Employment and social assistance contributions to the eradication of extreme poverty

- Poverty eradication should be an overarching goal of the post-2015 process, with other goal areas such as employment, education and social assistance all making a contribution towards it.

- Pro-poor employment interventions are needed to increase the quantity and quality of work for poor people. These should start with the informal economy, where the majority of the chronically poor and vulnerable non-poor work.

- A combination of different policies are also required to increase the quantity and quality of employment, such as massive public investment in education, critical infrastructures, and industrial policies that focus on labour-intensive manufacturing and service activities.

- Social protection schemes can be extended to the vulnerable non-poor and the informal economy to prevent people from slipping back into poverty.

- To sustain poverty escapes social protection needs to be combined with other interventions such as education and training, and job creation.

Poverty eradication

There has been much discussion around the post-2015 process of ‘getting to zero’ by 2030: eradicating extreme poverty for the first time in human history. To reach this goal, it is essential to focus on: i) tackling chronic poverty; ii) preventing impoverishment and iii) sustaining escapes from extreme poverty (the ‘zero poverty tripod’ - Figure 1).

These three objectives will not be achieved through specific anti-poverty policies alone, but instead will be reached via the ripple effects of a range of policies in other goal areas, such as employment, education and social assistance (Figure 2). This dynamic makes poverty eradication an overarching goal for the entire post-2015 development framework (Figure 3).

This policy brief is based on the Chronic Poverty Report 2014-2015 (Shepherd et al., 2014)

The Chronic Poverty Advisory Network (CPAN) is a network of researchers, policy makers and practitioners across 16 developing countries (Bangladesh, Benin, Burkina Faso, Cambodia, Ghana, India, Kenya, Nepal, Niger, Pakistan, Philippines, Senegal, South Africa, Tanzania, Uganda, Viet Nam) focused on tackling chronic poverty and getting to zero extreme poverty and deprivation. It is looking to expand this network to the 30 countries with the largest numbers of poor people, and it is planning to launch a consultancy service to help countries ‘get to zero’. It has a ‘hub’, which is currently hosted by the Overseas Development Institute in London.
The 2014-2015 Chronic Poverty Report argues that **social assistance**, **pro-poorest growth** and **education** are core policy areas for all three of the objectives that make up the zero poverty tripod. As seen in Figure 2, each objective also requires a specific set of policies in order to achieve it; in addition to which, country- or region-specific policies will be needed.

**Education**

Education strengthens all three legs of the tripod. Achieving a minimum number of years of good quality education, and particularly completing the last four years of primary education and continuing onto secondary school, is necessary for children from chronically poor households if they are to have a chance of bringing their households out of poverty as adults, and thus interrupting the intergenerational transmission of poverty. Education is also a ‘portable asset’ – a person carries it with them even when displaced, affected by natural disaster or conflict – and education contributes significantly to a person’s resilience to shocks. Finally, education enables progress beyond the poverty line through accessing better jobs, moving from the farm to the nonfarm sector, and migrating for work.

**Pro-poorest growth**

Different patterns of economic growth produce different distributions of its benefits. The quantity and quality of employment generated is a major factor in determining how much the poorest people benefit from growth. Getting and keeping employment of a decent quality is probably the most common way of escaping extreme poverty for an individual and their household (Baulch, 2011). Poor quality jobs such as those with a low wage, that are insecure (such as seasonal work), and that involve people working in poor and hazardous conditions; trap individuals and their households in extreme poverty. They are included in the economy, but on adverse terms. Employment policies are therefore key to making growth pro-poor. They are also more likely to contribute to poverty reduction when accompanied by agriculture and regional development policies.

**Social assistance**

Social assistance\(^1\) has rapidly risen up the policy agenda in developing countries since the 1990s with the realisation that cash transfers (Latin American experience) and/or employment guarantees (India and Ethiopia lead the way) are powerful instruments for closing the poverty gap. They help to bring the poorest people nearer to the poverty line, enhance food security

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\(^1\) Social assistance indicates non-contributory interventions which aim at interrupting the intergenerational transmission of poverty or prevent destitution through benefits and transfers (in cash or in kind) which can be complemented by other types of interventions (i.e. integrated poverty reduction programmes). Social Insurance mitigates risks associated with unemployment, ill health, disability, work-related injury and old age, such as health insurance or unemployment insurance.
and also provide them with an essential stepping stone to escape extreme poverty if other policies, including access to education and training, are in place to support that.

