USAID
FROM THE AMERICAN PEOPLE

WAGE LABOR, AGRICULTURE-BASED ECONOMIES, AND PATHWAYS OUT OF POVERTY

TAKING STOCK OF THE EVIDENCE

LEO
Leveraging Economic Opportunities

LEO REPORT #15

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Cover photo, of wage workers sorting specialty coffee in Kochere woreda, Ethiopia, is provided courtesy of Christopher Cramer.

ABOUT LEO

The Leveraging Economic Opportunities (LEO) project aims to support the capacity of USAID staff and its development partners to design and implement programming that fosters inclusive growth through markets. Funded by USAID, the contract is implemented by ACDI/VOCA with a range of partners and specialists. For more information on LEO and other products and resources produced by the project, visit www.acdivoca.org/leo.

ACRONYMS

a.k.a.	Also known as
CAPI	Computer assisted personal interviewing
CPAN	Chronic Poverty Advisory Network
DHS	Demographic and Health surveys
FACB	Freedom of Association and Collective Bargaining
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
GPS	Global positioning system
HH	Household
ILO	International Labor Organization
ILS	International Labor Standards
LEO	Leveraging Economic Opportunities
LFS	Labor Force Surveys
LSMS	Living Standards Measurement Survey
NREGA	National Rural Employment Guarantee Act
OHS	Occupational Health and Safety
PPP	Purchasing power parity
RIGA	Rural Income Generating Activities database
SSA	Sub-Saharan Africa
USAID	United States Agency for International Development
WDI	World Development Indicators
WDR	World Development Report

I. EXECUTIVE SUMMARY

"*Making the rural labor market a more effective pathway out of poverty is […] a major challenge that remains poorly understood and sorely neglected in policy making.*"

(World Bank 2007, 202)

The rural poor around the world rely heavily on wage labor activities in order to make ends meet, and to find pathways out of poverty. The recent World Development Report 2013 on Jobs made clear that employment creation and wage labor constitute both fundamental opportunities and challenges in the context of substantial economic growth and the acceleration of structural transformation, particularly in sub-Saharan Africa. This has profound implications, especially for agriculture, the sector in which about two thirds of the African labor force is employed, and where the overwhelming majority of USAID's economic development investments is targeted.

As USAID and other donors explore approaches and issues that can improve the poverty-reducing impact of its market systems development work, labor markets—and in particular labor that is relevant to the poorest in rural, agriculture-based economies—emerge as a priority. Thus this LEO initiative on "Highlighting Labor in Agricultural Market Systems" aims to raise awareness and to develop practical resources to support better integration of labor into the practice of market systems development. As its first output, this report provides a stock-take on the current literature on employment and pathways out of poverty, with a special focus on rural wage labor. It also proposes some initial implications for programs in order to yield greater employment and poverty reduction impacts.

Pathways out of poverty are diverse and complex. Most poor people find themselves at different stages along a continuum that ranges from struggling against extreme poverty and destitution, to fighting (re)impoverishment, through to working toward a sustained escape from poverty. Depending on a household's particular situation, labor plays different roles and labor market interventions will have varying effects, because priorities shift as beneficiaries move along pathways out of poverty—some may be desperate for any job, regardless of the conditions, just to make ends meet and reduce immediate distress. Further along the continuum, others will depend on a combination of more work, higher wages, increased security, or better working conditions to successfully escape poverty. This report seeks to tease out these differences in order to develop a better understanding of how rural development interventions and policies can support and promote labor-based pathways out of poverty.

Toward this end, some of the most pertinent questions addressed include: What are the rural poor's typical employment patterns within different agricultural market systems and geographic settings, and to what extent do they rely on wage work to combat poverty? How does rural employment relate to and unfold during periods of agricultural transformation? Which type of jobs and labor market characteristics particularly enable escapes from poverty for rural people? What do we know about the impact of improved working conditions on overall economic growth and performance? The report seeks to summarize the extent to which existing literature and available data provides answers to these questions, and where gaps may still exist.

A. KEY FINDINGS

There are eight key findings of the report, which are discussed below.

1. Rural wage labor is the most important form of employment for the poorest households

Although regional diversity and maintaining a context-specific perspective is of fundamental importance, a general trend is discernible: Rural wage labor, typically low-paid manual labor in agriculture and beyond, is the

most important form of employment for the poorest households, both for bare economic survival and as a pathway out of poverty. (See box 1 for a characterization of wage labor.) Although the quality of data is a major caveat, this general finding is confirmed across geographic regions, both on the basis of national statistics and more nuanced case study evidence.

BOX 1: WAGE LABOR, AND WHY DOES IT MATTER?

This report regards the distinction between self-employment and wage employment as a crucial aspect for analyzing underlying incentive structures and processes of poverty reduction—recognizing that the same person can be self-employed in one activity and wage employed in another. The crucial difference lies in the ownership of the means of production (e.g., capital, land, assets, tools). In simplified terms (explored more in section IV.A), all income-generating activities fall into one of two categories: activities where the worker owns the means of production are self-employment; those where he/she does not, are wage employment. This has major implications for programming—for example, if a person owns the land, they may be willing to invest in it, purchase inputs, and so on. If a person derives the majority of his/her income through wage labor, they are likely to have other priorities such as higher wages, more work, safer work, etc. There are a wide variety of incentives and interventions that can impact their lives, but these are likely to be different from the typical ones offered by an agricultural development project, which is designed to respond to the needs and incentives of (self-employed) farmers.

Globally, it has been estimated that up to 40 percent of the agricultural work force is employed as wage workers (Hurst, 2005), and Valdés et al. (2009) found that the share of poor households who depend on wage labor for their survival is 60 percent in Malawi and nearly 50 percent in Ecuador, Guatemala, Nicaragua, Bangladesh, and Nepal. Specialized labor market studies typically derive even higher rates of wage labor market participation, not only for the poorest respondents. In Tanzania, 60 percent of *all* surveyed households were reliant on wage labor incomes (Mueller, 2012), and in Ethiopia and Uganda—even though the survey only counted work in coffee, tea or flower production—a study of nearly 12,000 rural people found around 50 percent confirmed their engagement in such wage work (Cramer et al., 2014a).

2. Wage labor is systematically under-reported in national statistics, with major implications for evidence-based program/policy design

"Conventional wisdom" about rural wage labor (in particular the notion of thin or absent rural labor markets), particularly in sub-Saharan Africa, are based on national data that is unreliable and has rendered wage labor largely "invisible"—especially the type that is mostly undertaken by the poorest people. This report is in agreement with a range of recent publications that state there is a systematic underreporting of labor within national labor statistics. This has major implications for rural poverty reduction program designs, and both programmers and implementers need to be aware of this.

The low quality of labor market statistics has been comprehensively documented in recent years (Backiny-Yetna, 2003; Oya, 2010a, 2013; Oya and Pontara, 2015). Survey questions are often ill-phrased and methodologies poorly designed to capture key segments and nuances of labor markets and to avoid response bias. The 2004 LSMS household survey in Malawi, although by no means perfect, is an encouraging exception: its questionnaire explicitly included the unique local term for agricultural wage laborer, and as a result, the survey found that nearly 55 percent of rural households reported their engagement in wage labor, and over 80 percent of such work was in agriculture. These results are diametrically opposed to similar (but more poorly designed) surveys in other African countries—for example, in Ghana only 16 percent of LSMS respondents reported engagement in wage labor, and Ethiopia's 2013 LSMS found that less than 1 percent of rural women and less than 2 percent of rural men spent any (recent) time in wage labor. Specialized labor market surveys (such as those referenced above) regularly find drastically different results, with particularly poor people heavily relying on wage labor.

3. Wage employment is becoming more important over time, not less so

As economic development and agricultural transformation unfolds, reliance on wage employment can be expected to increase, and the importance of self-employment will be reduced, particularly for the poorest. This process is generally undisputed. As some indication, Gindling and Newhouse (2012) demonstrate how the proportion of waged workers in a country's labor force is strongly correlated with wealth, and how in turn employment in agriculture reduces sharply. Accumulation (and employment creation) based on agriculture and non-farm businesses are mostly reserved to already better-off households, and generally such paths are likely to become less and less viable as pathways out of poverty. In turn, internal and international migration, both rural-urban and rural-rural, can open important pathways out of poverty that should be promoted.

4. Even relatively "bad" jobs are important as coping strategies against extreme poverty

Better jobs can make the difference between mere coping strategies and pathways out of poverty. But even relatively low-quality employment can have a positive impact on poverty status for the most disadvantaged groups of workers. Such work would rarely conform to what is typically called "formal" or "decent work", which in its majority may be unachievable for the poor.[1] That said, this report makes very clear that any work that may be harmful or that infringes on core labor standards (such as forced labor and the worst forms of child labor) must never be promoted, especially not as part of a pathway out of poverty. Where a person is situated along a poverty continuum (e.g., tackling extreme poverty, fighting impoverishment, sustaining an escape from poverty) greatly affects the type of labor-based improvements that will be most helpful in bettering his/her situation. Although higher wages generally are important, they do not always reflect the most urgent needs of the poor, and in many cases their highest priority is more work and a better seasonal distribution of income-generating activities. For example, a survey of homeworkers in five South Asian countries found that 72 percent of groups ranked "more work" amongst their top three work-related priorities. Improved working conditions and wage levels often took lower levels of priority (HNSA and ISST, 2006). It is important to note that these relations are likely to vary across different country contexts, very much depending on the relative status of development and structural transformation in an economy.

5. Labor-related improvements have differing impacts depending on the poverty situation of the individual or household

Although some type of interventions hold benefits for all workers (e.g., extremely poor, less poor, etc), many improvements are most effective for people in specific poverty situations. Unfortunately the data is not always complete and more research is needed, but there is clear indication that for all 'types' of workers, regardless of poverty status, positive impacts accrue from: an overall increase in the quantity of work (for all adult household members), a reduction in seasonal variation, an increase of wages, piece or task rates, and better access to social protection systems. For instance, the higher than prevailing wage offered to women under the National Rural Employment Guarantee Act (NREGA) program in India led to increased earnings, with many women reporting that these wages had helped reduce hunger (67 percent of respondents) and avoid illness (46 percent) (Dasgupta and Sudarshan, 2011). In addition to these fundamental improvements, strengthened basic technical skills (to create access to basic jobs) as well as reducing the most severe and immediately harmful occupational health and safety (OHS) risks can help jump start an escape from extreme forms of poverty. To stop (re)impoverishment,

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[1] For this reason, it often is not helpful to use simplified or rigid dichotomies in addressing labor, such as 'decent'/not 'decent' work, farm /non-farm, formal/informal employment, to name but a few. They generally are not able to capture the nuance necessary to address the various forms of poverty and working conditions. In other words, there can be relatively good informal, but also relatively bad formal jobs. Similarly, whether a job is on- or off-farm has no significance for its poverty impact.

OHS risks must continue to reduce and jobs have to be more secure and predictable. Finally, to promote sustained escapes from poverty, OHS should be minimized, technical skills promoted further, excessive working hours reduced (whilst maintaining overall income levels), and child labor reduced or (ideally) eliminated.

6. Improving women's access to wage work and their control over income can have substantial positive effects on poverty reduction

Women face a range of important constraints in accessing jobs, and as a result, women on average have substantially poorer access to better jobs as compared to men. Widespread issues such as (a) men's control over the means of production, (b) women's disproportionate share of reproductive/care responsibilities, (c) gender stereotyping, (d) lower female educational attainment levels, or (e) socio-religious restrictions on women's mobility and activities constitute common barriers for many women to gainfully participate in labor markets. There is abundant evidence that these constraints result in (rural) women having considerably greater difficulty than men in securing better jobs, and women's average earnings are almost always lower than men's. For example, an analysis of data on the rural waged workforce in 15 countries in Africa, Asia, Central and Eastern Europe, and Latin America found that there was a significant difference in male and female earnings in 14 of the 15 countries, with female earnings being between 5 and 50 percent lower than males, when controlling for basic individual characteristics (Winters et al., 2008). Furthermore, improving women's access to better jobs may not be enough, as they often lack full control over their earnings due to men's control over household income. Increasing women's decision-making power within the household is therefore important, not least due to evidence that rises in female income tend to lead to increased spending on better nutrition and education for children.

7. Improving working conditions and wages does not necessarily hamper economic performance

This applies both on the macro level and with regard to an individual firm's profitability. To the contrary, if implemented carefully, there is evidence that improvements in working conditions may enhance competitiveness, productivity, quality of output, and ultimately profitability of firms. However, this finding is not universal, the relationship between labor conditions and growth and competitiveness is highly context-specific, and concrete outcomes particularly depend on the type of labor interventions as well as the targeted value chains, industries, enterprises and countries in question. Some evidence points to the fact that interventions which address multiple working conditions, while also tackling underlying management inefficiencies, are more likely to yield benefits both for workers and for the enterprise. In particular, efforts to increase wages are best made in conjunction with efforts to improve farm/enterprise productivity as a whole. Linking better working conditions with profitability is a particular challenge in the context of smaller farms and enterprises, given their lack of economics of scale to shoulder necessary investments in improved conditions, lower profit margins, limited access to financial capital, low education levels, poor access to information and knowledge, and a small and transient labor force.

8. The industry and value chain targeted has wide-ranging implications for labor-driven poverty reduction

To support sustained escapes from poverty, it is crucial to carefully select and target industries and sectors that not only have growth potential, but that are employment-intensive, have a high reliance on wage labor inputs and create jobs accessible to the poor, including vulnerable groups such women, youth and migrant workers. Furthermore, sectors where quality of output is important, that supply higher-end markets, and where larger firms operate can be targeted for support and promotion, as they tend—on average—to offer better working conditions. However, it is important to note that these characteristics do not offer a guarantee for good labor practices, and that scale and product quality certainly are not the only determinants for good labor conditions. For this reason, careful attention to context, but also sound regulatory mechanisms, incentives or monitoring to

protect workers against unethical employers are essential. Most importantly, programmers and policy makers should always be mindful of who will be able to access the jobs in question, and especially whether poor people will benefit from such employment. Reaching the breadth of the poverty continuum likely requires targeting a mix of value chains so that people across the poverty scale can benefit. Finally, it is important to keep linkages between sectors in mind, where interventions in one sector may have impacts on remittances, investments and labor supply/demand in another area or sector. In order to create maximum labor market impact of any given intervention mechanism, it is important that programs encourage cross-sectoral links to drive flows of investment and labor between market systems.

B. INITIAL IMPLICATIONS

The report's findings point to a range of implications for how rural development programs, projects and policies can greatly increase impact on poverty reduction. The authors have put forward this initial list as a basis of further refinement and development by the LEO project and similar initiatives.

1. Actively include (and, where appropriate, focus on) wage workers as a key beneficiary group

The majority of rural development initiatives take primary agricultural production – particularly by smallholder farmers – and micro-entrepreneurship as their prime angles of intervention. Such targeting is likely to miss those who are in most immediate need of support: the numerous land- and asset-less people in rural areas, but also marginal and disadvantaged farmers who depend on wage incomes and for whom self-employment simply is not a viable pathway out of poverty. Consequently, goals such as increased poverty reduction, resilience, or food security should not just be a question of primary production and supply-side constraints, but also of incomes and jobs. By targeting households in their capacity as farmers, and by principally supporting only self-employment-based pathways out of poverty (such as own-account farming and entrepreneurship), the breadth and depth of impact on poverty is greatly reduced.

2. Be aware of systematic underreporting of wage labor in most statistics, and broaden programs to include quantitative and qualitative analytical work

Because formal statistics on wage labor are so unreliable, in order to design meaningful and effective solutions, a shift is needed in the design of programs and the measurement tools and approaches utilized. Rather than prescribing pre-defined solutions and interventions in fixed program documents, it will be important to create cycles of evidence collection, context-specific intervention design and implementation, with recurring phases of program scrutiny and revision to assure adequate impact on employment and labor-based poverty reduction. For this, programs should allow for data collection and analytical components that inform the subsequent finalization of interventions. Furthermore, accept greater reliance on qualitative and case study evidence and where possible enhance national governments' capacity to collect and analyze accurate rural labor market data. Practical, cost-effective tools to support program assessment of impact on casual, often seasonal wage labor is an area that requires greater attention.

3. Focus on initiatives that increase quantity of work and have a tightening effect on labor markets

A major obstacle for poor people to find labor-based pathways out of poverty is the reality that in rural areas labor supply typically greatly outruns labor demand. Due to the importance of sufficient work, particularly for the poorest households, it is crucial to focus on interventions that have the potential to increase or improve the quantity and seasonal distribution of work. Consequently, any policy or intervention that can tighten the labor market—i.e., which reduces the gap between supply and demand—is to be welcomed. This is particularly important in agriculture, where labor demand is highly seasonal, leading to labor shortages during short periods,

but long spells of un- or underemployment throughout most of the year. Increasing and smoothening labor demand over the year—e.g., by increasing number of harvests by reducing dependence on rain-fed agriculture, commercializing agricultural production to increase reliance on wage labor beyond individual seasons, or introducing non-agricultural industries and employment—may be important mechanisms. Also more indirect initiatives should be considered, such as reducing child labor and increasing school attendance, in order to force employers (and household heads) to replace working children with (ideally, paid) adult workers. In a similar vein, measures which reduce birth rates, lengthening years of schooling, delaying the age of marriage (particularly for women), as well as family planning services may be effective measures. Furthermore, social protection measure can both create jobs (in the care service sector), and withdraw some groups partly or wholly from the labor market, such as disabled or elderly people.

