Summary

Labour Market and Skill Gap Analysis for the Construction Sector in Bangladesh

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The construction sector of Bangladesh has expanded dramatically in recent years. The development of the construction industry plays an important role in the overall development of Bangladesh. In the government's 8th Five-Year Plan for fostering national economic development, the construction industry is recognized as one of the priority growth industries. The construction industry of the country has grown significantly during the last decade, accounting for approximately 8% of the total GDP (MoF, 2021). According to BBS (2020), the construction sector has shown promising growth over the last decade among the 15 important sectors that contribute to the country's GDP. The development of this sector has been aided by projects such as the Padma Multi-Purpose Bridge and the Dhaka Mass Rapid Transit Development. And the future growth of this sector will necessitate increased workforce productivity through skill development. And, to design particular strategies for skill development in the construction sector, a detailed assessment of the labour market and skill situation is required.

The main objective of this study is to explore the labour market and the overall skills gap in the construction sector. Besides, the specific objectives are: (i) to take stock of the overall demand and supply of skills in the construction sector, and how these demands and supply will change in the next 10 years; (ii) to measure various types of skill mismatch (i.e., skill gap, skill shortage, over and under-education, horizontal mismatch, etc.); (iii) to take stock of government policy and interventions to produce and upgrade the skills for the construction sector; and (iv) to assess the type of training programs required to meet the skill demand.

In determining the sample size of the establishment/firm survey, this study uses the methodology widely used by the World Bank in different surveys. Here, the population is the total number of firms/establishments involved with the Bangladesh Association of Construction Industry (BACI) and REHAB, which is 1118. BACI is involved in public construction as well as multi-storied building construction in Bangladesh. While REHAB works in promoting formal private sector Real Estate Development in Bangladesh. The estimated sample size of this study drawn from this population of 1118 firms is 108.

Further, under each of the sample firms, information has been collected from both the enterprises and the project levels including interviewing some selected employees as well. In addition, Focused Group Discussions (FGD) and Key Informants Interviews (KII) have been conducted to understand the workers' job conditions and future job aspirations in the sector and current conditions and future challenges and prospects of the sector.

According to Labour Force Survey (LFS) data, the construction sector is the second-largest generator of non-agricultural employment, trailing only the ready-made garments sector. Bangladesh's construction industry grew at an annual rate of roughly 8.69 percent in FY2006, but that rate dropped to 6.95 percent in FY2011, indicating a relatively downward trend throughout those years. Due to huge infrastructure investments and a rapid surge in housing demand, the situation began to shift in FY 2012 and jumped to 8.42 percent, after which it has remained stable at around 8 percent. It then rose to roughly 9.92 percent in FY 2018 and 10.25 percent in 2019, an all-time high in the construction industry since FY 2006.

Employment generating potential of the construction sector can hardly be over-emphasized. From 1999 to 2000, total construction sector employment was around 1.13 million which increased to 2.6 million in 2010. Which eventually stood at 2.4 million in 2016-17 and employment in the construction sector occupied 5.6 percent of the total employed population. And the wages of the construction workers are higher than that of agricultural employees on average. This encourages potential workers to leave the agricultural sector and pursue skilled trades in the construction industry (BIDS, 2017).

But upon taking a closer look, the secondary literature paints a slightly different picture. The present scenario depicts that only 37.5% of the construction workers are skilled and 12.6% have advanced skills. Moreover, only 7.8% of the entire workforce are female workers in the construction industry and the majority of them are involved in low-skilled jobs and only are seen in a few occupations. And between 1976 and 2016, there were more than 10.45 million registered migrant workers, with over half of them classed as ‘less-skilled’, 15.2% as ‘semi-skilled’, and 32.5% as ‘skilled’. Only 2% of the migrant workers were professionals. And to hone the skills of the workers, training is essential. But only 6.45 % of construction workers receive occupational training, while the remaining 93.55 % do not receive any work-related training. This untrained workforce could be detrimental to the construction project in a variety of ways.

It was found that the major challenges of this sector are: (i) major skills gap in the industry (ii) lack of knowledge about BNBC’s standards and National Labour Law (iii) lack of knowledge about the standard using procedures of construction tools (iv) shortages in necessary working experience and training (v) absence of skilled trainers (vi) lack of minimal education needed for a successful construction project (vii) scarcity of skilled workers (viii) lack of stimulatory and supporting pay for the workers (ix) crisis of female workers’ participation in the construction industry (x) increased demand for skilled and high skilled workers as opposed to current minimum competency levels.

This study further provides an overview of the features of the surveyed enterprises. The basic characteristics and structure of the construction enterprises/firms are reasonably uniform in Bangladesh. Construction enterprises handle together with a significant number of diverse small and large projects with varying collaborations. The large firms’ performance is significantly impacted by their small supply chain partners’ performance. Similarly, the small construction firm’s activity also plays an instrumental role in the performance of large construction firms' supply chains. The successful management of these firms, however, is often plagued by their inherent characteristics. In particular, the problem arises due to lack of time and resources for innovation, excessive influence of owner-managers, difficulty in raising finances and maintaining adequate cash flows, failure of staff to demonstrate their capacity and capability, etc.

