



- High savings rate
- Microfinance engagement
- Multiple income generating activities
- Entrepreneurial skills development
- Breathing space for clear future planning

- Higher income after graduation
- Self confidence
- Social inclusion



Why should we hang on to RMP?

- Cheap and effective targeting
- Effective partnership of government, NGO and community
- Good governance and good management
- Wide acceptance – potential entry point
- Easily accessible for target population
- Confidence building of the poorest
- Positive impact on poor households

Fundamental problems with the model

- 'Graduation' to self employment
- Financially unsustainable without donor support – little incentive to scale up
- Relief versus mainstream development
- No guarantee of sustainable impact on participant households
- Low coverage
- Lack of innovation

Learning from other models

The BRAC Experiment

Diversification in providing employment for the poorest

Small factories (sanitary napkin, shoe, bakery)

Key strategy – Local inputs and local skills for local markets

Financial sustainability – Jobs outlive project (possibility of handing management over to community/local entrepreneurs)

Potential to attract private investors to the rural areas

Lessons to take forward

- ✓ Diversify activities under ‘public works’ to increase coverage
- ✓ Use government’s capacity for scale, NGO’s efficiency for grassroots operation and community’s knowledge of local strengths
- ✓ Aim for employment opportunities that outlive funding
- ✓ Local market is key for employing the abundant unskilled labor force – a population of 140 million is a promising market as well as the biggest resource of the country
- ✓ Minimize time and resource waste due to poor governance
- ✓ Define roles and incentives for each stakeholder – particularly government officials – create pressure on local government representatives to create year round employment opportunities

It is time for Bangladesh to seriously think about how to change the nature of the growth process to reduce inequality and accelerate poverty reduction

Employment creation is not the only solution to our problems – but it is certainly an essential element in any strategy we take

Sufficient political will and commitment to provide secure employment opportunities to the poorest (not just as an impact of other strategies) required

Build on lessons learnt from existing models to reduce time wasted on designing models

Thanks!