4. Choose sectors, value chains, and type of enterprises with large wage employment potential and impacts

Potential for labor-intensive production and positive employment impacts should be the guiding principle for the selection of any target industry, sector, and intervention. Labor-intensive sectors, both within agriculture (e.g., horticulture and many export crop sectors), but also in (rural) manufacturing and agro-processing, which create a large number of manual jobs that are accessible to the poor should be particularly favored. Furthermore, linkages between sectors should be factored in to make sure interventions can reap maximum labor impact across an economy as a whole. An example for such linkages would be that increased wage incomes in one sector may lead to increased remittances and investments in other sectors (such as agriculture), and thus a tightening labor market effect in the wider economy.

5. Contribute to improving quality of work

Most jobs that are accessible to the poor do not offer agreeable working conditions, and development programs can contribute greatly to improving them. Most fundamentally, the worst forms of employment, including forced labor and the worst forms of child labor should be eradicated wherever possible. Other important areas for interventions are the reduction of health and safety risks, and general improvements in work-related social protection coverage (e.g., maternity benefits, severance pay, company pensions and health insurance schemes). Often, but not exclusively, most potential lies in sectors where product quality is important, or that target high-end market segments, where better working conditions also lead to higher productivity in order to create a win-win. Also, those sectors which tend to be dominated by larger employers who can shoulder the fixed costs of investing in better working conditions can have great potential to create more and better jobs. This may be quite context-specific, so in many cases labor interventions should be preceded by a needs assessment, which includes identifying "quick wins" that are non-contentious for employers or smallholders but also deliver significant improvements for workers.

6. Specific efforts focused on women as well as on migrant workers are needed

This includes facilitating and supporting impoverished women's access to waged work, and awareness-raising or sensitization efforts to encourage more equal sharing of household chores, control over income, and decision making within households. Because migration frequently offers pathways out of poverty, targeted efforts for migrant workers (both internal rural-to-rural and cross-border migrants) need to be considered. These should include efforts to eliminate the worst labor abuses (e.g., forced labor, harsh treatment) on farms and enterprises that employ migrant workers.

7. Market systems program designers and practitioners should not be put off by the "conventional wisdom" that pits improved labor conditions against economic growth and competitiveness

For many labor standards there is more evidence pointing to a positive or neutral relationship between improved working conditions and economic competitiveness, rather than a negative relationship. Many good practice case studies at the individual enterprise level highlight that improvements in working conditions can indeed be achieved alongside strengthening commercial performance. However, care needs to be taken as to how labor interventions are designed and implemented, since the nature of interventions is shown to significantly influence commercial outcomes. In particular, improvements in wages should be addressed in combination with efforts to improve productivity. For this, implementers should start with value chains where the positive relationship between improved labor conditions and competitiveness is strongest. Close collaboration with employer and industry associations, and targeted value chain and industry assessments can be important ways to identify such opportunities. Programs operating in contexts that are chiefly occupied by small-scale farmers or enterprises, due to their limited scope for improved working conditions, it will be important to directly link interventions that target better working conditions with those that create enhanced levels of productivity, profitability and accumulation.

II. INTRODUCTION

A. WHY (WAGE) LABOR MATTERS

For some time, the majority of internationally-led agricultural development programs and rural poverty reduction efforts have focused on supporting primary producers—particularly smallholder farmers. This is based on the assumption that bottom-up improvements on the supply side will jump start rural development and eliminate poverty. In this paradigm, labor markets and particularly (agricultural) wage labor[2] often were sidelined, despite their obvious potential and crucial role in enabling people to gain productive and gainful employment: for a long time, "poverty has been divorced from labor" (Oya and Pontara, 2015).

Yet, more and more evidence is emerging that labor lies at the core of poor people's struggle to make ends meet and to escape from poverty. For example:

- in Ethiopia and Uganda, a recent large-scale study on poverty and employment found that, even though only work in selected target export sectors was counted, around 50 percent of those surveyed reported to have been engaged in wage work in the past 12 months (Cramer et al., 2014a);
- in Tanzania, Mueller (2012, 2015) found that 60 percent of rural households depended on (usually casual) wage labor for their survival, and the poorest on average obtained about 65 percent of their annual incomes from such work;
- globally, it has been estimated that up to 40 percent of the world's agricultural labor force is in fact employed as wage workers (Hurst, 2005).

This relates to a greater process of agricultural transformation, with labor productivity in agriculture increasing, which in turn releases large numbers of workers into other sectors where they need to be absorbed. This process has unfolded relatively rapidly in Asia, where rural wages have risen substantially over the past decade as a result (Wiggins and Keats, 2014). A main corollary of that process was an increased reliance on wage labor, and an overall reduction of self-employment. In Africa, this whole process arguably is still in its infancy, and about two thirds of the continent's labor force is still employed in agriculture.

Nevertheless **there are clear signs of change: early stage transformation and economic dynamism is unfolding in many countries and—most importantly for practitioners—the common-place characterization of Africa's rural poor as a fairly homogenous group of farmers is increasingly inaccurate.**[3]

This realization has also made its way into international development flagship publications, such as the World Development Report (WDR) 2008 on Agriculture, which states: "*Making the rural labor market a more effective pathway out of poverty is […] a major challenge that remains poorly understood and sorely neglected in policy making*" (World Bank, 2007a, p. 202). In particular, the recent 2013 WDR on Jobs (World Bank, 2012) has contributed markedly to lifting employment closer to the development community's center of attention, not least through highlighting the growing challenges of unemployment. While there remains considerable uncertainty about the quality of

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[2] As elaborated in section IV.A, we regard the distinction between self-employment and wage employment as a crucial aspect for the analysis of underlying incentive structures and processes of poverty reduction. As we show, ignoring or misinterpreting labor relations will often lead to ill-devised development policies and interventions. We define wage labor strictly through the ownership of the means of production: A person is wage employed if he/she does not own the primary means of production (e.g., land, capital, tools) necessary to carry out the work in question.

[3] In fact, several authors convincingly argue that it never has been accurate in the first place (e.g., Byres, 1979; Bernstein, 1996, 2006).

some labor market statistics, especially in sub-Saharan Africa (as discussed in section III), today it is widely acknowledged that employment and labor constitute principal pathways out of poverty for the majority of the rural poor across the globe. As Inchauste (2012) summarizes in a comprehensive review of the literature, studies consistently find that pathways out of poverty are triggered by labor-related events in the clear majority of cases.

Fortunately, the long-standing "job dementia" (Amsden, 2010) has started to abate in recent years due to mounting evidence that the challenges of rural poverty within agriculture-based economies are too complex to be addressed by narrow technocratic approaches. Instead, **the key question is shifting: how can ongoing processes of economic growth, structural transformation and the rising productivity of labor be stimulated further and, more importantly, harnessed to create labor-based pathways out of poverty?**

Given that rural communities are highly heterogeneous and differentiated, such pathways are very complex. They constitute a continuing process, and poor people find themselves at different points along that continuum, attempting to address extreme poverty, to fight against (re)impoverishment, or to work towards a sustained escape from poverty. Depending on the particular situation, labor plays different roles and labor market interventions will have varying effects, because priorities shift as people move along pathways out of poverty—some may be desperate for any job regardless of the conditions, just in order to make ends meet and reduce immediate distress; while further along the continuum, others will depend on a combination of more work, higher wages, increased job security, or better working conditions (among others), to successfully escape from poverty.

As a result, in their daily struggles against poverty, rural people usually cover a wide socio-economic spectrum of activities, from farmers to agricultural wage workers, seasonal rural-rural migrant harvest workers, rural-urban migrants seeking fortunes in the non-farm economy, and non-agricultural micro-entrepreneurs, to name but a few examples. Often these descriptions are overlapping, as the majority of rural households pursue diversified strategies to make ends meet within constantly shifting contexts of economic transformation. As a result, labor-based pathways out of poverty often are long and defy simple categorization.

Yet, wage labor usually does lie at the core of poor people's strategies to combat and escape poverty (section IV). In particular, wage labor represents a particularly important route for many women, who often have limited access to productive assets such as land, and therefore rely solely on their labor power both for survival and accumulation. Due to this complexity and the dynamic contexts involved, reducing poverty through labor-aware interventions remains a hard-to-hit target for development practitioners, whose work and success typically is appraised on the basis of short-term impact and easy-to-measure targets.

With this in mind it may not surprise that, although relative consensus on the importance of labor and employment for rural poverty reduction has been reached, development agencies and practitioners often lack sufficient solutions and effective tools that enable them to tackle (and measure) poverty through the promotion of more and better jobs. This has opened a gap between a well-acknowledged need and practical implementation.

This is the prime starting point for LEO's initiative on "Highlighting Labor and Agricultural Market Systems" which aims to raise awareness and develop practice-based resources. As its first output, this report provides a stock-take on the current literature on employment and pathways out of poverty, with a special focus on rural wage labor. Some of the most pertinent questions addressed include: What are the rural poor's typical employment patterns within different agricultural market systems and varying geographic settings, and to what extent do they rely on wage work to combat poverty? Which type of jobs and labor market characteristics are particularly conducive towards enabling rural people to escape poverty? What do we know about the impact of improved working conditions on overall economic growth and performance? How do these processes relate to and unfold during periods of agricultural transformation?

B. PURPOSE OF THE REPORT

The report provides a foundation of evidence to guide and support future investments in more labor-inclusive development. It seeks to summarize how far the current literature and available data is able to provide answers to these questions, and where possible gaps may still exist. Throughout the report, agricultural development programmers and practitioners are recognized as the prime target audience. The primary aim is to provide a more systematic overview and structured summary of the complex issues involved, as well as elicit pragmatic ways forward of how existing and new rural development projects and programs can incorporate stronger labor awareness and yield greater employment impacts, both in terms of achieving greater quantity and quality of jobs for the poor.

C. RESEARCH METHODOLOGY

The report incorporates a wide range of literature that span the overarching topics of poverty reduction, rural development, and economic growth from a micro and macro perspective with a keen eye on labor and employment related foci. For the full set of research questions and a brief research methodology, see annex 1. Consequently, the related body of literature is vast, and although in total over 400 publications were reviewed in its making, the authors are not in a position to be able to claim absolute completeness in its findings. Furthermore, each of the discussed themes comprises a wealth of nuance and diversity, and although every effort was made to address the most important elements in question, it was often not possible to do the complexity of individual sub-topics appropriate justice within the scope of the report. With all that said, this report rests on a broad base of literature and evidence, and the authors are confident that it provides a sound foundation for development programmers and practitioners to improve labor outcomes in agricultural market systems interventions.

D. REPORT STRUCTURE

The report is structured around four main segments: **First**, we highlight the current state of evidence and data on rural labor markets in developing countries, particularly sub-Saharan Africa (**section III**), expounding how official sources of data can be highly misleading due to a systematic underreporting of rural wage labor. The section furthermore provides an analysis of the main reasons for the paucity and low quality of labor market data.

Second, a systematic description of employment of the poor is provided, starting by untangling the diversity and often confusing terminology surrounding the topic of rural labor (**section IV A**). This is followed by an empirical discussion of the different forms of employment that are most relevant for the poor in different regions of the world (**section IV B**), and how these are shifting over time and within contexts of economic transformation (**section IV C**).

Third, we provide an overview of what characteristics of labor and employment are most important to enable poor people to find labor-based pathways out of poverty, including micro and macro factors, the determinants for poor people's access to good jobs, and how this is shaped by important intra-household relations of gender and power (**section V**).

Fourth is an evaluation of how improved working conditions (including higher wages) might impact economic performance on a micro and macro level, as well as what key characteristics and variables determine the relationship between better working conditions, worker agency, and economic performance (**section VI**).

Finally, in a concluding section (**section VII**), we summarize the main findings and translate them into practical recommendations for agricultural development programmers and implementers to enable them to achieve a heightened inclusion of labor-based pathways out of poverty in their work.

III. WHAT DO WE KNOW ABOUT RURAL WAGE LABOR?

A. THE CURRENT STATE OF LABOR MARKET DATA IN DEVELOPING COUNTRIES

The topic of rural poverty has been subject to a number of "conventional wisdoms" and "stylized facts" (Oya, 2010a, 2013). Of these, perhaps the most widespread and dominant one, particularly with reference to sub-Saharan Africa (SSA), is a common conflation of rural poverty with small-scale farming (often mistakenly labelled subsistence agriculture).

Another misconception is the often-held view that the (informal) non-farm economy is mainly comprised of self-employed workers, particularly micro-entrepreneurs, own-account workers and contributing family workers. As a result, it is often assumed that wage labor is only of limited importance for the rural poor, and that rural labor markets are thin or even absent.[4]

Many of these "conventional wisdoms" are in fact partly based on the available evidence on rural livelihoods and labor markets in developing countries, which unfortunately is subject to a range of inadequacies and low data quality. Agricultural development programmers require accurate data and evidence to inform their design choices, not least due to the crucial importance of labor relations and the interplay between wage and self-employment and farm and non-farm income in any process of poverty reduction.

Despite recent improvements in the availability of data in many countries, the general state of statistics in many developing countries is still dire (again, particularly in SSA, as cogently discussed by Jerven, 2013). Development practitioners need to be conscious of common pitfalls in order to be able to circumvent them. Therefore, before diving deeper into the discussion on labor and pathways out of poverty in subsequent sections, it is important to address these data issues upfront.

For a long time, the primary origin of evidence was Labor Force Surveys (LFS), which continue to serve as primary source for the ILO's LABORSTA database. Yet, particularly in Africa, the scarcity and irregularity of LFS is disconcerting. In many countries, the latest LFS has been carried out over a decade ago leading to considerable paucity of labor market data (for a comprehensive overview, see Szirmai et al., 2013, pp. 12–15). Other types of surveys have become more frequent in many countries. Examples include such as integrated household surveys, the Living Standards Measurement Surveys (LSMS), Demographic and Health surveys (DHS), or other individual, less standardized surveys and panel data (i.e., longitudinal data that includes multiple observations, therefore allowing the analysis of changes and effects over time).[5] Most of these individual sources of data hold various forms of information on labor markets and employment patterns (usually at the household level), and despite their lack of standardization, a lot of this data flows into aggregate national statistics that are organized

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[4] For critical discussions of these two common simplifications, as well as the notion of 'thin' rural labor markets, see Sender (2003a) in particular, but also Ashley and Maxwell (2001), Sender and Johnston (2004), Sender, Oya, and Cramer (2005), Mueller (2012, 2015), Collier and Dercon (2014) or Leavy and White (2000).

[5] The Chronic Poverty Advisory Network (CPAN) has provided an up to date overview of panel data on developing countries that is currently available (CPAN, 2014a).

by international institutions (e.g., the World Bank's WDI database, or FAO's Rural Income Generating Activities database (RIGA) database (2015)(2015)).

However, much of this data is subject to significant measurement errors and biases, which in turn contribute to a systematic underestimation of (rural) wage labor.

B. WHAT IS THE QUALITY OF AVAILABLE DATA ON RURAL (WAGE) LABOR IN DEVELOPING COUNTRIES?

The low quality of labor market statistics in developing countries, particularly in rural areas, is undeniable. For the case of sub-Saharan Africa, this has been comprehensively documented in recent years (Backiny-Yetna, 2003; Oya, 2010a, 2013; Oya and Pontara, 2015), and it has also been acknowledged more widely by flagship publications such as the WDR 2008 on Agriculture and the WDR 2013 on Jobs (World Bank, 2007a, 2012). In his work, Oya provides a wide range of examples of how rural wage labor is systematically neglected and underrepresented.

Especially in the African context, the evidence may give the impression that rural wage labor appears to be entirely marginalized and negligible. For example, most recent available national figures for the total share of wage and salaried workers of the workforce list 9.2 percent in Tanzania (2007) and 7.9 percent in Ethiopia (2005) (source: ILO, key indicators of the labor market database, based on LFSs). Other large-scale surveys even state that in Uganda no more than 11 percent of women work for wages in agriculture (UBoS and ICF International, 2012), and in Ethiopia the figure drops well below 1 percent (CSA and World Bank, 2013). International flagship publications are picking up these trends, with the WDR 2008 (World Bank, 2007a, p. 205) stating that only 4 percent of African men, and 1.4 percent of African women are "agricultural wage earners", and the WDR 2013 similarly notes that "*nonwage work represents more than 80 percent of women's employment in Sub-Saharan Africa*" (World Bank, 2012, p. 50).

Yet, smaller dedicated labor market case studies and surveys generally tell a bewilderingly different story. Table 1 highlights several examples, where the extent of participation in wage labor is reported to be substantially lower in national statistics, compared to dedicated labor market studies. Consistently such labor market studies find levels of wage labor participation among rural African households in the order of 45–60 percent.

These are not isolated cases, and a wide range of case studies and reports found similar discrepancies that point at a ***systematic underreporting of rural wage labor in national statistics***.[6]

[6] Other examples are Mozambique (Cramer et al., 2008), Senegal (Oya, 2007, 2015), Mauritania (Oya and Pontara, 2008; Oya, 2015), Rwanda (Rizzo, 2011; Petit and Rizzo, 2015), Lesotho (Johnston, 1997), South Africa (Standing et al., 1996; Di Paola and Pons-Vignon, 2013; Pons-Vignon, 2015), India (Chand and Srivastava, 2014; Jha, 2015), and China (Huang, 2013; Zhang, 2015), to name but a few.