While Asian countries are investing rapidly in social assistance after learning from Latin America, the big challenge for the coming decade is in sub-Saharan Africa, where political elites may not yet see eradicating poverty as a collective problem; are concerned about the long term financial commitments social assistance requires, and about the dependency they think it could create. A second challenge is to extend social assistance or develop social insurance systems that can reach into the informal economy to prevent the growing numbers of vulnerable non-poor slipping back into extreme poverty.

As extreme poverty reduces, preventing people slipping into poverty is an increasing challenge, even in Low Income Countries. For example, in Uganda the incidence of extreme poverty is declining with a corresponding increase in the proportion of the population of ‘vulnerable non-poor’ (Government of Uganda, 2012). The country has a large pilot targeted social assistance scheme in place. However, extending this to the non-poor, or extending social insurance beyond the small formal sector is not yet on the political agenda.

**Employment policies: combatting adverse inclusion**

Increasing the quantity and quality of work for poor people starts with interventions in the informal economy, where the majority of chronically poor and vulnerable non-poor work. Governments should formally recognise different types of informal wage employment (as well as self-employment) and officially acknowledge the contribution of informal workers to the overall economy.

The recognition of informal employment includes:

i) Collecting data on the incidence and nature of informal wage employment. Including informal jobs in official labour market statistics, derived from national labour force surveys, can help create this awareness amongst policy-makers, and identify the different types of informal jobs held by the working poor and their policy requirements.

ii) Extending labour standards and labour regulations to the informal economy, for instance requiring contractors to provide written contracts to the casual workforce that they employ, and explicitly recognising freedom of association and organisation for trade unions and cooperatives in the informal sector. This holds also for wage workers in the agricultural sector - a category that has been largely neglected by labour policies (Box 1).

### Box 1: Agricultural labour legislation reform, Brazil

Until 1988, labour law in Brazil distinguished between agricultural and non-agricultural workers. In 1963, a separate statute was enacted to recognise farm labourers, but these rights were limited and fell short of those granted to workers in other sectors. In 1988 a constitutional reform granted equal rights to urban and rural workers. This guaranteed protection against unfair dismissal, minimum wage, maximum working hours, annual paid leave, social security, safe working conditions and collective bargaining rights.

Source: Cotula (2002)

iii) The progressive extension of social insurance coverage to the informal economy, to increase poor workers’ resilience to shocks and help them cope with their negative consequences. Expansion of coverage can begin by focusing on specific categories of workers, as has been done in India. This should be accompanied by strategies to formalise the economy and incentives to the private sector to develop insurance products for small farmers (e.g. weather-based insurance).

### Box 2: Tackling collective action problems amongst the chronic poor in Indonesia

As part of its constitutional reform process between 1999 and 2002, Indonesia ratified the ILO Convention No 87 on Freedom of Association and Protection of the Right to Organise in 1998. As a direct consequence, the number of trade unions proliferated from one trade union at the national level and around 1000 unions at the enterprise level in 1997, to around 87 trades union federations registered nationally and more than 11,000 enterprise level unions registered in 2006. Despite this rapid increase of trade unions, economic growth continued unabated in Indonesia. After a short recession due to the financial crisis of 1997, Indonesia reached annual growth rates of almost 5% in 2000, which continued to rise to more than 6% in 2010. Furthermore, economic growth was accompanied by a drop in poverty from almost 29% in 2002 to around 18% in 2010.

Source: Palmer et al. (2009).

Labour legislation is insufficient to address the power imbalances that often underpin labour contracts and employment relations. This is particularly the case in contexts where pervasive intersecting inequalities (Kabeer, 2010) exist – here employers use discriminatory categories to segment the market in their favour, such as offering lower wages to certain

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2 Intersecting inequalities exist when excluded groups, in addition to the economic deficits generally associated with poverty, also face additional discrimination on the basis of socially marginalised identities such as race, ethnicity, caste and sometimes religion or language, with gender cutting across these various groups.
categories of people. Bonded and unfree labour is still frequent in certain section of the global garment supply chain, especially in South Asia (Global Insights, 2013a). Supporting collective representation and collective action of chronically poor labourers can address these power imbalances and more generally the terms with which the poor engage in the labour market (Box 2).