One of the striking characteristics of the enterprises is that in the senior management, engineering, and administrative positions, male holds over 95 percent of the positions dominating the females' position of only around 0.5 percent to 5 percent. However, at the lower rank levels, the scenario is even more biased with 100% of positions being held by male counterparts. Furthermore, at the senior management level, 94.5% preference has been given to male workers, which is also true for other positions like engineering and administrative. For the other occupations, there is a 100% biased towards employing male workers and no preference exists for employing female workers. Simultaneously, the average salary and other benefits of the male senior management, engineering employees, administrative employees, and support staff are much higher than that of the female employees holding the same job title.

In the existing labour categories of the construction sector, other than the employees for senior management and support staff, all the other ones seem to have a skill gap. All the manual labour employees have been reported to be unskilled. The skill gap is also very prominent among the engineers and administrative employees of the sector. There may be two broad reasons behind the existing skill gap: organization-specific or due to lack of training or qualification of the employees. Simultaneously, there exists a skills shortage in the industry. Data however shows that the skill shortages are less problematic compared to the skill gap in the sector. The recruitment flows in the firms are good meaning that the occupation-wise vacancies are easily filled with the existing labour force in the construction industry.

Furthermore, due to the outbreak of the COVID-19 epidemic, much of the development accomplished in the construction industry over the years came undone. Initially, the enterprises were barely making any form of profit as a result of the work stoppage, and on the contrary, more losses were recorded during Covid time. Not only were the corporations losing money, but so were all of the suppliers that supplied the necessary supplies to the various enterprises for use in the construction sector. As a result, businesses have been unable to appropriately compensate their employees, and as a result, many workers have been laid off. That is, all areas of the construction sector encountered challenges during this time, and it will take a substantial length of time to properly recover from the uncertain situation that arose as a result of the epidemic.

Other than the challenges posed by the COVID-19 pandemic, alarming issues as found in the study are the increased price of construction materials, failure of the completion of the projects, lack of skilled workers and delay in repaying government and bank loans, and lack of technological knowledge, lack of manpower, lack of safety training, lack of necessary knowledge about safety rules and machinery, political interferences, financial default of contractor, the intervention of RAJUK, unavailability or high turnover of skilled labourers, unsettled labour conditions and appropriation of property or confiscation of private property cause impediments to the growth of the sector. Other challenges are forced bribery to various agencies, strife regarding properties, poor project planning, and control, sound pollution, traffic jam, narrow street lanes, etc.

Another important part of this study is the projection of labour and its changing demands. According to the surveyed employers, except for tillers and aluminum fitters, almost all labour categories will have a moderate increase in the near future. Following that, strong growth would prevail in the labour categories. There would be no such thing as extremely high or negative staff growth. Moderate and high-growth scenarios will become more prevalent for all construction industry employees. The same is true for newly introduced or relatively new in-demand jobs. These labour occupation categories are expected to grow at a moderate to a rapid rate.

Overall, it can be said that the contribution of this particular sector to GDP is significant and employs a large number of workers. However, the sector is still fully male-dominated. There also exists some skill shortages and significant skill gaps among the workers working in the sector. Data however shows that the skill shortages are less problematic compared to the skill gap in the sector. An overwhelming majority of the respondents identified the skill gap as one of the major impediments to the growth of the sector. Technological backwardness and lack of policy support from the government and delays in approval processes in various agencies have also been identified as other impediments. Thus, several recommendations come up as the solution to the challenges that are faced by the overall construction industry. These are:

- Formal education in colleges and universities must reorganize the needs of current times. To keep up with the demand, the teacher training curriculum should be revised regularly. And the gap between the educational system and the labour market should be reduced by a proper TVET system which must be easily accessible and free of cost, relatively inexpensive for the majority, and relevant to labour demands. In this regard, the partnership between private organizations and government agencies is essential.
- Another important issue is that women, in particular, are under-educated and not trained. They need to be prioritized in certain trades of the construction industry and the government can provide programs accessible to them. The government should begin an investment program that will encourage skill training in a variety of industries.
- Also, other vocational skills are needed to diversify the construction sector, and internationally, such training is required to raise migrant workers' wages. Improvements in a variety of international languages, and computer abilities can boost skills and productivity by allowing the workforce to involve in various multifaceted jobs globally.
- Wage growth should also be in unison with rising labour productivity if job quality is to improve. Lower wages do not offer an incentive for workers to invest in technology, and as a result, future productivity growth may be hampered. Also, to address workforce shortages, providing competitive salaries and benefits, and cultivating a strong company culture should be established that encourages and rewards hard work and devotion.