Table 1: Comparisons of national labor statistics with dedicated survey and case study evidence

	Official national labor statistics	Specialized labor market surveys and case studies
Tanzania	11% of rural households include at least one wage worker[1] 9.2% of total labor force (urban + rural) are wage employed[2]	58% of households include at least one wage worker[3]
Uganda	11% of women work for wages in agriculture[4] 23.6% of total labor force (urban + rural) are wage employed[2]	44.8% of all women sampled work for wages (in observed agricultural sector)[5] Over 53.5% of all sampled adults (rural only) participated in agricultural wage labor[5]
Ethiopia	< 1% of rural women and < 2% of rural men spent any time in wage labor in the past 7 days[6] 7.9% of total labor force (urban + rural) are wage employed[2]	45.8% of all women sampled work for wages (in observed agricultural sector)[5] Over 47.5% of all sampled adults (rural only) participated in agricultural wage labor[5]
Nigeria	3.8% of households participate in rural wage employment[7]	43.6% of households participate in agricultural wage labor[8]

Sources:
[1] United Republic of Tanzania (2007), based on LFS
[2] World Development Indicators (World Bank, 2015), based on LFS
[3] Mueller (2012, 2015)
[4] Uganda Bureau of Statistics (2012), based on DHS survey
[5] Cramer et al. (2014a)
[6] Ethiopian Central Statistics Agency and World Bank (2013), based on LSMS survey
[7] Valdés et al. (2009), based on RIGA database
[8] Babatunde (2013)

What is causing this systematic underestimation of rural wage labor? The reasons for wage labor being rendered "invisible" to most surveys have been well researched (e.g., Bardasi et al., 2010; Cramer et al., 2014b; Oya, 2013; Mueller, 2015; Rizzo et al., 2014; Johnston, 2015). They mostly point to the standard methodologies of labor modules in typical household and panel surveys. Some of the more common methodological shortcomings include:

1. A focus on the category of "main activity" which does not allow for diversified employment patterns, where secondary and tertiary activities often may have greater impacts on household incomes;

2. The inclusion of insufficient reference periods (e.g., "in the past 7 days") in questions on labor. Due to high seasonality, many occupations are not captured (e.g., wage-employed harvest workers) that often are of greater economic importance to the poor;

3. Reliance on overly formalized and rigid definitions of categories such as wage/self-employment, formal/informal, employment/unemployment, which are not helpful in most contexts of poverty and rurality. Also, these categories typically are being conflated, often assuming (explicitly, implicitly, or through enumerator mistake) that specific occupations are carried out on a self-employed basis as the "default mode";

4. The use of inappropriate or incorrectly translated terminology for many forms of wage work which either only refer to strictly formal salaried jobs or carry social and cultural stigma (e.g., *kibarua* in Tan-

zania, *ganyu* in Malawi, *ganho-ganho* in Mozambique). This in turn typically leads to direct underreporting and systematic "social desirability" bias (i.e., respondents report activities that are socially accepted rather than those that are important for their livelihood);

5. A common reliance on inadequate sample frames, which often are biased towards urban areas and systematically exclude important labor-reliant groups, such as migrants, homeless workers, squatters, or those sleeping in worker dormitories;

6. Problematic, arbitrary definitions of the sampling unit (e.g., geographical definitions of "household") which tend to exclude important groups, such as mobile workers or sporadic (but remitting) residents;

7. Insufficient training and sensitization of enumerators towards the issues of labor markets, which generally require substantial "probing" and "double-checking" of respondents' answers.

These are only some of the many reasons that contribute to the systematic under-enumeration of wage work in many developing countries contexts. As a result, wage labor frequently is "invisible" (Sender, 2003b) and therefore does not enter development programming or policy-making. It is important to note that such gaps in the data do not only relate to agricultural wage work, but many other forms of wage work, such as home-based work, which often is an important source of income for poor rural workers, especially women (Mahmud and Huq, 2013; ILO, 2014a). It is of crucial importance for practitioners to a) be aware of these systematic shortcomings in conventional data sources, and to b) contribute to an improvement in available data.

International development organizations can play important roles in improving the statistical coverage and inclusion of rural labor both in national policy-making and agricultural development program design. This can be done in different ways (see annex 2 for a summary), and important elements will be to call for improved data collection, the use of mixed methods, a greater reliance on case study evidence, and—perhaps most importantly—program designs that include analytical work to allow context-specific addressing of rural labor in a given sector and setting.

BOX 2: HOW QUESTIONNAIRE DESIGN AND CAREFUL PHRASING OF QUESTIONS MAKE A DIFFERENCE

Several authors have highlighted how rural labor market data can be very sensitive towards the right phrasing of questions. Many forms of agricultural wage labor are low status, and in local languages their names often carry substantial social stigma. Examples include *kibarua* in Tanzania, which harkens back to slave labor around the turn of the 20th century (Rizzo, Kilama, and Wuyts 2014; Mueller 2015), or *ganyu* in Malawi, which has become a pejorative term of degradation due to its close relation with poverty (van Donge et al., 2001; Bryceson, 2006). This highlights two problems for survey design: a) if the right terminology is not used in survey questions, many of these very common labor relations are missed, and b) enumerators have to be extremely sensitive and empathetic in order not to offend respondents and not to induce social desirability bias in their answers.

Typically, smaller studies are much better than large-scale surveys at addressing such issues due to their greater context-embedding and cultural empathy. However, a remarkable exception to this rule shows that such challenges can partly be overcome: unlike other national surveys, the Malawian LSMS household surveys specifically ask for "*ganyu* labor" in their questionnaire. As a result, the survey found that nearly 55 percent of rural households reported their engagement in wage labor, and over 80 percent of such work was in agriculture. These results are diametrically opposed to similar (but more poorly designed) surveys in other African countries that are part of the same database (RIGA). These countries otherwise display rather similar economic structures, making the difference in rural wage labor very difficult to explain (for instance, the equivalent to *ganyu* in Ghana is called "by-day labor", but despite its omnipresence it is not mentioned in the respective questionnaire). Nevertheless, most analysts take these figures (as basis for their cross-country regressions) at face value without questioning. Often the result are most astonishing statements that remain completely unexplained, e.g., in Valdés et al. (2009): "*The African countries differ notably: few households have agricultural wage sources in Ghana and Nigeria, but over 50 percent in Malawi*" (p. 32), and "*[In] Sub-Saharan African countries the large majority (from 70 to 80 percent) is made up of non-agricultural employment. The one exception is Malawi, where 82 percent of wage employment is in agricultural wage labor.*" (p. 46-47)

Table 27. Participation in rural labour markets by agricultural vs. non-agricultural sector (for participants only)

	Ag.	Non-Ag.	Total
Sub-Saharan Africa			
Ghana98	16%	84%	100%
Malawi04	82%	18%	100%
Nigeria04	29%	71%	100%

IV. THE WORK OF THE POOR

As illustrated in section III, the quality of available evidence—particularly of large quantitative datasets—constitutes a significant bottleneck for our understanding of labor-based pathways out of poverty, and the diverse forms and relations between different types of employment undertaken by poor men and women. Although this is an important caveat, there nevertheless is a substantial body of research that provides us with a general understanding of the interrelations between poverty and labor. The following sections seek to provide an analytical summary of the literature, in order to support practitioners in developing a balanced understanding of the various issues that surround the role of labor in pathways out of poverty (as defined in box 3)[7]. This section begins with describing typical employment patterns of poor men and women.

BOX 3: WORKING DEFINITION OF POVERTY AND PATHWAYS OUT OF POVERTY

To allow a meaningful consideration of what characteristics allow a worker to escape from poverty, a working definition of poverty is needed. The most simplistic, common definition is often determined by a household's relationship to the national poverty line; USAID endorses the World Bank's definition of "extremely poor" as considered living on less than $1.25/day PPP, for example. However, it is widely acknowledged that poverty is multi-dimensional, with income only one, though important, dimension. Its severity can vary widely over the course of the year; and intra-household relations—e.g., control over income or resources—can cause members within a household to experience poverty differently. There are many multi-dimensional poverty indexes; arguably the most widely used one is the UN's index based on Amartya Sen's work (1981). Following this, this report defines poverty to be affected by a set of factors:

- *Average annual income.* This refers to the total income, including from own-account activities and wage employment (taking into account both the wage *rates* and the *quantity* of work performed over a year).
- *(Household) physical and social well-being.* This includes nutritional, health and educational status, the quality of living conditions, sufficient time for rest, and *social* status.
- *Capacity to maintain or increase income levels in the future*. This includes the degree of resilience to external shocks, and maintaining or increasing human capital (e.g., physical and mental health, education level), physical capital (e.g., productive assets) and/or social capital (e.g., social networks/contacts) that will allow them to maintain or increase income and welfare levels in the future.

Crucially, ***pathways out of poverty*** are not linear, often involving recurring episodes of improvements and temporary slips back into poverty. Inspired by the recent Chronic Poverty Report 2014-15 (Shepherd et al., 2014) this report conceptualizes ***three core elements*** that programs and policies need to include in order to adequately promote pathways out of poverty:

1) ***Addressing extreme poverty***—stopping absolute destitution, and enabling poor people to generate incomes that allow them to afford minimum levels of household welfare;
2) ***Stopping impoverishment***—preventing or reverting a (re)descent into extreme poverty;
3) ***Sustaining an escape from poverty***—staying out of poverty, progressing towards a higher threshold.

Different types of employment, working conditions, policies or program interventions may be useful in addressing particular steps along such pathways, and consequently it is important to define how a specific proposal will affect the poor at what phase of their pathway out of poverty.

[7] It is important to acknowledge the wide variety of definitions for poverty and pathways out of poverty, such as by Fowler and Brand (2011) or US PEPFAR project (US Department Of State, 2012). For the purpose of this report, a combination of the Sen's entitlement approach towards a multi-dimensional definition of poverty, and an adapted version CPAN's categorization of pathways out of poverty was chosen as the most suitable framework to analyze labor-based pathways out of poverty.

A. THE DIVERSITY OF RURAL (WAGE) EMPLOYMENT AND POVERTY: A CONCEPTUAL SUMMARY

It is a commonly accepted (but rarely applied) fact that rural poverty in Africa has many different faces and that the rural poor cannot be reduced to a homogenous class of small-scale farmers. As Barrett et al. make clear: "*Diversification is the* norm" (2001, p. 1). The majority of households and people depend on a multitude of income sources and activities, from agricultural and non-farm, wage or self-employed, rural or urban. This phenomenon, typically penned "livelihood diversification", is as much an empirical fact as it can be confusing to many observers and practitioners since it often does not lend itself to easily recognizable solutions for rural poverty reduction.

BETWEEN WAGE AND SELF-EMPLOYMENT, FARM, OFF-FARM, AND NON-FARM: CLARIFYING DEFINITIONS AND TERMINOLOGY

Untangling and understanding diversification of employment, incomes and livelihoods is an important step towards devising effective programs towards promoting pathways out of poverty. To achieve this, a good starting point is to clarify some of the typical terminology. Ellis defines livelihood diversification "*as the process by which rural families construct a diverse portfolio of activities and social support capabilities in their struggle for survival and in order to improve their standards of living"* (Ellis, 1998, p. 4). This portfolio of activities can take very different forms of work.

The most important level of distinction is the form of employment: wage employment, self-employment (sometimes synonymously labelled own-account work), and unpaid work (often contributing family workers). This distinction is crucial, as it has most elementary implications on the incentives and constraints faced by the worker in question (see box 4).

BOX 4: WAGE-EMPLOYED, SELF-EMPLOYED OR UNPAID WORK

Wage employment and self-employment are distinguished through the "ownership and control of the means of production". While both are remunerated activities, a ***wage worker*** does not own the primary means of production necessary to undertake the activity (e.g., land, livestock, tools, material, capital or other assets). These are provided by the employer, who therefore is—by definition—***self-employed*** in that activity. ***Self-employment*** is defined as any income-generating activity in which the worker owns the means of production him or herself. The form of payment (e.g., cash or in kind, monthly or daily wage, commission or share in profits, piece or task rates) is an important element of the overall working conditions, but does not allow a conclusion on whether a job is wage or self-employment. ***Unpaid workers*** are those who neither own the means of production, nor are directly compensated for their work.

Source: Oya 2013.

Individual workers and households can of course be engaged in a range of employment types, but ***each activity only can be <u>either</u> wage <u>or</u> self-employed <u>or</u> unpaid***. This basic rule lies at the core of distinguishing patterns within diversified livelihoods.

The next level of disaggregation relates to occupational or geographical categories: agricultural/non-agricultural/industrial; rural/urban; manual/non-manual; formal/informal; and many others. These are important to highlight technical distinctions which have important repercussions, e.g., on the type of skills required, the

spatial dimensions, productivity levels, the typical incomes and working conditions attainable in a given sector, and so on. However, it is important to stress that work of any occupation or in any locality can be carried out on a wage-employed or self-employed or unpaid basis.[8]

Confusingly, some very common categories mix occupations and type of employment, and thereby lead to analytical ambiguity. The most important of these are the widely used terms "farm", "off-farm", and "non-farm" employment (and, correspondingly, "income" or "economy"). An attempt of untangling these overlapping terms is provided in box 5.

BOX 5: FARM, OFF-FARM, NON-FARM EMPLOYMENT

These are frequently used terms in rural development discourses, but their distinction can be unclear at times, and especially the terms off- and non-farm are often used erroneously as synonyms. In contrast, the following definitions have been established:

Farm employment only refers to work undertaken on an agricultural business owned by the worker (including livestock, but excluding forestry or processing, even if undertaken on the premises of the farm). It therefore exclusively constitutes agricultural self-employment, a.k.a. own-account farming. ***Off-farm employment*** relates to work that is undertaken outside the worker's farming business. It therefore can include agricultural wage labor on farms owned by others, but also any other non-agricultural work. ***Non-farm employment*** is a synonym for all non-agricultural work, both wage and self-employed. Farm, off-farm or non-farm ***income*** relates to all income derived from the farm, off-farm, or non-farm employment, respectively.

Source: Barrett et al. (2001), Gordon and Craig (2001).

Thirdly, socio-economic distinctions are also important, particularly gender, age, migrant status, education, and so on, as they may have important systematic impacts on the type of work and incomes a person has access to (see section V below).

However, the first level of distinction should always relate to the ***form of employment***, i.e., wage labor, self-employment, or unpaid work, because these determine the fundamental structure of incentives and constraints faced by the worker (see box 6 for a typical example to illustrate this). From there, more sophisticated analyses can be developed, and occupational, geographic and socio-economic circumstances should enter in a second step, in order to further elicit technical details and nuance.

The conflation of these basic categories, and in particular the implicit assumption that most rural poor women and men (especially the poorest) are self-employed farmers has repeatedly led to ill-devised interventions (as discussed by Sender 2003). This becomes particularly clear when the different pathways out of poverty, as defined in box 3, are considered. As beneficiaries move between the different elements that characterize pathways out of poverty (i.e., tackling extreme poverty, stopping impoverishment, and sustained escapes from poverty), their labor and income situation is likely to change. They may start from highly insecure, daily wage labor, to more secure forms of manual labor, perhaps eventually into higher-paid wage work, or into self-employment through accumulating and investing productive capital assets (such as land or other forms).

[8] For example, a taxi driver can be either self or wage employed, depending on whether he used his own capital to obtain the taxi (through buying or renting), or whether it is provided by an employer.

If development programs fail to recognize this disaggregation between different forms of labor, often by (implicitly) taking own-account farming as the "be-all and end-all" in rural poverty reduction efforts, then arguably the most important elements of pathways out of poverty, such as casual wage labor to end extreme poverty, will remain largely unsupported.

BOX 6: WHY PRACTITIONERS SHOULD CARE ABOUT THE DIFFERENCE BETWEEN WAGE AND SELF-EMPLOYMENT

A typical example to illustrate the importance of distinguishing wage and self-employment when targeting beneficiaries in agricultural market systems programming follows: Consider an agricultural worker, weeding on a small plot of maize. By mere observation it is impossible to tell whether this person is tilling her own land as a self-employed farmer, whether she is an unpaid family worker, or whether in fact she is employed as a casual wage worker (e.g., paid on low daily or piece/task rate wages).

SELF-EMPLOYED FARMER, UNPAID FAMILY WORKER OR CASUAL WAGE WORKER?