Reinforcing and enforcing labour standards in the formal and informal economy is necessary to guarantee a standardised quality of employment. This involves preparing the ground politically, developing reasonable and attainable norms, expanding labour and health and safety inspectorates, involving trade unions, and implementing tripartite discussions. Private voluntary codes and standards can also help to improve labour conditions and to strengthen both existing labour laws and their enforcement. However, their effectiveness largely depends on the nature of the specific value chain: for example the demand for certified products is easier to generate in international, rather than national, value chains.

Enforcement of labour standards is particularly difficult in value chains with a large presence of migrants and casual workers. Bonded labour in the garment supply chain in South Asia escapes the scrutiny of most Corporate Social Responsibility interventions, because it is located away from the final stages of garment manufacturing that receive corporate attention, and because it is geographically dispersed across villages and small-scale workshops (Global Insights, 2013a). Unless the fundamental governance structures and regulations regarding global value chains are also addressed, codes can become a ‘laundering’ process whereby corporates wash their hands of responsibility and pass their costs and risks down to operators in their supply chain.

Migration policies are also important. Active measures must be taken to make sure that migration is not a substitute for efforts to create decent employment in the countries or areas of origin, and that it doesn’t lead to adverse inclusion. Measures include legislation on the free movement of labour; reform of public services in host areas to include migrants more effectively and ensure that they have ID cards; and developing the infrastructure network along the routes followed by migrants.

Increasing the quantity and quality of employment requires a combination of different economic policies, including: public investment in infrastructure, interventions for private sector development, industrial policies that focus on labour-intensive manufacturing and service activities. India’s recent achievements are a case in point (Box 3).

**Box 3. Employment trends and inclusive growth in India**

Since 2004, India has experienced significant shifts in employment trends and structure, initiating a process of inclusive growth which has resulted in a decline in the number of absolute poor by 138 million between 2004 and 2012. Three key processes have underlined these shifts:

i) an increase in investment in construction and infrastructure, which boosted employment in the non-agriculture sector and raised both urban and rural wages;

ii) the adoption, between 2006 and 2008 of the Mahatma Gandhi National Rural Employment Guarantee Act, which also had a positive effect on rural wages;

iii) a rise in consumption expenditure in rural areas (as a result of the wage rise), which has driven demand for simple consumer goods at the bottom of the pyramid, contributing to an increase in manufacturing employment in the low-productivity small scale enterprises.

Despite these encouraging trends, the country faces major challenges in maintaining the inclusiveness of growth, including: providing skills development and suitable employment opportunities to youth and women in rural areas; and minimising the existing disincentives for growth faced by small firms, to address the problem of the ‘missing middle’ among non-agricultural firms.

Source: Mehrotra et al. (2014); Mehrotra et al. (n.d.).

**Social assistance**

In addition to the extension of social insurance to the informal sector, labour markets would benefit from the strengthening of social protection and increased investment in health and education. These would: i) tighten the wage labour markets by reducing the need to work of those who should not have to be in the labour market (including children and older people); and ii) increase the human capital and productivity of the workforce.

Social protection for pro-poor employment comes in the form of employment guarantee schemes, such as the Expanded Public Works Programme in South Africa, the Productive Safety Net Programme in Ethiopia, and the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in India. In Indian States such as Tamil Nadu, the MGNREGA has effectively benefitted the poorest by making work available throughout the year, guaranteeing regularly paid wages and having a positive effect on once stagnant rural wages (Global Insights, 2013b).
Investments in social protection can tackle chronic poverty and close the poverty gap, even though that is rarely their main objective (with the exception of Bolsa Família in Brazil, and China’s Minimum Living Standard Scheme). There needs to be a focus on social protection systems that provide regular benefits (which households can plan their budgets around receiving). Only permanent social assistance systems can limit people’s exposure to risk in the long-term. Small-scale, time-limited projects will not create an environment that enables poor people to take the decisions they need to take if they are to escape poverty. Benefits also need to be of a sufficient size to enable sustainable poverty escapes.

However, social assistance programmes have their limitations, the most important being that social assistance by itself rarely enables ‘graduation’ – the escape from extreme poverty which justified the social assistance in the first place. Other interventions are required and an ‘integrated approach’ is needed. BRAC’s Targeting the Ultra Poor programme in Bangladesh is an example of this with nine main components including a monthly stipend and health services, income generation training, transfers of assets (e.g. poultry and cages, cattle) and technical support; as is the Bolsa Família conditional cash transfer programme. This level of integration is, however, rare.

