

Human Capital: The Missing Link for Future Economic Growth

By Daniel M. Sabet and Afsana Tazreen
October 2013

Current Events Analysis Series

Purpose of the report

Despite problems of poor infrastructure, political instability, corruption, and natural disasters, Bangladesh's economy has continued to grow at a remarkable rate, and there are reasons to be optimistic about the future. For example, Bangladesh should reap the benefits of a "demographic dividend," as the relative share of the working-age population increases. Whether Bangladesh can benefit from this dividend, however, will depend on the quality of its human capital. Without a skilled labor force, Bangladesh's demographics could turn into a liability rather than an asset. This analysis examines whether our educational system is preparing Bangladesh's youth to contribute to the country's continued economic growth.

Reasons to be optimistic about the future

- **Past success is a good predictor of future success:** Since Bangladesh transitioned to democracy in 1991, the country has averaged GDP growth rates of 4.9% in the 1990s, 6.0% in the 2000s, and 6.3% for the first three years of the 2010s.¹ It is now among the 60 largest economies of the world. Goldman Sachs has included the country in their list of 'Next Eleven' while J.P. Morgan added Bangladesh to its "Frontier Five".
- **The demographic dividend:** For the latter half of the 20th century, most working age Bangladeshis had to invest their time and income in taking care of a large number of children. These children have since grown up and are contributing to the economy, but they have had far fewer of their own children than their parents' generation. As shown in Table 1, the result is more working age Bangladeshis with fewer dependents to care for. In 1961, approximately 48.8% of the population had to care for 51.2% of the population. By 2012, however, an estimated 61.6% percent of the population had to care for only 38.4%, freeing up both time and income.

Table 1: Demographic changes in Bangladesh²

	0-14 yrs.	15-59 yrs.	60+ yrs.
1961	46.0	48.8	5.2
1974	48.0	46.3	5.7
1981	46.7	47.8	5.5
1991	45.1	49.5	5.4
2001	39.4	54.9	5.7
2012	33.6	61.6	4.8*

* 2012 data represents the percentage is of those 65 and older rather than 60 and older.

Human capital: The missing link: While the country's growth has been impressive, it has been overwhelmingly driven by remittances and the readymade garments (RMG) export. Remittances totaled Tk 1,156 billion (US\$14.5 billion) in FY 2012-13, accounting for 11.1% of GDP.³ For the previous fiscal year, it is estimated that the RMG sector employed 4 million workers, accounted for 78.6% of total export earnings, and made up 16.2% of GDP.⁴ While these two sources of wealth have been a boon for the country, they are unsustainable. If Bangladesh is to become a middle income country, then wages will necessarily rise and Bangladesh will cease to be an attractive destination for the low-cost garments sector. As such, today's income from remittances and the RMG sector have to be used to diversify, add value, and grow tomorrow's

economy in new ways. For this to happen, a larger percentage of the Bangladeshi working age population must acquire the skills and abilities to turn disposable time and income into new businesses and innovation.

The education scenario: How are we doing?

In our interviews with entrepreneurs, we consistently hear complaints about the quality of workers, and many business leaders place the blame on the educational system. A glance at the educational sector shows substantial progress but also a very long way to go if Bangladesh is to capitalize on its current growth rates and its demographic dividend.

Literacy rates: While Bangladesh has managed to dramatically raise its literacy levels over the last two decades from 35.3% in 1990 to 56.8% in 2010, as shown in Table 2, the country still lags far below most other emerging economies included in Goldman Sach's 'Next 11'. For example, Asian competitors Vietnam and Indonesia both have literacy rates over 90%.

Table 2: Adult literacy rates (15 years and older)⁵

Year	Bangladesh	Egypt	Indonesia	Iran	Mexico	Nigeria	Pakistan	Philippines	Turkey	Vietnam
1990	35.3%	44.4%	81.5%	65.5%	87.6%	55.4%		96.9%	79.2%	93.4%
2000	47.5%	55.6%	90.4%	77.0%	91.0%	54.8%	42.7%	95.7%		94.1%
2010	56.8%	72.0%	92.6%	85.0%	93.1%	61.3%	54.9%	95.4%	94.1%	93.4%

Enrollment rates: Enrollment rates also reflect good and bad news. As shown in Table 3, enrollment rates have improved considerably over the last 35 years for primary, secondary, and tertiary education. By 2011 the government claimed that primary school enrollment had reached 98.7%. Unfortunately, however, only 66% of these students are likely to complete primary education and only 5% of secondary school entrants are likely to get a higher secondary certificate.⁶