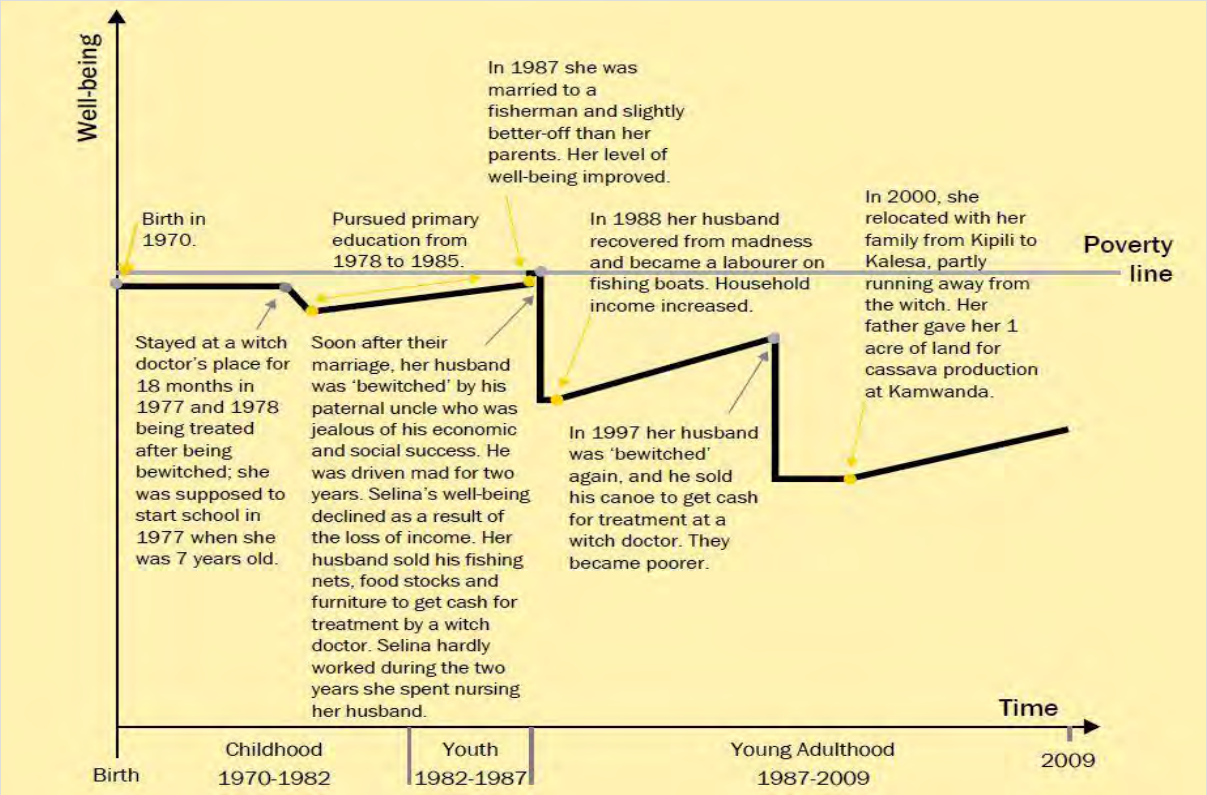
But the difference has fundamental implications for the type of support mechanisms that could effectively increase this person's income. For example, while a wage worker will benefit from better working conditions, job security and higher wages, the self-employed farmer will more likely be interested in receiving support in the form of credit facilities, better market access, input provisions, irrigation systems, or extension services. Providing any of the latter to the wage worker—all of which are common elements of conventional agricultural development projects and programs—will have few effects on productivity or poverty reduction.

BOX 7: QUALITATIVE EVIDENCE ON THE TYPE OF WORK THE POOR DO

Numbers and figures can only tell part of the story of the drudgery and hard work that many poor men and women (and children) have to accept to make ends meet. Qualitative research and accounts can fill this gap, and tools such as life work history interviews are particularly powerful to shine a light on the realities faced by many poor people on a daily basis. Through these, we can highlight the diverse forms of work that poor people are engaged in, but also in particular their pathways out of poverty.

For example, Cramer et al. (2014) make extensive use of the life history method, allowing them to unearth stories of casual harvest workers in Uganda's tea and coffee sectors who have relied on hard manual wage work all their life for bear survival; but also those of women in Ethiopia's flower sector who have migrated for their current jobs as rose pickers and packers, who managed to save enough cash to be sent back home to their families, but in many cases also to fund their visa and flight to become domestic servants in the Middle East as a next step on the ladder. Similarly, the authors of CPAN's Chronic Poverty Report 2014-15 (Shephert et al. 2014) make excellent use of life histories to exemplify the different paths that poor people experience, often shifting between phases of relative prosperity and repeated impoverishment (see below figure for one example).

Life History Map for Selina Ngungulo, 39 years old, rural Tanzania



Source: Shepherd et al. 2014, p. 18

Mueller (2011) describes the struggle of Tanzanian *kibarua* workers—casual agricultural wage laborers paid on a daily or piece rate basis—of making ends meet, trying to send their kids to school, and ultimately in the hope of achieving lives with better jobs and security. Also in Tanzania, Rizzo (2011b) in turn describes the plight and insecure conditions of urban transport workers in Dar es Salaam. In Mozambique, Sender et al. (2005) have gone to great lengths to tell the stories of different women in rural Mozambique, some of whom work as casual *ganho-ganho* workers in conditions of severe poverty, and some others being able to support impressive accumulation on the basis of both informal and more formal wage work.

As one illustrative example, a large-scale empirical study recently highlighted this limitation for the case of Fairtrade certification. With its prime focus on creating "fairer" export crop prices, Fairtrade works on the assumption that rural poverty is mainly a problem of farming, and smallholder farmers in particular. However, although wage work is included in the certification standards, Fairtrade has been shown to be highly ineffective in reaching the poorest members of the respective communities, i.e., women and men who depend on agricultural wage labor for their economic survival, due to a lack of conceptual and practical attention towards their needs and situation. Simply raising farm gate prices does not automatically raise wages or improve working conditions, and as a result a well-intentioned initiative such as Fairtrade has failed to improve the lives of the poorest people in rural communities. The study further showed that even leaving wage workers aside, Fairtrade had a bias towards benefitting more established (rather than poorer) farmers in their respective communities, due to a neglect of farmer differentiation and the systematic concentration of market share and political influence among larger farmers within certified cooperatives (see also box 10; Cramer et al., 2014a, 2014c).

A vast array of quantitative and qualitative micro-studies have shown that rural poverty goes far beyond the notion of smallholder farming, and that instead rural livelihood diversification, the reliance on wage labor and typically a portfolio of numerous off-farm activities is the norm (for good overviews of this literature, see Ellis, 1998, 2000; Bryceson, 1999; Barrett and Reardon, 2000). In order to arrive at a more systematic understanding of the rural poor's strategies and options to enter pathways out of poverty, it is necessary to analyze why particular paths are chosen, and what drives the underlying diversification of rural livelihoods.

Ellis (Ellis, 1998, p. 7) distinguishes "*diversity for survival*" and "*diversity for accumulation"*, highlighting that diversification can both be a coping strategy (e.g., surviving on meager wages by being a casual laborer on other small farms in the village), as well as a sustained escape from poverty (e.g., being a permanent worker with a monthly wage on a medium to large-scale farm producing export crops). That said, the livelihoods approach offers little in terms of systematic analysis that manages to distinguish the two, as the rural poor are treated essentially as a homogenous group (Mueller, 2011; Pontara, 2010). For a more differentiated approach, structural aspects such as access to productive assets (capital and land), distance to urban/market centers, intra-household relations, gender and age, need to be taken into account.

Furthermore, it is important to allow for the vast qualitative differences that exist within any of the mentioned categories of work, highlighting that any category on its own offers little explanatory value on the conditions of said employment. The common distinction between formal and informal employment is a typical case in point. Not only is it used to describe the degree of formality, but also assumed to being a good indicator for the quality of a job. The ILO for instance closely relates formality with job quality, and in their definition of decent work the notion of a "good informal jobs" would be internally inconsistent (ILO, 2002).

However, there is clear evidence that, although formality undeniably is important for better labor regulation and security (Shepherd et al., 2014), some informal jobs are better than others and can in fact offer important pathways out of poverty for the most vulnerable people (Kucera and Roncolato, 2008; Kucera and Xenogiani, 2009). Similarly, any other category of jobs, e.g., agricultural wage work, can have widely differing wage levels and working conditions. This highlights that it is not sufficient to rely on simplified dichotomies to make sense of labor's role in providing pathways out of poverty, but that context-specific analysis is vital (Dewan and Peek, 2007; Standing, 2014).

Patterns of employment and poverty within agricultural market systems are highly complex. Unfortunately, in the available literature there is a discernible focus on analyzing conflated concepts, such as the "rural non-farm economy" without significant disaggregation of more nuanced categories. But as Oya points out, "*the*

'rural non-farm economy' is an excessively heterogeneous concept that is empirically almost a residual" (Oya, 2010a, p. 24), and similarly Reardon et al. concede that *"in contrast to conventional wisdom, the evidence is very mixed as to the effect of non-farm employment on rural income inequality*" (2000, p. 283). In the following sections, we will review some of this evidence in an attempt to provide a more nuanced interpretation.

B. EMPIRICAL DISCUSSION OF THE FORMS OF EMPLOYMENT THAT ARE PARTICULARLY RELEVANT FOR THE RURAL POOR

Having so far described the data issues and conceptual concerns that surround the topic of rural wage labor, we now turn to summarizing available evidence on the forms of employment that are most important to the poor.

The literature on livelihood diversification and particularly the rural non-farm economy is copious. However, the overwhelming majority of empirical studies on issues around the topics of rural livelihoods, employment, or poverty reduction squarely focus either on issues of primary agricultural production, or on the analysis of the "rural non-farm economy". As discussed above, the main challenge therefore lies in eliciting insights that offer sufficient nuance (ideally, by relying on primary evidence) that can shed a light beyond overly broad categories.

Widespread livelihood and income diversification is undoubted. For example, Davis et al. (2010) analyze rural income generation in 16 countries in Africa, Asia, Eastern Europe, and Latin America via the RIGA database (which, as described above, is based on a range of national household surveys, primarily LSMS). They find that rural incomes are heavily diversified as a general rule, with households pursuing a multitude of activities on every continent. Based on the same database, Winters et al. (2009) find that participation rates in rural non-agricultural activities are 78 percent in Africa, 83 percent in Asia, 82 percent for Latin America, and 92 percent in Eastern Europe.

A clear tendency is that rural non-farm income is becoming more important with rising total incomes, and that the share of income from own-account agriculture and particularly from wage-employed agriculture is highest among the lowest end of the wealth distribution in all countries. "*In contrast to agricultural wage employment, greater participation in non-farm (wage and self-employment) sources of income is associated with greater level of household expenditures*" (Davis et al., 2010, p. 56). Rather unsurprisingly, they also note that "*the share of income from casual wage employment is highest among the poor, while the share from regular wage employment is highest among the rich*" (ibid, p. 54-55).

Analyzing the RIGA database more concretely towards the question of rural wage employment, Winters et al. (2008) come to the interesting conclusion that the sector (agricultural or non-agricultural) and the overall household livelihood strategy is of limited importance to whether a household uses wage employment as a pathway out of poverty. In other words, wage employment is important for all pathways out of poverty regardless of where it is situated. This confirms the above mentioned concern, that simple dichotomies are not suitable to explain labor-based poverty reduction, and that more detail is needed (such as the constraints faced by the household and the quality of employment).

Several cross-country studies (Winters et al. 2008; Valdés et al. 2009; B. Davis et al. 2010) find on a global scale that the poor heavily rely on agricultural wage labor, and that high-productivity wage employment (typically outside agriculture) is linked to the initial asset base of a household, particularly education, infrastructure and land. They also state that gender has a main influence on access to jobs, with women often being heavily disadvantaged (also see below).

It is important to highlight that these studies operate at a fairly aggregate level, which is not sufficient to shine a light on the income and employment portfolios of the poor. What drives households into a particular employment pattern? Several studies (Reardon et al., 1992; Reardon, 1997; Barrett et al., 2001; Gordon and Craig, 2001; Barrett et al., 2005; Bezu and Barrett, 2010) clearly highlight that livelihood decisions can be driven out of choice or out of necessity. In this literature, the trend is clear that initial access to assets and capital (in a wider sense including education, infrastructure and market access) often determine these outcomes.[9] Households diversify into lucrative non-farm employment out of choice, and most commonly this applies to relatively wealthier households. In turn, resource poor households—in order to address their extreme poverty through coping mechanisms (see box 3)—typically have to enter low-wage work due to a lack of choice; sometimes termed "those who are too poor to farm".

This has been noted across continents (e.g., Hurst, 2005; Inchauste, 2012; Bulla et al., 2013), but also in geographically disaggregated contexts (see boxes). As Inchauste (2012, p. 7) notes, *"the evidence suggests that there is wide heterogeneity in rural nonfarm activities, and the extent to which the poor can participate in an expansion of that sector varies significantly across countries"*.

Yet, an overarching trend is clearly discernible: especially the poorest households tend to rely heavily on income from (casual) wage labor for their economic survival. Typically, such work is concentrated in agriculture in which two thirds of the working poor are engaged (ILO, 2011a), for example in the form of seasonal work such as weeding, irrigation, ploughing or harvesting. Other sectors that many poor people work in include construction, mining, forestry, fisheries, and many others. The poor also often engage in less visible forms of work, such as domestic servants, home-based workers, the catering sector (restaurants, hotels), manual labor in small-scale manufacturing, etc. (ILO, 2003). Compiling an exhaustive list of sectors and occupations that are typically occupied by poor people is therefore unrealistic, not least because most sectors typically include both low and high-earning jobs with very different levels of working conditions, and there is significant regional and national variation in the type of sectors that are dominant in a given context and country.

Rather than focusing on specific sectors, it is more helpful to highlight that most jobs done by the poor are characterized by very low wages and hard manual labor. When they engage in self-employed activities, these tend to be low-yielding and marginal businesses or farms, which typically do not provide sustainable pathways out of poverty. Better-off households tend to be able to profit more from self-employment in the non-farm economy or as farmers with relatively bigger land/livestock holdings. Furthermore, they often have access to more permanent, better paid wage employment, usually linked to urban economies.

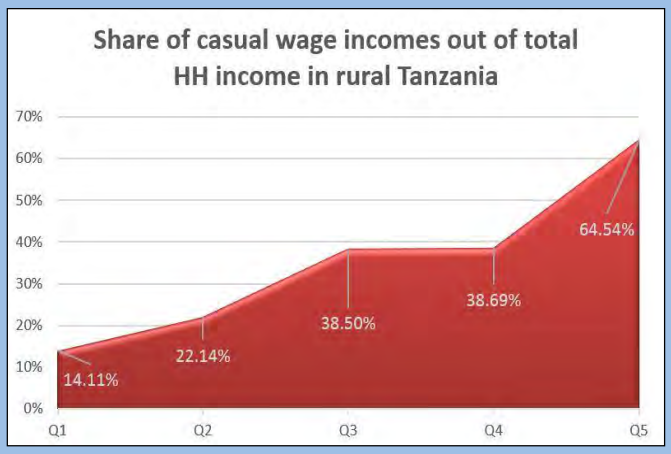
[9] In this regard it is also interesting to note, that the notion of diversification as a strategy to manage risk, has been challenged on empirical grounds (Dercon and Krishnan, 1996).

BOX 8: REGIONAL WAGE LABOR SNAPSHOTS: SUB-SAHARAN AFRICA

The majority of the literature focuses on Africa, particularly the sub-Saharan subcontinent. Leavy and White (2000) clearly highlight the common-place practice of poorer households hiring out part of their family labor to complement farm incomes.

In a study of four African countries, Ellis and Freeman (2004) observed that poorer households are characterized by relative landlessness and lower livestock holdings, and in turn a reliance on other (low-yielding) forms of income to make ends meet. Better-off households in turn were associated with engagement in high-return non-farm self-employment, as well accumulation through livestock ownership, and diversity between on and non-farm income sources.

In ***Tanzania***, based on a primary labor market survey, Mueller (2012; 2015) found that the poorest quintile of households heavily relied on income from casual wage labor (mostly, but not exclusively agricultural). These jobs constituted about two thirds of total household (HH) income on average, whereas the richest quintile only derived 14 percent of their total income from such work.



Source: Mueller (2012, 2015)

Similarly in ***Nigeria***, Babatunde (2013) discovered that 76.4 percent of the poorest income quartile participated in agricultural wage labor, and 56 percent participated in non-agricultural wage labor. In ***Ghana***, a survey of 600 households in cocoa producing areas found that 59 percent of adults are engaged in so-called *"by-day"* labor, i.e., very casual agricultural wage labor which is paid on a daily basis at usually very low rates (Ministry of Manpower, Youth & Employment 2007). In ***Malawi*** the importance and widespread nature of casual farm labor (*ganyu*) has been noted as the only option for poor households to earn cash incomes (World Bank 2007b).

In ***Mozambique***, one of the largest African rural labor market surveys at the time found that the poorest households fundamentally depend on agricultural wage work. However, also better jobs have been observed which do offer ways out of poverty (Cramer, Oya, and Sender 2008). In ***Ethiopia*** and ***Uganda***, a large-scale survey found that particularly the poorest members of communities, e.g., landless or female-headed households, depend on agricultural wage labor for their survival (Cramer, Johnston, Oya, et al. 2014). Poor rural Africans are of course also engaged in non-farm self-employed activities, however these tend to be limited to low-return activities such as charcoal burning, home beer brewing, handcrafts, petty commerce, etc. There is evidence that these activities are less consistent and sustainable over time (Barrett, Reardon, and Webb 2001).

BOX 9: REGIONAL WAGE LABOR SNAPSHOTS: ASIA

The overall trends are confirmed for the Asian continent. Also here, rural wage labor, particularly in agriculture, is heavily concentrated among the poorest households. For example, in ***Pakistan*** Lohano (2011) found that casual wage labor was a major means for poor households to get by and make ends meet. Lanjouw and Shariff (2004) observe in ***India*** that casual employment is more prevalent among lower income quintiles (44 percent of household income in the lowest quintile), and permanent income among higher quintiles (21.1 percent of income in the highest quintile). Agricultural wage labor remains the preserve of the uneducated, whereas regular non-farm employment remains largely associated with education levels and social status that are rare among the poor. Interestingly, own-account farming income is strongly correlated with income, ranging from only 38.2 percent in the lowest quintile to 64.5 percent in the highest.