Integration is also needed for public works schemes, which need to be accompanied by training if they are to be effective at placing people on the next rung of a ‘job ladder’. This training may be technical and life-skills support, compulsory numeracy and literacy training or compulsory life-skills support; (World Bank, 2012).

To help prevent impoverishment, social protection should also be designed in such a way as to be extendable in times of crisis. In fact, conventional social protection instruments, such as Public Works Programmes, take time to scale up and are more likely to do so efficiently when they are already well established. When this is not the case, second-best options, such as short-term subsidies or school feeding may be more appropriate.

Public works programmes (PWPs)

While it is highly likely that PWPs offering regular and on-going employment will be the most successful in offering long-term benefits for chronically poor people this requirement is undermined by the need for governments to identify and implement significant numbers of employment generating projects rapidly and within a limited time window (McCord, 2013). There are few countries that have developed the routines to do this – India being the leading example.

The low wage-rate combined with the short duration of employment on many work schemes means that it is unlikely that many public works programmes will achieve their ambitious objectives (McCord 2013). So far there is minimal evidence about the intermediate or sustained impact of public works schemes – either on the participants or of the assets and infrastructure created, including the quality of those assets (McCord, 2013).

Implications for the post 2015 framework

A poverty eradication goal formulated in terms of poverty dynamics (Figure 3) is capable of carrying a set of indicators which would link it firmly to other goal areas (such as health or education) and would also include areas that might not become goals in themselves, but which are nevertheless critical to eradicating poverty. Framing the goal in terms of generic targets to tackle chronic poverty, stop impoverishment and sustain escapes from poverty would give countries the space they need to focus on the key policies and interventions they require to reach those objectives.

**Figure 3: A dynamic post-2015 goal to eradicate extreme poverty**

Table 1 provides a set of indicators that could accompany such targets. These include measures of poverty, but also a number of potentially critical but context-specific issues such as the roles of social assistance and employment measures in tackling chronic poverty; of preventing natural disasters or conflict in reducing impoverishment; and achieving the link between education and the labour market for the poorest educated children.

A critical additional governance indicator could be framed in terms of the tax: GDP ratio, to account for the critical nature of public expenditure to achieving poverty eradication.
Table 1: Illustrative indicators for a dynamic poverty eradication goal

<table>
<thead>
<tr>
<th>Target</th>
<th>Indicators</th>
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| 1      | 1.1. % and numbers crossing the extreme poverty line.  
|        | 1.2. % and numbers of chronically poor.  
|        | 1.3. % and numbers of severe poor crossing the extreme poverty line.  
|        | 1.4. % of national income going to bottom 5%, 10%, 20%.  
|        | 1.5. % of the poor children, women, older women and men, and poor persons with disabilities in excluded groups and regions crossing the extreme poverty line.  
|        | 1.6. % of the poor adequately covered by social assistance to close the poverty gap.  
|        | 1.7. % of the poor effectively included by value chain standards and/or labour standards.  
|        | 1.8. % of poorest children, women, older women and men, and persons with disabilities covered by the above.  
|        | 1.9. Implementation of anti-discrimination and affirmative action measures.  
|        | 1.10. Years of (quality) education acquired by the poorest children.  
| 2      | 2.1. % and numbers who have crossed the extreme poverty line who reach an upper poverty line (eg $2 a day) and a country-specific resilience threshold (eg $y a day/x years of education – see chapter 6).  
|        | 2.2. Extent to which target is met by excluded groups and regions.  
|        | 2.3. % of the women in excluded groups and regions crossing the extreme poverty line and reaching upper poverty line.  
|        | 2.4. Years of post-primary education achieved by the poorest children.  
|        | 2.5. The poorest educated children’s access to (decent) jobs.  
| 3      | 3.1. % and numbers becoming poor  
|        | 3.2. Asset depletion due to conflict, natural disasters or ill-health.  
|        | 3.3. Number of forced displacements.  
|        | 3.4. Reported impoverishment due to conflict, natural disasters or ill-health.  
|        | 3.5. Coverage of the poorest households by universal health care, disaster risk management.  
|        | 3.6. % of poorest children, women, older women and men, and disabled people malnourished.  

References


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3 This is proposed in the absence of a viable indicator on decent work.