Table 3: Gross enrollment rates⁷

	1976	1980	1986	1990	2002	2009	2011
Primary	79.2%	71.4%	68.1%	81.3%	-	-	98.7%
Secondary	17.1%	18.3%	20.0%	20.7%	50.6%	49.3%	52.0%
Tertiary	2.7%	3.1%	4.8%	4.1%	6.2%	10.6%	14.0%

Secondary and Higher Secondary Examinations (SSC and HSC):

At first blush, increasing pass rates on SSC and HSC examinations appear to demonstrate progress in student learning. Over the last eight years, the percentage of students passing the SSC exam has increased from 62.2% to 89.7%; the percentage passing the HSC exam has grown from 65.7% to 74.3%; and the percentage of students earning the highest score of GPA 5.0 has almost doubled from 3.2% to 6.3% (See Table 4). Education board officials have attributed this growth to new teaching methods, expanded teacher training and greater use of textbooks by students.⁸

Table 4: Percent of students passing the SSC and HSC exams and earning a GPA 5⁹

	2006	2007	2008	2009	2010	2011	2012	2013
SSC pass rates	62.2%	58.4%	72.2%	70.9%	80.0%	82.3%	86.3%	89.7%
HSC pass rates	65.7%	65.6%	76.2%	72.8%	74.3%	75.1%	78.7%	74.3%
% earning a GPA 5		3.2%	4.7%	4.6%	5.4%	6.9%	8.5%	6.3%

On further examination, however, there are reasons to believe that these gains are overstated. Several teachers interviewed for this study felt that the government had decreased the exams' standards rather than improved student learning. For example, in the past year many HSC students who scored the highest score of GPA 5 failed to even pass the Dhaka University admission tests.¹⁰

University level education: At the university level, it is very encouraging to see that enrollment has doubled in the last decade; however, our own research and non-random survey of 1,100 private university students in Dhaka shows there are still very clear challenges limiting the realization of students’ potential:¹¹

- **Insufficient critical thinking and problem solving skills:** This is the complaint that we hear most often from business leaders and university faculty. As the Bangladeshi education system continues to favor memorization over understanding and critical thinking, graduates are not prepared to innovate or problem-solve.
- **Poor English language skills:** While English is generally the medium of education at the university level, graduates of Bangla medium higher secondary programs are only rarely able to perform at a university level. In our survey, we found that on average students rated their peers’ English writing, reading, comprehension, and speaking abilities as “advanced intermediate” or below, and faculty offered even lower evaluations.
- **Acceptance of cheating and plagiarism:** Cheating has long been a problem in the Bangladeshi educational system. In 2001, the government launched a massive drive to combat cheating on SSC and HSC exams, resulting in the expulsion of 33,542 students. By 2013 this number had dropped to 690, but it is clear that we are still far from a culture of academic integrity.¹²

Our survey of private university students found considerable evidence and acceptance of cheating and plagiarism. As shown in Table 5, 64.4% of students surveyed admitted to having copied from their peers on a test and 76.8% admitted to having copied and pasted from the internet in writing assignments. Furthermore, 33.9% of surveyed students agreed that “given the way things are in Bangladesh, it is sometimes ok to cheat on a test” and 42.0% agreed that it was sometimes ok to plagiarize (See Table 6). Given that many students would be unwilling to admit to such actions or beliefs on a survey, it is likely that these percentages are actually much higher.

Table 5: Self-reported cheating and plagiarism

	Copied during a test	Copied and pasted from the internet
Often/Very often	12.1%	20.5%
Sometimes	16.4%	28.8%
Rarely	36.0%	27.5%
Never	35.6%	23.2%
Total number	1,045	1,033

Table 6: Sometimes ok for students to...

	Copy during a test	Copy and paste from the internet
Strongly agree	6.4%	6.4%
Agree	27.5%	35.6%
Disagree	36.7%	40.7%
Strongly disagree	29.3%	17.3%
Total number	792	793

- **The wrong attitude?** Many university faculty members consistently complain that students are unwilling to work hard, but we were surprised to see that many students share this view. As shown in Table 7, when asked for the primary reason why other students’ do not read their assignments or why they cheat on tests and copy and paste from the internet into their assignments, respondents tended to report that an unwillingness to work hard was the primary reason (followed by poor English skills). Perhaps of greater concern: three-quarters of students (74.2%) agreed with the statement “Success in life is determined by forces outside our control.”¹³