Table 1: Non-farm Income Shares in Rural India
Income Shares by (Real) Per Capita Income Quintile

Quintile	Cultivation	Agriculture Wage Labour	Non-farm Labour	Non-farm Self-Employment	Non-farm Regular Employment	Total Non-farm Sources	Other Sources	Real Per Capita Income
Lowest	38.2	28.2	15.8	11.4	4.4	31.6	2	1146
Q2	38	21.3	14.7	16.8	7	38.5	2.3	2113
Q3	45.2	13.4	10.1	16.3	11.7	38.1	3.2	3141
Q4	50.1	7.5	6.1	14.6	18.6	39.3	3.2	4712
Highest	64.5	2.1	2	7.9	21.1	30.9	2.5	11226
Total	54.9	8	5.9	11.5	17.1	34.4	2.7	4468

Source: Lanjouw and Shariff (2004)

In turn, self-employment in the non-farm sector seems to be particularly heterogeneous, comprising both last resort as well as productive activities (Lanjouw and Murgai 2009). In ***Nepal,*** it was noted that households headed by people engaged in agricultural wage labor are among the absolute poorest, followed by own-account farming households (CBS 2005).

An interesting case is ***China***, where a particularly large share of off-farm employment is migratory. According to several sources (Wiggins and Keats 2014; Li et al. 2013; Mu and van de Walle 2011), quickly rising rural wages due to the importance of labor-intensive manufacturing have created a situation where wage employment is typically associated with relative prosperity (Wang et al. 2011), and rural poverty has reduced markedly (currently to only 10 percent of the rural population living below the national poverty line). Also in the ***Philippines, Thailand, Bangladesh*** and ***India,*** "*agricultural labor income accounts for a minuscule portion of farm income even among the landless and near landless households in recent years in Asia. In contrast, labor earnings from non-farm sources have been increasing dramatically.*" (Otsuka and Yamano 2008, 15)

BOX 10: REGIONAL WAGE LABOR SNAPSHOTS: LATIN AMERICA

The importance of rural agricultural wage labor is generally more acknowledged and reflected in national data sets, not least due to the more common occurrence of large-scale labor-hiring agriculture. For example, Oxfam (2005) found that in ***Colombia***, ***Honduras*** and ***Chile*** around 30–50 percent of smallholder income is derived from wage work. Furthermore, Reardon et al. (2001) note the substantial growth of the rural non-farm economy in Latin America (***11 countries***), and the generally greater importance of non-agricultural wage and self-employment. Yet, typically not the poorest but better educated workers are likely to have access to the more gainful activities in the non-farm economy (Alain de Janvry and Sadoulet 2001; Ferreira and Lanjouw 2001; Araujo, De Janvry, and Sadoulet 2004). Furthermore, it is clear that compared to non-farm income the proportion of agricultural wage labor income is higher amongst smaller farmers or the landless.

	Category	Ratio of rural non-farm income to agricultural wage labor income
Argentina	Landless	0.75
	Landed	13.0
Chile	Richer zone landless	1.2
	Richer zone landed	1.5
Honduras	Small farmers	0.5
	Large farmers	5.0

Source: Reardon et al. (2001)

In ***Mexico*** and beyond, the poor mostly lack access to well-paid rural non-farm activities, and their income share from agricultural wage labor is usually higher than from non-farm sources. This is also confirmed for less poor households, who live in areas with substantial commercial farming (Araujo 2004).

THE IMPORTANCE OF GENDER

A discussion of employment patterns among the rural poor cannot be complete without addressing important gender patterns. As noted in the WDR 2008, "*in Sub-Saharan Africa, statistics from national surveys report low female wage labor, but the emerging literature suggests that many women, particularly poor women, rely increasingly on agricultural wage labor*" (World Bank, 2007a, p. 202; see also Lastarria-Cornhiel, 2006). In particular, it is important to note the special situation faced by female-headed households—usually those of single, separated, divorced or widowed women—who often have limited access to productive assets in patriarchal societies. As a result they often are poorer than the average, and have a much higher reliance on insecure (casual) wage labor incomes for economic survival. In turn, married women often are bound to providing unpaid household labor, and are often barred or restricted by their husbands from gaining independent earnings (as described in detail, e.g., by Sender and Smith, 1990; Sender et al., 2006)(as described in detail, e.g., by Sender and Smith 1990; Sender, Oya, and Cramer 2006). Furthermore, due to systematically lower educational attainment by women from poor rural backgrounds, they frequently have limited access to well-paid jobs and respective incomes (see section V C).

Such gender patterns have been observed in many contexts, e.g., Tanzania (Sender and Smith, 1990; Mueller, forthcoming), Mozambique (Sender et al., 2006; Oya and Sender, 2009), Burkina Faso (Kevane and Gray,

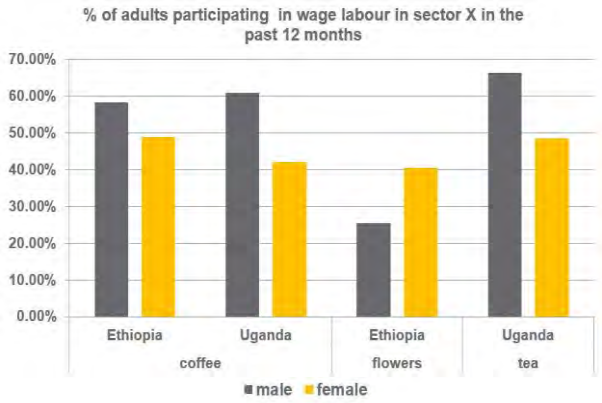
1999), or Senegambia (Carney and Watts, 1991), and they continue to have great relevance for gender outcomes in labor markets. Furthermore, women are much less likely to own non-farm businesses (Rijkers and Costa, 2012).

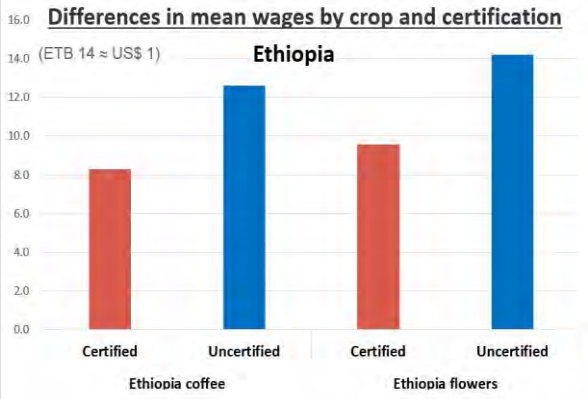
Beyond men's control over the means of production, child care and household duties frequently constrain mothers in entering wage or other income-generating employment which many nevertheless depend on for survival, thus creating double burdens particularly for single mothers. Due to substantial levels of poverty, many women are left with no choice but to accept low-paid agricultural or other manual wage work, often having to take their children to work or leave them unattended at home (Sender et al., 2006; Cramer et al., 2014c).

It is a well-acknowledged fact that women's work as unpaid family workers as well as home-based workers—the most dominant activities for most rural women in developing countries—are systematically underestimated in national statistics, despite the important economic contribution of this work (FAO et al., 2010).

BOX 11: WHEN WELL-INTENTIONED INTERVENTIONS ARE "LABOR-BLIND"— A CAUTIONARY TALE OF FAIRTRADE CERTIFICATION

Fairtrade certification aims to reduce poverty in low-income countries by guaranteeing minimum prices and extending social premiums to export crop-producing smallholder organizations and plantations. A recent study in Ethiopia and Uganda (www.ftepr.org; sample size 1,700) has however found that export crops such as coffee, tea and flowers are heavily reliant on wage labor: typically 40−65 percent of adults reported having worked for wages in the respective sector. The households reliant on wage labor incomes were significantly poorer, possessed fewer assets and had lower levels of education compared to households that did not sell labor. However, despite their poverty status these households typically did not benefit from Fairtrade certified production. To the contrary, often the wage work on certified farms paid considerably lower wages, offered worse working conditions and fewer days of work per year. The social investments financed by the Fairtrade social premium often were inaccessible to them.





The study concluded that, due to the Fairtrade intervention mechanism's inherent lack of attention to labor issues, coupled with inadequate monitoring of standard compliance, Fairtrade had failed to benefit the poorest and those most in need of support. The study contributed to inducing a partial rethinking within the voluntary standard industry, which at last is showing an increase in its efforts to improve conditions for wage workers. However, it provides a prime case study of how a lack of consideration for labor within program design and implementation can have highly adverse effects on poverty reduction outcomes.

Source: Cramer et al. 2014.

Many occupations have gender connotations and preferences, meaning that different types of jobs are not equally accessible to men and women, which is an important reality that needs to be factored in by development programmers and implementers (for the example of home-based workers in South Asia, see HNSA and ISST, 2006; for floriculture in Ethiopia, see Taylor, 2011). It is beyond doubt that any serious attempt to promote labor-based pathways out of poverty must not ignore the particularly difficult situation faced by many women in the labor market (as also discussed in more detail in section V C).

In summary, with the caveat of concerns over the quality of a lot of the data, the authors join Lanjouw in noting the "*fairly robust stylized fact about rural poverty in many parts of the developing world is that the poor are highly represented among agricultural wage laborers. Unskilled labor is often the only asset the poor can depend on in efforts to raise their living standards. Agricultural wage labor, particularly casual, daily wage-employment, is seen in many places as an occupation of last resort. Remuneration is typically low, the work is physically demanding, employment is prone to significant seasonal variation, and it can be associated with a lack of social status*" (2007, pp. 57–58).

The resulting question is whether this is a static situation, and to what extent rural women and men can complete pathways out of poverty on the basis of labor.

C. RURAL LABOR MARKET DYNAMICS DURING ECONOMIC TRANSFORMATION

Davis et al. state that their results "*confirm the earlier conclusion that, with few exceptions, specialization in agricultural wage employment is associated with poverty and rural non-agricultural activities with wealth"* (2010, 58). However, the causality is not clear. Is the low-paid wage employment an *outcome* of existing poverty, or does it reproduce a situation of poverty and contribute to a vicious cycle?

To answer this question, it is important to look at possible employment shifts experienced by individuals and households as they move out of or into poverty. Unfortunately, the majority of the literature and analyses focus on the poverty-reducing effects of increased employment (e.g., in the rural non-farm economy), rather than on the employment effects of reduced poverty. As a result, very little is known of how labor market and employment patterns shift as a result of reduced poverty. However, some trends are observable.

Some of the more straight-forward patterns have been described in the previous section: higher-skilled employment yields higher incomes, assets (including, but not limited to, education) are a major determinant whether a household can move into high-earning employment, and wealthier household are able to profit more from such labor market shifts (Bezu et al., 2012).

This hints at a certain unequalizing tendency of shifts towards better paid non-farm incomes, as poorer households are less able to benefit from such opportunities and remain confined to the lower-pay end of the labor market. *"[B]ecause of substantial entry or mobility barriers to high return niches within the rural non-farm economy, only a small proportion of rural households that are relatively well endowed in land or human capital have access to non-farm employment that earns a reasonable return to labor. This implies a vicious and self-reinforcing circle of unequal distribution of land and non-farm earnings, which over time may lead to an increasingly skewed distribution of land and other assets´* (Jayne et al., 2010, p. 1390).

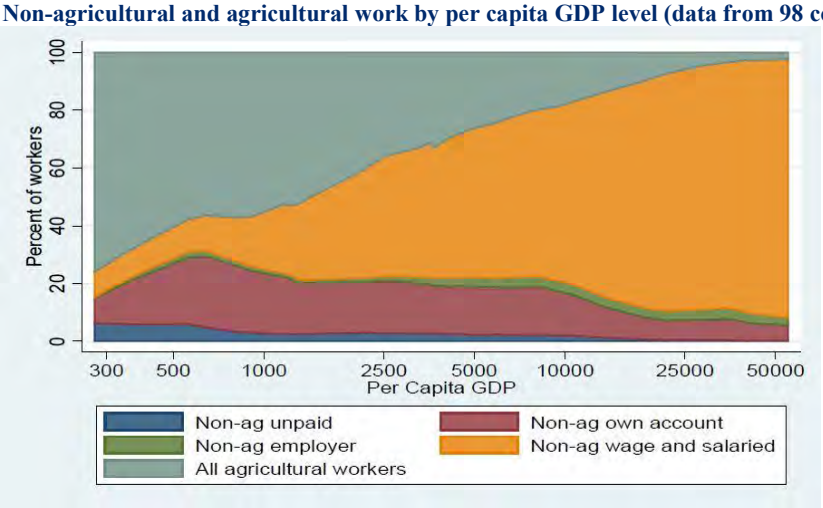
HARNESSING STRUCTURAL TRANSFORMATION AND MIGRATION TO CREATE PATHWAYS OUT OF POVERTY

These shifts, however, do not happen in isolation. To the contrary, it can be expected that "*growth of the nonfarm sector, particularly the casual wage subsector, appears to be strongly associated with rising agricultural wages. The mechanism at work is likely to be a simple one of labor market tightening as the nonfarm sector siphons labor out of the agricultural*

sector" (Lanjouw, 2007, p. 79). This lies at the core of the process of structural economic transformation, which is generally agreed as the defining characteristic of the process of economic development, and therewith—at least for the most part—poverty reduction (Timmer et al., 2012).

And indeed, arguably this process has been unfolding, particularly in Asia, leading to some well-founded optimism in recent years. This optimism is primarily driven by the Chinese success story, where the share of the rural population has dropped from 80 percent to 55 percent within 20 years (Collier and Dercon, 2014), and at the same time, agricultural labor productivity has markedly increased (McErlean and Wu, 2003). As a result, rural wages in Asia have increased sharply, leading some analysts to already hail the end of mass poverty (Wiggins and Keats, 2014). While this might amount to popping the figurative champagne prematurely, it nevertheless appears clear that these trends are not isolated, and they do reflect underlying structural labor market shifts. Going hand in hand, as illustrated in figure 1 the evidence convincingly shows that, as development unfolds, more and more people rely on wage labor for their regular incomes and as pathways out of poverty (Schaffner, 1993; Gindling and Newhouse, 2012; Oya and Pontara, 2015). This has been conclusively shown for emerging economies, such as China (Wang et al., 2011), India (Kijima and Lanjouw, 2005; Kijima et al., 2006; Binswanger-Mkhize, 2012; Reddy, 2013), and Vietnam (Steer and Taussig, 2002; Oostendorp et al., 2009).

Figure 1: Non-agricultural and agricultural work by per capita GDP level (data from 98 countries)



Source: Gindling and Newhouse 2012, p. 29

Although the situation in the African context is much less clear[10], arguably it is reasonable to expect highly positive spill-over effects for African labor markets, as Asian rural labor markets quickly mature (Wiggins and Keats 2014). This however is yet to kick off at a meaningful scale, and currently the importance of small-scale agriculture and the low levels of productivity in rural Africa are undeniable.

Despite some success stories such as Ethiopia, Ghana and Malawi giving cause for cautious optimism (McMillan and Rodrik, 2011), for the most part labor is still considerably concentrated in the agricultural sector, with typically around 60−80 percent of the labor force producing in the region of 25−40 percent of GDP in most countries. Several authors have therefore lamented that Africa is "growing rapidly, but transforming slowly" (e.g., African Center for Economic Transformation, 2013). But while analysts agree that agricultural transformation is required, 60 years after Sir Arthur Lewis (1954) opened the debate, the direction and form

[10] Possibly constrained by the lack of good labor market data as discussed in section III, this process has not yet been documented in the sub-Saharan context.

this process takes are still mostly unclear, and particularly the question of how to best promote it in sub-Saharan Africa is still hotly contested.

Many economists continue to argue that this process can only be fulfilled in Africa through the promotion of smallholder agriculture, reminiscent of South Asia's "green revolution" (Lipton, 2012; Dorosh and Mellor, 2013; Mellor, 2014). Others maintain that, while agriculture is important, it needs to be also accompanied by growth in large-scale labor-intensive enterprises, including in agriculture and manufacturing (Ashley and Maxwell, 2001; Foster and Rosenzweig, 2004; Collier and Dercon, 2014). While this report is not able to conclusively reconcile the debate (for a recent attempt in that regard, see Snodgrass, 2014), there appears to be relative consensus on two points.

First, there is general agreement that agricultural growth and non-agricultural growth are concurrent events, without one preceding the other (Gollin, 2010). Second, it is clear that the process of agricultural transformation, no matter how it is unfolding, will inevitably release redundant labor from (mostly small-scale) agriculture into urban and rural off-farm[11] employment (Szirmai et al., 2013).

This in turn requires an increase in employment beyond "traditional" forms of employment, and therefore increased attention towards and investment in higher-productivity labor-intensive sectors and subsectors. In the African context there are signs that this process of transformation is unfolding, and that it enables people to create pathways out of poverty.

Migration plays an important role in this process, as it is closely linked with economic upward mobility (see box 12 on an explicit case study from Tanzania). Those who migrate in search of jobs, both internally and internationally, typically do so in order to seek pathways out of poverty, and migration often entails considerable investment to cover the cost of transport and living expenses during job search.[12] Supporting poor households to also seek out employment beyond their home village could have big impacts on poverty reduction. That said, as described in section V.C, although seeking better conditions than those obtainable in their region of origin, migrants often face severe challenges of discrimination and exploitation in their destination areas. This in turn raises the need for targeted initiatives to protect them.

These findings provide a strong indication that the process of transformation creates considerable pathways out of poverty beyond traditional agriculture. But as in the Asian example, this process is likely to have positive repercussions on rural wages, also in remote areas.

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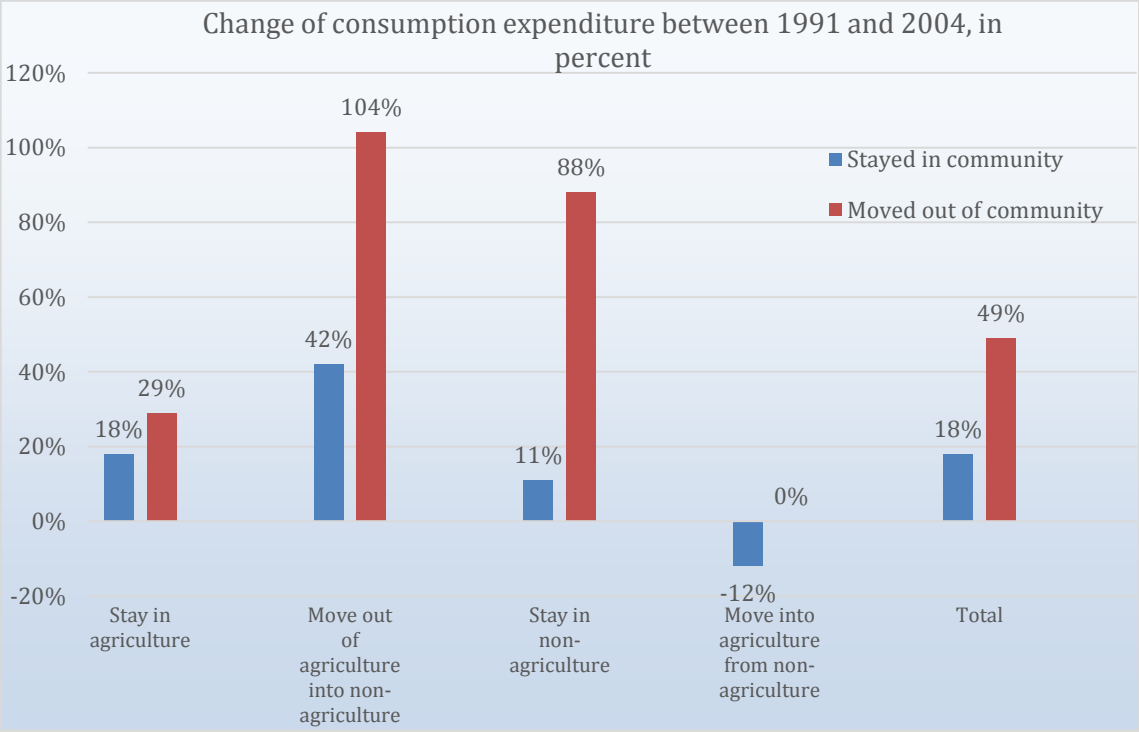
[11] With reference to the definition provided in section IV.A, it is worth reminding that this may include wage work in agriculture (typically larger scale).

[12] Indeed, the quoted study (Beegle et al., 2011) found that those households already better off at the start of the survey were also more likely to profit from migration. However, even if this effect is controlled for, the return of migration across the whole population still lies approximately at 36 percent.

BOX 12: TRACKING MIGRANTS AND ECONOMIC MOBILITY IN TANZANIA

An innovative tracking survey in Tanzania's Kagera region, which has followed individuals between 1991 and 2004, found that economic mobility was strongly correlated with spatial mobility. The below figure unambiguously shows that

a. ***mobile respondents consistently were able to increase their consumption disproportionately***, regardless of the sectors involved, but
b. particularly ***those moving out of agriculture gained the most***, and
c. ***those moving into agriculture were the only group that was worse off*** in 2004 compared to 1991.



Source: own illustration based on Beegle et al. 2011

In addition, it was found that the type of migration matters and that the further anyone moved, the greater their chances to move out of poverty: those moving out of Kagera region had the lowest initial poverty headcount of 30 percent in 1991, but also reduced it the most to only 7 percent in 2004. Those who stayed in the same village reduced their poverty headcount only from 36 percent to 32 percent in the same period.

Source: Beegle et al. 2011

Although the evidence base has been mixed for some time (Reardon et al., 1994), it is increasingly acknowledged that a large share of capital invested in African agriculture is derived from non-farm sources, and especially urban high-earning employment often in the public sector (Sitko and Jayne, 2012; Jayne et al., 2014; Chamberlin et al., 2014). These absentee farmers are likely to rely more heavily on wage labor inputs, and therefore can have noticeable impact on rural job creation (Mbonile, 2003), although depending on the type and seriousness of the operations in question, this employment can be of very low quality. This clearly shows the important linkages that exist between sectors, e.g., through remittances, investments and spillover effects on labor supply and demand. An example for such linkages would be that higher wage incomes in one sector may

lead to increased remittances and investments in other sectors (such as agriculture), and thus a tightening labor market effect in the wider economy. Consequently, labor-targeting interventions cannot be viewed and analyzed in isolation. It is important to emphasize and exploit these linkages, in order to create maximum impact of any given intervention.

However, these findings also raise questions over the feasibility of accumulation through small-scale agriculture as pathways out of poverty. They also highlight the need for increased agricultural labor productivity (particularly in food production), which will release labor and capital into other sectors, such as export crops, manufacturing or services (Jayne et al., 2010). This is echoed by Rigg (2006) who similarly asserts that a rethinking in agricultural development programming is urgently needed, since small-scale farming no longer provides the opportunities for sustained pathways out of poverty.

With small-scale agriculture being a less and less viable pathway out of poverty for many resource-poor rural people, it is clear that the shift towards higher incomes and better livelihoods has to be labor market based. Indeed, several studies analyzing panel data have confirmed this trend:

- Fields et al (2003) use panel data for Indonesia, South Africa, Spain, and Venezuela, coming to the conclusion that job changes, initial income, and changes in labor earnings (rather than in the source of income) are most important for households to improve their incomes.
- In South Africa, Woolard and Klasen (2005) clearly find that getting a job was the most important event that led to sustained pathways out of poverty.
- In Chile, Neilson et al. (2008) found that 93 percent of households that were able to exit poverty did so on the basis of positive changes in labor earnings. In turn, in 99 percent of households that reverted back to poverty, the cause was a reduction in labor earnings.
- In Latin America, Beccaria et al. (2011) find that the most frequent events that led to an escape from poverty were either wage growth (Argentina and Ecuador), or a rise in the number of employed household members (Brazil, Costa Rica, and Peru). It is particularly notable that for the latter, many of the new jobs were in informal and precarious forms of wage employment, suggesting that it is not only strictly "decent" jobs that can help households escaping poverty.
- In Vietnam, it is generally accepted that manual wage employment in rapidly growing export sectors like rice and coffee has made a major contribution to reducing poverty (Justino and Litchfield, 2003).

Due to the non-agricultural sectors' strong pull effect on rural wages, some authors suggest that supporting large-scale, non-agricultural enterprises (e.g., agro-processors) should be a main priority. Consequently, for the case of Thailand, Chawanote and Barrett conclude that "*the greatest prospects for taking advantage of the earnings gains routinely associated with occupational transitions out of farming appear to come from finding salaried or wage employment with non-household enterprises. Rural development policy might therefore aim to increase remunerative non-farm employment opportunities by established, larger-scale employers and rely less on trying to stimulate self-employment in the hopes that it will spark entrepreneurial activity and rural employment generation"* (2014, p. 32).

Either way, the importance of agriculture and agricultural productivity, regardless of small or large scale, is undeniable for structural transformation and growth. For, "a*s agriculture intensifies and diversifies, and economies develop, well-functioning rural labor markets and migration are crucial in reducing rural poverty and dampening rural-urban income disparities."* (World Bank 2007, p. 221)

Arguably, this process is already in full flow as many observers are starting to realize. Rigg expresses this trend most succinctly:

"No longer can we assume that small farmers are better off than landless laborers. […] No longer are agriculture and farming the desired, default position of rural households. […] And no longer should we assume that agricultural development is the best way to promote rural development, and rural development the best means of raising rural incomes and improving livelihood" *(2006, p. 195).*

Instead, the importance of wage labor for the poor's immediate survival and economic reproduction, but equally as a pathway out of poverty is undeniable. The main question is what type of jobs and with what characteristics determine the difference between survival and emancipation. These are likely to be highly complex, idiosyncratic and context-specific (see section V).

But as Inchauste summarizes, although the various studies are diverse in their approaches and methodologies, *"they all point to a similar pattern: more and better paid work is critical in lifting people out of poverty. More specifically, improving the returns to labor is critical in lifting people out of poverty. Whether additional labor income comes from greater diversification, higher earnings per hour, or a greater number of hours worked, jobs are at the core of what counts for poverty reduction"* (2012, p. 15)(2012, p. 15).

In all this, what ultimately matters is the quality of economic growth and transformation (Bulla et al., 2013), i.e., whether it is employment-intensive, and whether the quality and quantity of such employment enables poor people to enter pathways out of poverty. In this regard, Martins provides very salient advice that countries and donors should focus on sectors, explicitly including agriculture, which can accelerate the pace of structural transformation. "*Improving agricultural productivity and creating employment opportunities in higher-productivity employment-intensive activities—such as in light-manufacturing and modern services—will be crucial to sustainably raise living standards in Africa*" (2013, p. 1).

V. POVERTY REDUCTION THROUGH LABOR

A. THE ROLE OF RURAL (WAGE) LABOR IN THE PROCESS OF POVERTY REDUCTION

In the preceding sections, the empirical importance of wage labor for the livelihoods of the rural poor has become abundantly clear. Although the poor—like most members of rural communities—typically depend on a wide range of livelihood activities, they display a disproportionately high dependence on incomes from wage labor activities. In this regard, it is important to note the substantial socio-economic differentiation.

Heterogeneity among poor people is an important determinant towards the strategies that may allow them to work out of poverty. Rural differentiation, for example between (land) rich farmers, poor (small-scale) farmers, landless or quasi-landless workers (migrant or non-migrant), or female-headed households, is a fundamental reality of all rural communities and has tremendous impact on the various pathways out of poverty that may be open to particular households (Oya, 2007; Mueller, 2011). While some of the poor might best be supported as agricultural entrepreneurs to achieve high levels of productivity (and to create reasonable numbers of jobs), for others the best path may lie in finding agricultural wage work, pursuing urban migration and jobs, or by establishing own-account businesses in the non-farm sector.

However, as summarized above, a relative dependence on wage labor is a common denominator for the majority of the poor, due to significant barriers in accessing better forms of self-employed, non-farm activities (Reardon et al., 2000). In this regard, wage employment can serve a number of functions, ranging from survival strategies in the absence of productive assets, to a promising pathway out of poverty via relatively decent jobs (Sender et al., 2005; Inchauste et al., 2012). At one end of the scale, there are highly insecure, lowly-paid manual wage jobs (often on other small-scale farms as employees), and on the other, there are well-paid, formal, non-manual permanent jobs (usually in urban centers). But the reality for the majority of workers typically lies between those two extremes (Oya and Pontara, 2015).

For most poor people, the upper rungs of the job ladder will be unachievable. But even in contexts of pervasive poverty in rural areas, relatively "good" and relatively "bad" jobs can be distinguished (Cramer et al., 2008). For example, a job on a larger farm producing export crops is likely to offer better wages and more secure incomes with moderately improved working conditions. Although these are still unlikely to conform to the majority of International Labor Standards, compared with highly casual day labor on smallholder farms such work can make the difference between persistent poverty and modest, but steady income gains and poverty reduction. It is important to emphasize that, as a general rule, any work which may be harmful or which infringes on core labor standards (such as forced labor and the worst forms of child labor) must never be interpreted or promoted as part of a labor-based pathway out of poverty.

Historically, rapid poverty reduction requires the entry of a majority of people into relatively secure, productive, wage-earning jobs. However, it has been suggested that for too long, agricultural development programs have primarily focused on the wrong "end" of poverty through primarily providing support to small-scale farmers and micro-enterprise, often through the provision of credits or other inputs (Byres, 1979; Rigg, 2006; Amsden,

2010, 2012). Instead, in this section, we aim to provide an overview over the type of wage jobs, working conditions, labor market characteristics, and policies that can make the difference between "bad" jobs that only support bare survival, and relatively "good" jobs, which can provide sustained pathways out of poverty.

B. WHAT LABOR MARKET CHARACTERISTICS ARE MOST LIKELY TO ENABLE RURAL WORKERS TO BECOME LESS POOR?

Understanding what *micro*-level labor market characteristics (e.g., the type and quality of jobs in which individual workers are engaged) and *macro*-level factors (e.g., national labor laws, overall labor demand in rural areas) enable workers and their households to become less poor is key to designing effective labor components within agricultural market systems programs. The following analysis will give greater attention to the micro-level factors, given that these are more likely to be within the sphere of control of market systems programs. Poverty impacts of improving the various labor market characteristics are assessed according to the framework outlined in box 3, i.e.: (a) their contribution to improving multiple dimensions of poverty and (b) their relevance to different pathway out of poverty components.

1. MICRO-LEVEL LABOR CHARACTERISTICS

The quality of jobs in which individuals are engaged is clearly central in determining likely poverty impacts. This subsection therefore looks firstly at how different aspects of job quality (or labor conditions) can contribute to each of the three components of poverty outlined in box 3. It then examines what available evidence says about the relative importance of each of these labor conditions for addressing poverty at the micro level and how each condition contributes to the three pathway elements, and then looks briefly at other individual and household characteristics that influence the poverty impact of any given job. The subsection concludes by assessing the overall programmatic implications of the findings, including a discussion of which labor conditions are most relevant to each of the three "pathway" elements.

HOW DIFFERENT ASPECTS OF JOB QUALITY CAN CONTRIBUTE TO REDUCING POVERTY AT THE MICRO LEVEL

Drawing on the ILO's International Labor Standards (ILS) and Decent Work agenda[13] as reference points for defining key aspects of job quality, table 2 below maps the potential impacts of improving key labor conditions on the three components of poverty:

Other important labor conditions are the extent of *discrimination* in the workplace/labor market (whether on the grounds of gender, origin, ethnicity or other), and the extent to which *freedom of association and collective bargaining (FACB) rights* are respected/enforced (that is, the right to join or form a workers' organization of one's own choice, and the right to negotiate collectively with employers about wages and working conditions). However, since these conditions relate to more structural characteristics of how labor is organized—and each affects the full range of specific job quality characteristics outlined above—discrimination and FACB rights are discussed separately, in the sections on "Macro-factors" and "Determinants of access to better jobs," respectively.

[13] For an overview of ILS and the Decent Work agenda, see: http://www.ilo.org/global/standards/introduction-to-international-labour-standards/lang--en/index.htm and http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang--en/index.htm.

Table 2: Improving key labor conditions: potential household-level impacts on the three dimensions of poverty

	Increases average annual income?	Improves physical and/or social well-being?	Increasing future income earning potential?
Child labor[14] (reduction/elimination of)	Can have *negative* impact on household income in the short term	Yes – can improve children's physical well-being and educational attainment	Yes – if better education improves employment opportunities
Forced labor (reduction/elimination of)	Yes – if this means removing debts and/or ensuring payment of wages	Yes	Yes – increases availability for better employment opportunities
Wage/piece rates (increase in)	Yes	Yes – if increased income sufficient to pay for improvements in household welfare, e.g., school fees	Yes – if increased income allows savings or investment expenditure
Working hours (reduction in excessive hours)	Can have negative impact on income if paid on hourly/ daily or piece rate basis	Yes – cutting excessive hours can reduce accidents, improve health and improve care of children	
Quantity and seasonal distribution of work (increase in)[15]	Yes – if paid on daily/hourly or piece rate basis	Yes – if increased income sufficient to pay for school fees, basic healthcare, etc.	Yes – if increased income allows savings or investment expenditure
Access to social protection measures (improvements in)	Yes, some social protection measures (e.g., cash transfers, public works programs)	Yes – particularly in times of crisis	Yes – ability to survive external shocks helps safeguard future income-earning potential
Harsh treatment at work (reduction in)		Yes	Yes – reduction in worse forms of treatment can help safeguard future income earning potential
Occupational health and safety risks (reduction in)	Yes – through reducing time off work due to illness (in absence of sick pay)	Yes	Yes – maintaining good health crucial for sustaining future ability to work
Opportunities for skills development and networking (improvements in)		Yes – can improve social status	Yes – if skills/contacts gained help improve employment prospects
Job security and predictability of work[16] (increase in)		Yes – can improve mental health (reduce stress)	Yes – facilitates forward planning and investment expenditure

[14] Child labor is difficult to define in absolute terms, since the relevant ILO standards allow national governments some degree of flexibility in defining relevant limits (e.g, minimum age for work). However, the following key principles underpinning the relevant ILO standards are worth noting in the context of this study: (i) Not all work performed by children is considered "child labor". In the context of developing countries, ILO standards allow for children over 12 years of age to perform "light work", i.e., work that is not likely to be harmful to their health or development or to prejudice their attendance at school. (ii) Child labor includes relevant productive work performed by children even if it is unpaid and if it involves the production of goods for their own consumption. Relevant work performed by children on family farms is therefore considered child labor (ILO and UCW, 2010). (iii) *Worst forms of child labor* include any work carried out under forced labor conditions, work related to prostitution and production of pornography, work to support illicit activities (e.g., drug trafficking), and any other work which is likely to harm the health, safety or morals of children (http://www.ilo.org/ipec/facts/lang--en/index.htm).