Table 7: The primary reason why “some students”

	Do not read assignments	Cheat on tests	Copy and paste from the internet
Poor English	30.8%	16.2%	28.6%
Because others do it	16.0%	12.5%	13.2%
Not willing to work hard/study/prepare	40.1%	53.4%	43.1%
Professors’ fault	7.2%	4.1%	4.1%
Pressure/too much work	5.9%	13.7%	10.9%
Total number	1,045	1,037	1,027

Conclusion: Continued deficiencies: While we can see clear and commendable increases in literacy and enrollment rates, both still remain comparatively low. These rates will need to be increased further; however, the risk of inflated SSC and HSC exam scores suggests that we also need to be focused on the *quality* of education. A look at problems at the university level suggests that we are still falling short of providing our youth with the knowledge, attitudes, and skills that will allow them to continue and expand Bangladesh’s economic development. More attention needs to be paid at all levels of education to improving critical thinking and problem solving skills and to raising English abilities to university standards. In this process, however, our research suggests that we also need to promote a culture of academic integrity and even build the self-esteem and sense of efficacy of our students.

¹ Akhand Akhtar Hossain. 2011. “Macroeconomic Developments, Policies and Issues in Bangladesh, 1972-2007.” Bangladesh Bank. 2013. “Table 1. Gross Domestic Product of Bangladesh at Constant Prices, 2008-09-2012-13.” Bangladesh Bank. www.bbs.gov.bd/WebTestApplication/userfiles/Image/BBS/GDP_2012_13.pdf. 2012-2013 GDP figures are provisional.

² Bangladesh Bureau of Statistics and A.K.M Nurun Nabi. 2011. “Demographic Trends in Bangladesh” Institute of Epidemiology, Disease Control and Research. 2012 figures were compiled by www.indexmundi.com with figures from the CIA World Fact Book.

³ Bangladesh Bank. 2013. “Monthly data of wage earners remittance” Retrieved from <http://www.bangladesh-bank.org/econdata/wageremittance.php>; “Current national income aggregates.” Retrieved from <http://www.bangladesh-bank.org/econdata/nationalincome.php>.

⁴ Bangladesh Garment Manufacturers and Exporters Association. 2013. “Comparative statement on export of RMG and Total Exports of Bangladesh.” Retrieved from http://www.bgmea.com.bd/chart/total_product_export#.Ujcynd9jONM; “Number of Employment in Garment.” Retrieved from http://www.bgmea.com.bd/chart/total_product_export#.Ujcynd9jONM.

⁵ United Nations Educational, Scientific, and Cultural Organization (UNESCO). 2012. “Adult and Youth Literacy, 1990-2015; Analysis of Data for 41 selected countries.” New York: UNESCO, Institute for Statistics.

⁶ Bangladesh- European Community Country Strategy Paper for the period 2007-2013

⁷ Data from UNESCO as reported by Index Mundi. Retrieved from <http://www.indexmundi.com/facts/bangladesh/school-enrollment>. 2011 primary figures from Government of Bangladesh. 2012. “Bangladesh Primary Education Annual Sector Performance Report.” 2011 figures for secondary and tertiary education retrieved from <http://data.worldbank.org>.

⁸ Today, almost 99 per cent of the primary schools receive the textbooks by January 31, which is quite an achievement as opposed to the fact that it was less than 50 per cent only a couple of years ago. However, the beneficiaries of this are yet to sit for their SSC examinations, so we cannot attribute this factor on this year’s large jump in SSC pass rate and the plethora of top scorers.

⁹ Wasim Bin Habib. 2013. “Less cheers this time”. *The Daily Star*: August 4

¹⁰ 2012. “Pass number pacchen na GPA-5 praptora” (GPA 5 achievers fail to attain pass marks). *Prothom Alo*: December 25

¹¹ Because the sample is not random, we cannot claim that it offers an adequate reflection of all private university students in the city. The survey was offered online to private university students from February to May, 2013.

¹² Statistics obtained in an in-depth interview based on Government of Bangladesh documentation.

¹³ See The Pew Global Attitudes Project for comparative responses. This does not appear to be due to religiosity or Islam, as surveys in other religious, primarily Islamic countries show far less agreement.

The Center for Enterprise Society (CES) seeks to advance understanding of the opportunities and challenges to business and societal development in Bangladesh through objective, academic study. For more information or to access our publications and blog, please visit: <http://www.ulab.edu.bd/CES/home/>