[15] There are no specific ILS relating to the quantity and seasonal distribution of work. However, as explained later in Section V.B. this labor condition has been included because it is highly relevant to the rural poor given the context of high seasonality of jobs and the pervasiveness of under-employment.

[16] This refers in broad terms to the extent to which a worker can be certain about the amount, nature and timing of work available to him/her in the future. In the context of more formal jobs, "job security" also refers to the extent to which a worker is protected from unfair dismissal and from the negative consequences of employment termination (http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/employment-security/lang--en/index.htm).

WHAT DOES EMPIRICAL EVIDENCE TELL US ABOUT THE POVERTY IMPACTS OF DIFFERENT LABOR CONDITIONS?

Three types of evidence were reviewed to answer this question: (i) studies that directly explore what impact improvements in a worker's working conditions have on the poverty status of that worker and his/her household, including impacts on each of the three dimensions of poverty; (ii) qualitative/case study data describing what poor rural workers themselves perceive to be key characteristics of "good jobs" or jobs that allow them to move out of poverty; and (iii) studies that identify key determinants of whether individuals/households move out of poverty. Focusing on the labor conditions outlined in table 2 above, evidence relating to each of these conditions is presented in turn below, starting with those conditions that appeared in broad terms to have the greatest poverty impacts[17].

INCREASING QUANTITY AND SEASONAL DISTRIBUTION OF WORK

Available evidence indicates that increasing or improving the quantity and seasonal distribution of work has a substantial poverty impact for any given worker and his/her household (HNSA and ISST, 2006; Dasgupta and Sudarshan, 2011; Inchauste, 2012; Chan, Forthcoming). For example:

- A comprehensive review of existing literature on the link between labor and poverty reduction concludes that an increase in the amount or number of hours' work available (as well as an increase in the wage level for that work) is key to improving overall household earnings, which in turn was found to be a key trigger for a household to move out of poverty (Inchauste, 2012).
- A survey of 837 homeworkers across 18 subsectors in 5 South Asian countries found that the need for more work was amongst the two most frequently raised priorities, with 72 percent of the subsector groups ranking "more work" amongst their top three work-related priorities (HNSA and ISST, 2006).
- An impact assessment of the NREGA program in India specifically highlights the positive physical and social welfare impacts on participating households of providing additional days' work to poor rural families during the agricultural lean season (Dasgupta and Sudarshan, 2011).

These findings are perhaps unsurprising given the pervasiveness of *under*employment[18] in rural areas in developing countries. Thus for example, in a survey of 151 homeworkers across five subsectors in Sri Lanka, in all but one subsector workers experienced significant periods without work (from 2 to 4.25 months without work per year). Moreover, even during months where work *was* available, the amount of work could be very low, with homeworkers working on average only 2 to 3.5 hours per day during the lean season (HNSA and ISST, 2006). Similarly, agricultural workers on small-scale coffee and tea farms in Uganda and small-scale coffee farms in Uganda only have access to an average of 70, 100 and 38 days of paid work per year, respectively (Cramer et al., 2014a).

Nevertheless, logic would suggest that as individuals or households approach their full employment potential, other labor conditions become more important than the quantity of work; indeed, HNSA and ISST (2006) found that, when comparing homeworkers' priorities across different subsectors, those groups who were better off were less likely to prioritize "more work" and more likely to prioritize other more enterprise-related needs (e.g., skills development) (HNSA and ISST, 2006).

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[17] Note however than less emphasis was given to forced labor, since the benefits of eliminating forced labor conditions are assumed to be fairly obvious and uncontroversial.

[18] "Underemployment" is used in this context to refer specifically to situations where a worker has less days of productive work per year than he/she is able and willing to perform.

INCREASING WAGE OR PIECE RATES

As is to be expected, there is substantial evidence showing that wage levels have a crucial influence on poverty status, contributing to improving all three components of poverty (Barrientos and Smith, 2006; McCulloch et al., 2007; Dasgupta and Sudarshan, 2011; Inchauste, 2012; Inchauste et al., 2012).

As well as contributing to an increase in average annual income, the evidence confirms that an increase in wage levels can contribute directly to improvements in *physical and social well-being*: For example, the higher than prevailing wage offered to women under the NREGA program in India led to increased earnings for participating women, with many women reporting that NREGA wages had helped reduce hunger (67 percent of respondents) and helped avoid illness (46 percent of respondents)[19] (Dasgupta and Sudarshan, 2011).

There is also evidence to confirm that a sufficient increase in wage or income levels can help secure *future income earning potential* and thereby allow a permanent escape from poverty (Inchauste, 2012; McCulloch et al., 2007). Furthermore, the evidence highlights that simply bringing women's wages in line with men's can have substantial positive impacts, not least because a reduction in the gender wage gap tends to increase women's labor force participation rate (Cassells et al., 2009; Kabeer and Natali, 2013). Thus, NREGA's commitment to pay the same (albeit statutory minimum) wage to women and men has led to an above-average female labor participation rate and increased earnings for women workers, due to the substantial gender wage gap in local labor markets (Dasgupta and Sudarshan, 2011).

However, the relative importance of wage levels in improving households' poverty impacts needs to be qualified in two regards. Firstly, many studies simply assume that wage levels are the *only* relevant measure of job quality and therefore do not compare the importance of wage levels *relative to other aspects of job quality* (other than quantity of work) (McCulloch et al., 2007; Inchauste, 2012; Winters et al., 2008).

Secondly, qualitative studies show that other aspects of job quality are often considered equally or even more important than wages (HNSA and ISST, 2006; ITC, 2011; HomeWorkers Worldwide, 2010). For example in the HNSA and ISST study, despite the fact that homeworkers in all sectors were being paid well below the basic minimum wage, "ensuring payment of the minimum wage" was only prioritized by homeworkers in 2 of the 18 subsector groups. In contrast, "more work" and "skills development" was prioritized by 10 and 7 subsectors respectively (HNSA and ISST, 2006). Thus whilst wage levels are clearly important, improving other aspects of job quality—including increasing the quantity and seasonal distribution of work in particular—can often be more important for improving household poverty status.

REDUCING OCCUPATIONAL HEALTH AND SAFETY RISKS ASSOCIATED WITH SEVERE/LONG-TERM HEALTH IMPACTS

There is substantial evidence that poor occupational health and safety (OHS) practices suffered by rural workers lead to negative impacts on workers' and households' *physical well-being*. Poor OHS practices in agriculture are well documented; over half of the world's estimated 335,000 fatal workplace accidents per year are in the agricultural sector[20]. Commonly reported OHS risks in this sector include exposure to harmful agro-chemicals, inadequate access to potable water and sanitation facilities, unsafe tools and equipment, and working long hours in extreme heat without proper protection. As a result, agricultural workers frequently suffer a wide range of injuries and chronic health problems that can affect their ability to work, including wounds, fever, dizziness, skin diseases, eye infections, anemia, rheumatism (arthritis), and reproductive problems (Usher, 2006; IPEC, 2011;

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[19] According to one field survey in 2008 carried out in six North Indian states.

[20] http://www.ilo.org/global/industries-and-sectors/agriculture-plantations-other-rural-sectors/lang--en/index.htm

Environmental Justice Foundation, 2007; ILAB, 2013).

Beyond agriculture, a number of studies highlight the poor OHS conditions experienced by garment homeworkers in a range of countries and the substantial negative impacts this has on their health in the longer term (Hast, 2011; Mahmud and Huq, 2013; HomeWorkers Worldwide, 2013; HNSA and ISST, 2006).

Importantly, the evidence also indicates the importance of minimizing OHS risks in terms of *securing future income-earning potential, preventing complete destitution* and/or *stopping impoverishment*. Various studies highlight that illness (or injury) of an income-earning household member is a common trigger for households descending into (extreme) poverty or complete destitution (Inchauste, 2012; Norton and Wood, 2004; CPAN, 2014b). The HNSA and ISST's study highlights the extent to which health problems caused or exacerbated by poor OHS practices negatively affects women homeworkers' long-term ability to work, thus shortening the length of their working life. For this reason, homeworkers across a number of countries and sectors included health-related concerns amongst their top 3 priorities, with health ranking above wage levels in many cases (HNSA and ISST, 2006).

PROVISION OF OR IMPROVING ACCESS TO SOCIAL PROTECTION MEASURES

There is now a substantial body of evidence highlighting the important role of social protection measures in improving workers' poverty status, contributing to all three elements of pathways out of poverty (CPAN, 2014b; Bulla et al., 2013; Mathers and Slater, 2014; HNSA and ISST, 2006). Given that "social protection" encompasses a wide range of measures, it is helpful firstly to distinguish between *social assistance* and *social insurance* programs; and secondly between *employer based* and *non-employer based* social insurance programs.

Social assistance measures are typically cash or in-kind social transfers, subsidies or fee waivers targeted at low-income or vulnerable groups (including but not limited to waged workers) and which are funded out of general taxation or other (non-contributory) sources (Mathers and Slater, 2014). There is substantial evidence that social assistance mechanisms contribute to all three elements of pathways out of poverty[21].

Most importantly, social assistance helps prevent households falling into absolute destitution or becoming (re-)impoverished by preventing them having to sell productive assets (e.g., land) or reduce investments in human capital (e.g., children in school) during times of crisis (Mathers and Slater, 2014; Devereux et al., 2005; Berhane et al., 2011). There is also some evidence that social assistance measures can help poor households escape poverty, either by contributing to the accumulation of productive assets (e.g., where regular receipt of cash transfers improves credit access), and/or by increasing innovation and risk-taking (thereby allowing households to invest in higher-risk, higher-return income earning activities) (Mathers and Slater, 2014; Gertler et al., 2012; Devereux, 2002). However, other sources stress the limited contribution of social assistance programs in this latter regard (Bulla et al., 2013; Dasgupta and Sudarshan, 2011).

Social insurance programs are typically contributory or subsidized insurance (sometimes statutory) providing for certain life contingencies, including old age and loss of employment, and funded by employee and sometimes also employer contributions. In lower income countries, a much smaller proportion of the population tends to benefit from social insurance as opposed to social assistance programs, in part because many such countries restrict the scope of such measures to government employees and/or workers in formal employer-employee relationships. Even where informal workers are eligible to join these schemes, actual coverage tends to be low due to weak implementation and/or workers being unable or unwilling to afford the contributions

[21] Although most social assistance measures are not strictly labor-market based interventions, they are also included here as they can have important effects to enable households to (re)enter the labor market.

(Mathers and Slater, 2014; Bulla et al., 2013; Homenet South-East Asia, 2008). Nevertheless, a number of studies stress the importance of social insurance, in particular health and accident-related insurance, in preventing waged workers falling into complete destitution or becoming impoverished (HNSA and ISST, 2006; HomeWorkers Worldwide, 2010; Barrientos et al., 2009). External organizations have had considerable success at facilitating homeworkers' access to such schemes where they are eligible[22].

Finally, *employer-based social insurance* programs—that is, where the employer as well as employee must make contributions—typically include pensions, severance pay and maternity benefits, but also access to subsidized health care (e.g., health dispensaries at the workplace). Access to such schemes can be important for preventing re-impoverishment (e.g., in the case of dismissal) and escaping poverty (by providing income security). However, poor rural waged workers are least likely to have access to this type of social protection, since employer-based social insurance programs tend only to be legally applicable and/or enforced in the case of large-scale, formal workplaces.

OTHER LABOR CONDITIONS FOUND TO POSITIVELY INFLUENCE POVERTY STATUS

Limited evidence was found regarding the role of increased job security and predictability, technical skills development and reducing or eliminating harsh treatment in improving households' poverty status; available evidence is summarized below.

- *Job security/predictability of work*: there is some evidence that unpredictability of work makes it very difficult to budget and plan ahead and in turn affects workers' *physical well-being* by causing substantial psychological stress (Chan, Forthcoming; HomeWorkers Worldwide, 2010); and conversely that increased income security positively impacts households' willingness to invest in higher return or higher risk livelihood strategies and hence potentially *escape poverty* (Mathers and Slater, 2014).

- *Enhancing/development of technical skills*: There is significant evidence that gaining new technical skills is important for obtaining additional and/or better work, and that for the poorest rural workers this may be more important than increasing formal educational attainment levels (see Section V.C). For example, in the HNSA and ISST Asian homeworkers study, nearly 40 percent of the 18 surveyed subsectors included "skills development" (e.g., learning new sewing techniques) in their top three priorities, SINCE this was seen as important for getting additional work and/or earning higher piece rates (HNSA and ISST, 2006).

- *Reducing or eliminating harsh treatment and gender-based violence*: Barrientos and Smith (2006) found that improvements in manager/supervisor-worker relations in Costa Rican banana plantations led to a reduction in the incidence of domestic violence within workers' households, thus improving household members' *physical and social well-being*(Barrientos and Smith, 2006). Similarly, especially female respondents to a large-scale study in the Ethiopian flower sector reported the frequent physical and sexual harassment at the workplace as one of the more grievous issues they have to face on a regular basis, and that the reduction thereof was an important priority (Cramer et al., 2014a)[23].

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[22] E.g., (Chan, Forthcoming), and http://www.ethicaltrade.org/in-action/programmes/the-indian-national-homeworker-group/artisan-cards-build-confidence

[23] It is recognized that sexual harassment and other forms of workplace gender-based violence (GBV) are widespread and a serious concern in many agricultural value chains, with likely significant negative poverty impacts on (mostly female) victims and their households (see for example (Schulte et al., 2014)). Unfortunately it was not possible to review relevant literature in depth given the already broad scope of this study; however workplace GBV is perhaps an issue that deserves greater attention in subsequent activities under the LEO labor component.

LABOR CONDITIONS FOUND TO HAVE MIXED IMPACTS

The *elimination or reduction of "excessive" working hours* was found to have a mixed poverty impact on workers and their families, depending on a number of different variables. In particular, the evidence suggests that *the extent of family/childcare responsibilities* influences whether workers perceive a reduction of working hours (in a context where hourly pay stays the same) to be beneficial or otherwise. Thus, Barrientos and Smith (2006) found that single workers tended to view a reduction in overtime as a negative since it reduced their overall income; whereas workers with families perceived a net benefit since they could better deal with domestic responsibilities and spend more time with children. Other studies highlight the high costs of regular overtime for women with children (particularly when compulsory and arranged at short notice), such as extra childcare costs (Raworth, 2004; Smith et al., 2004)[24]. Unsurprisingly, integrated initiatives that have aimed to increase productivity alongside a reduction in working hours have had the most positive impact, since workers are able to maintain or even increase their average take home pay (particularly in enterprises where workers are paid by piece rate) whilst enjoying the benefits of shorter working hours (Hurst, 2013; Hurst et al., 2005).

Similarly, *efforts to reduce or eliminate child labor were found to have mixed impacts*, depending on the quality and comprehensiveness of the interventions in question and the timescale over which impacts are measured. Unsurprisingly, there is substantial evidence that child labor—particularly in its worst forms—has detrimental impacts on children's *physical and social well-being.* A higher incidence of child labor is clearly associated with lower school attendance: for example, in a sample of 60 developing countries, children in employment were found to face an attendance gap of at least 10 percent in 30 countries, of at least 20 percent in 16 countries and of at least 30 percent in 10 countries (ILO and UCW, 2010). Much work performed by child laborers is also clearly detrimental to their physical and mental health: of the estimated 168 million children engaged globally in child labor in 2012, over half (51 percent) were engaged in "hazardous work", which by definition is "labor that jeopardizes the physical, mental or moral well-being" of a child[25]. Importantly, these observed negative impacts on child laborers' educational attainment and health status are also likely to affect the *future income-earning potential* of the children and their households. Furthermore, the reduction of child labor can have important "tightening" effects on the labor market (see sections IV.C and VI.A).

Clearly however, simply withdrawing child laborers from employment without complementary support measures can result in a substantial negative impact on *current household income* in the short to medium term (IPEC, 2004). Given that low household income is a key driver of child labor supply (ILO and UCW, 2010), removing children from work carries a substantial risk of tipping already very poor households into extreme poverty or destitution. Where alternative education or employment options are limited, ill-conceived design can also have negative impacts on *social well-being*: thus in Costa Rica and South Africa, agricultural employers stopped hiring 16-17 year olds or children during school holidays as an overly risk-averse response to voluntary labor codes, leading to drug use and anti-social behavior in some cases (Barrientos and Smith, 2006). Consequently, evidence underlines the importance of comprehensive and well-designed approaches to addressing child labor; for example, the ILO advocates a multi-pronged approach combining improvements in education provision, social protection, labor market opportunities and awareness-raising and advocacy (ILO and UCW, 2010).

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[24] Whilst no direct evidence was found to support this claim, it would seem likely that the *degree of poverty* also influences whether a worker perceives a reduction in working hours (if not accompanied by an equivalent increase in wage/piece rates) to be a net benefit or cost.

[25] http://www.ilo.org/ipec/facts/lang--en/index.ht

VARIATIONS BETWEEN SOCIAL GROUPS, INDUSTRIAL SECTORS AND GEOGRAPHICAL REGIONS

There is some evidence that different aspects of job quality are important depending on *gender and age*. For example, HNSA and ISST (2006) found that homeworkers—who are predominantly women with children—focused on getting more work and reducing or managing health risks, as well as skills development, as key work-related priorities. In contrast, youth surveyed in several African countries emphasized wage levels, security of employment, and perhaps most importantly the *social status* attached with jobs as their key priorities (Filmer and Fox, 2014).

However, the same studies also highlight the extent of *regional and context-specific variations* in terms of what workers perceive to be key labor-related determinants of poverty status. Whilst there were some clear common priorities that emerged for all homeworkers, as previously noted HNSA and ISST also found significant variations between sectors and countries (HNSA and ISST, 2006).

Similar variations were identified amongst African youth. Whilst youth surveyed in Liberia and Sierra Leone preferred regular waged work (particularly "salaried" jobs), those surveyed in Ghana and Zambia expressed a preference for being self-employed (in particular if they were able to employ others) rather than being waged workers (Filmer and Fox, 2014). A separate study of youth in cocoa farming areas in Ghana identified yet another set of preferences, with many young workers hoping to combine salaried jobs in the city with a more commercialized form of (self-employed) cocoa-farming (IDS and University of Ghana, 2009).

OTHER INFLUENTIAL FACTORS BEYOND JOB QUALITY

As the evidence outlined above clearly demonstrates, many aspects of job quality are influential in determining the poverty impacts of work. However, the literature also highlights that factors other than job quality can be important in determining poverty impact: in other words, the same job can have different poverty outcomes depending on who is doing the job. One influential factor is the *wider household income portfolio* to which the waged income contributes; as discussed in section VI, *the number and diversity of other income sources within the household substantially affects the poverty impact of any given waged job.*

Another important factor is the *initial poverty status* of the worker prior to taking the job in question. A number of studies highlight the fact that *relatively low quality employment can have a positive impact on poverty status for the most disadvantaged groups of workers*, because alternative income-earning options are considerably worse (also see related discussion in sections IV.A, IV.C and V.A). The positive impacts of paying the statutory minimum wage for *women workers* has already been highlighted in the case of NREGA; and several studies of various agricultural export sub-sectors show that, whilst women are generally engaged in the worst jobs within any given sector or workplace (see V.C), the wages they earn allow them not only to increase their annual incomes substantially, but also increase their decision-making powers within the household (Lastarria-Cornhiel, 2006; Chan, 2011).

Other studies demonstrate a similar effect for *migrant workers*. Whilst migrant workers typically suffer considerably worse wages and conditions than their local counterparts (see V.C), the importance of migrant workers' income in improving a household's poverty status is highlighted by a wide range of studies and migration typically does open pathways out of poverty (see IV.C).[26]

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[26] The implication is *not* of course that market systems interventions should focus solely on providing low-quality jobs to disadvantaged groups; as the previous discussion and table 2 clearly shows, improvements in various aspects of job quality are crucial for achieving poverty reduction goals.

CONCLUSIONS AND PROGRAMMATIC IMPLICATIONS

The extent and complexity of the evidence reviewed on micro-level labor market characteristics and their impact on poverty status can be difficult to reconcile. Nevertheless, the following tentative conclusions can be drawn. Clearly, where such conditions exist, eliminating forced labor conditions and the worst forms of child labor must be tackled as a priority. Beyond this, the evidence indicates that, in broad terms, *improving the quantity and seasonal distribution of work, increasing wage and piece rates, reducing OHS risks with severe and/or long term health implications* and *improving access to relevant social protection measures* would have the most substantial and unequivocal positive impacts for all workers and poverty at the micro level.

However, a more nuanced interpretation of the evidence highlights important differences in terms of the relative importance of different labor market characteristics for addressing each of the three different "pathways out of poverty" elements. Table 3 provides a tentative summary of these linkages:

Table 3: Relative importance of different micro level labor characteristics to three different "pathway" elements

"Pathway out of Poverty" element	Which micro level-labor market characteristics are most relevant for each element?
1) Addressing extreme poverty	*For stopping absolute destitution*: Eliminate forced labor conditions and worst forms of child labor; increase quantity and seasonal distribution of work; reduce most severe OHS risks; improve access to social assistance (especially for those unable to work) and non-employer-based social insurance programs *For reaching minimum welfare levels:* Increase quantity and seasonal distribution of work; increase wage/piece rates; reduce severe OHS risks; enhance (basic) technical skills; improve access to social assistance (especially for those unable to work) and non-employer-based social insurance programs
2) Stopping impoverishment	Increase quantity and seasonal distribution of work; increase wage/piece rates; reduce severe OHS risks; improve access to social protection including employer-based social insurance schemes; improve job security/predictability of work
3) Enabling/sustaining an escape from poverty	Increase quantity and seasonal distribution of work (especially with better conditions); increase wage/piece rates; improve access to social protection including employer-based social insurance schemes; reduce OHS risks; improve job security/predictability of work; enhance technical skills; reduce excessive working hours (whilst maintaining overall income levels); eliminate child labor (complemented by improvements in education, social protection etc.)

2. MACRO- AND MESO-LEVEL LABOR MARKET CHARACTERISTICS

Whilst the previous subsection focused on micro-level factors that enable workers to become less poor, this subsection looks briefly at wider (*macro- and meso- level) factors* that are influential in determining poor rural workers' ability to improve their poverty status. This is a large subject with an extensive literature to match; a comprehensive review of this material was therefore not possible within the scope of this study, especially as market systems programs tend to focus on a limited number of macro-and meso-level factors. Nevertheless, key factors and supporting evidence are summarized below.

QUANTITY OF JOBS IN RURAL AREAS: OVERALL LABOR DEMAND AND SUPPLY

Increasing the quantity of work available to poor rural households emerged as a key priority from the above micro-level analysis, particularly for those households trying to cope with extreme poverty. As already highlighted,

this priority reflects widespread underemployment amongst the rural poor. This in turn is in large part a result of limited waged work opportunities in rural areas, with labor supply often exceeding demand (Weeks, 2006; Wiggins and Hazell, 2008; Winters et al., 2008; Wandschneider, 2003; Tocco et al., 2012).[27]

It is impossible to do justice to the literature here, but in brief, the evidence suggests that key macro- and meso-level factors that need to be addressed to *increase overall labor demand* in a given rural area include: increasing the level of agricultural development, increasing income levels, diversifying the local economy, improving economic infrastructure (including transport and communication), strengthening public services and investment, supporting rural town development, and improving the business environment (including policy environment and access to finance and other business services) (Tocco et al., 2012; Wandschneider, 2003). In addition, efforts to reduce forced labor and child labor may also contribute to a *tightening of rural labor markets* (i.e., reducing the gap between labor supply and demand) (see section VI.A).

However, whilst addressing these factors is important, more specific interventions are needed to ensure that the *types* of jobs created are accessible and beneficial to the poorest and most disadvantaged groups: this requires careful targeting of job creation efforts and also tackling the specific constraints to labor market access suffered by the most disadvantaged groups, as discussed further in section V.C below.

INDUSTRIAL SECTOR AND STRUCTURE OR STAGE OF THE VALUE CHAIN

Evidence clearly indicates that the industrial sector or subsector, structure of the value chain, stage (or 'level') of the value chain and market segment all have a substantial influence on both the *quantity* of jobs and work that are available and accessible to the rural poor, and also on the *quality* of available jobs.

As regards the *quantity* of jobs, clearly those industries which are most *labor-intensive* are most likely to generate the highest number of job opportunities (see section VI).

- Within agriculture, higher-value crops that require intensive and sensitive handling tend to be most labor-intensive, such as horticultural crops like vegetables and flowers (World Bank et al., 2009; FAO et al., 2010). High value agricultural export products have generated 1.2 million jobs in Mexico (vegetables), 336 739 jobs in Chile (fruit), and 280,000 jobs in South Africa (FAO et al., 2010).
- In the manufacturing sector, low-skilled, labor-intensive industries such as garments and footwear have generated a large number of jobs including for the rural poor (either as homeworkers are as rural-urban migrant workers) (Barrientos et al., 2011; HNSA and ISST, 2006). The Bangladesh garment sector is estimated to employ between 1.4 and 1.8 million women workers (HNSA and ISST, 2006).
- The construction industry is another labor-intensive industry that is an important source of employment for the rural poor (especially men) (Bulla et al., 2013).

However, also important is the *type and nature of jobs generated and the extent to which these are accessible to the poorest and most disadvantaged groups*. As discussed further in section V.C, women face particular constraints to accessing waged work, and evidence strongly suggests that certain industries or value chains, and particular stages within those value chains, are much more accessible to women workers than others.

[27] Thus, the implicit assumption often made in value chain development projects—i.e., that the main priority with regard to waged employment is "job creation"—is in some senses well-placed. However, this objective (if included at all) tends to be vastly over-simplified, under-resourced vis-à-vis other project objectives, and inadequately targeted at the poorest groups of workers.

For example, the high involvement of women in (export) horticulture and floriculture value chains is well documented (FAO et al., 2010; World Bank et al., 2009; Lastarria-Cornhiel, 2006; Taylor, 2011). Women's predominance in this sector is principally attributed, firstly, to horticultural production often being a traditional "female" domain and hence being considered a culturally acceptable sector of employment for women; and secondly, to the fact that women are better able to provide the delicate handling and attention to detail required for horticultural produce (Smith et al., 2004)[28]. Similarly, a high predominance of women is found in *garment and footwear production*, in particular in subcontracted garment homework, because sewing and tailoring is often traditionally done by women and is seen as a culturally acceptable form of female employment (particularly when conducted at home) (Chan, forthcoming).

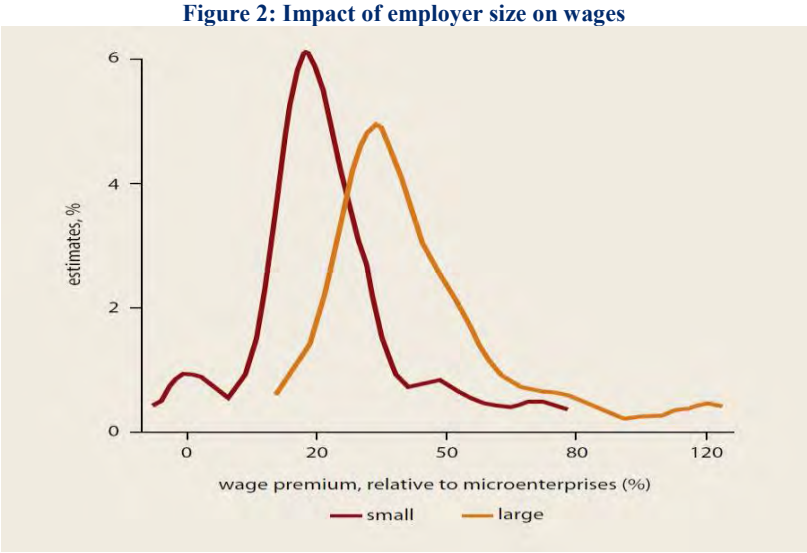
Moreover, often *certain stages of value chains* tend to generate much higher female employment than others. For example, in vertically integrated horticulture and commodity value chains (e.g., cocoa, coffee, tea), many more female waged workers tend to be found in the packing and processing stages as opposed to in primary production (GATE, 2007; Raworth, 2004; ITC, 2011).

In terms of the *quality* of available jobs, *the industrial sector or subsector, the type of value chain, the scale of production, and the specific market segment* are all found to have a significant influence. In manufacturing, industries that demand more specialized skills (e.g., electronics) tend to offer better pay and conditions, although there is often a trade-off with the quantity of jobs available (Barrientos et al., 2011). Within agriculture, those crops and value chains *where product quality is important* tend to be associated with better working conditions, because the level of skills required to handle the products is higher and, perhaps more importantly, because employers have an inherent incentive in investing in a more satisfied and stable workforce (Evers et al., 2014; Barrientos and Visser, 2012). Similarly, *export value chains* tend to offer better working conditions than domestic value chains, reflecting higher returns for employers and also the higher importance of product quality. Finally, jobs within value chain segments which are producing for the *higher end markets* (e.g., British supermarkets rather than European or domestic/regional wholesale markets) tend to offer better conditions, again due to higher returns and a greater importance given to product quality (see VI.B).

Cross-cutting all of these, it is important to highlight that, as a general tendency, firm size matters for working conditions. Typically, *larger farms and employers* tend to offer significantly better pay and conditions than small or medium-scale farms and enterprises (Cramer et al., 2014a; World Bank, 2012).

[28] Of course, another reason for women's predominance in the horticulture sector might simply be because most of the work does not require the typically greater physical strength of male workers, and therefore employers prefer to hire women workers because they are cheaper.

Figure 2: Impact of employer size on wages



Source: World Bank (World Bank, 2012, p. 109)

POLICY ENVIRONMENT AND LEGISLATION REGARDING LABOR RIGHTS

The quality of national labor legislation and policies, and the extent to which these are enforced, are important determinants of the *quality* of jobs available to the rural poor. Clearly, the quality of labor laws themselves are important—the extent to which they cover key international labor standards, and the level of protection offered to workers in relation to each of these standards. Establishing appropriate legal and policy frameworks to support respect for the following labor standards are particularly important at the macro level: FACB rights[29], reduction of gender discrimination, elimination of forced labor, reduction or elimination of child labor, and social protection provisions.

However, due to the typical nature of employment and employment relationships amongst the rural poor, equally important is the extent to which relevant labor and social protection laws and policies cover informal, casual or seasonal and agricultural workers. In many countries, labor laws specifically exclude one more of these categories of workers from certain provisions, or are ambiguous about whether these types of workers are covered. In particular, these workers are often fully or partially excluded from laws and regulations regarding collective bargaining, minimum wages, OHS and working hours (ILO, 2011b; US Department of State, 2011a, 2011b, 2011c). Moreover, even where such workers *are* covered by labor and social protection laws, enforcement is usually weak (IFAD, 2010; Barrientos et al., 2009; Homenet South-East Asia, 2008). For example, whilst the Philippines' social protection policies and schemes are on paper much more inclusive of homeworkers and other informal workers as compared to equivalent policies in Thailand, the extent to which homeworkers benefit in practice is actually not much different between the two countries due to various implementation constraints in the Philippines (Homenet South-East Asia, 2008). Thus the evidence underlines the importance of investing in effective *implementation* of legal protections for informal and agricultural workers.

[29] Another potentially important meso-level factor in certain contexts/countries is the strength of (formal and informal) farmers' organizations and the extent to which they represent non-land owning farm *workers* and their interests. However, it was not possible to review relevant literature in this regard, given the already broad scope of the study and the limited timeframe of work.

EDUCATIONAL INFRASTRUCTURE

There is ample evidence that the quantity, quality and cost of schooling in rural areas has a key influence on whether and to what extent waged labor can help improve households' poverty status. Firstly, as discussed further in Section V.C, educational attainment level is a key determinant of an individual worker's access to better jobs; hence, government policies that help improve school attendance at primary and secondary levels, and improve the quality and accessibility of schooling, are recognized as an important strategy for improving employment opportunities and hence poverty status of the next generation of rural waged workers (although not a panacea on its own) (Winters et al., 2008; CPAN, 2014b).

Secondly, improving educational infrastructure, particularly in poor rural areas, is widely acknowledged as a core component of any *effective strategy for preventing and remediating child labor* (ILO and UCW, 2010; Education International, 2013). Thus, there is evidence both that more and better schools help reduce the *supply* of child labor (more parents consider it worthwhile and/or are able to afford keeping their children in school), and that ensuring ex-child workers have access to good quality education is key to keeping them out of child labor and improving their future prospects (ILO and UCW, 2010). A strong correlation at the national level between progress on reducing child labor and reaching universal education has therefore been observed (Education International, 2013).

LABOR RECRUITMENT MECHANISMS

Another potential determinant of rural workers' access to jobs and also the quality of jobs is the nature of *labor recruitment mechanisms* through which they access jobs; for example, whether workers are recruited *indirectly* via one or more third-party labor brokers, or recruited *directly* by employers (via patronage networks, formal recruitment procedures, or simply recruited from the roadside or at the farm gate). Little information could be found about such recruitment systems and their relative advantages and disadvantages in rural areas. However, it seems likely that both direct and indirect recruitment have relative advantages. On the one hand, effective labor brokering can help maximize work opportunities for rural waged workers, who often face limited information about job opportunities—especially in the case of migrant workers (Tocco et al., 2012).

On the other hand, there is significant evidence that brokered workers, as compared to their directly employed counterparts, tend to have worse working conditions and are more vulnerable to exploitation due to the lack of visibility and unclear employment relationships and responsibilities involved. Whilst not specifically related to rural areas, there is substantial evidence to show that, as compared to direct employees, brokered workers in general tend to earn lower wages, are less likely to receive social security benefits and other non-wage benefits, face greater restrictions on freedom of association and collective bargaining, and are at greater risk of suffering illegal deductions to their pay (Verite, 2010; Bahdari and Heshmati, 2006; Solidaridad, 2012; Zhang, 2011; Barrientos, 2006; Chan, 2013).

Thus, whilst promotion of brokerage networks might be considered as a way of smoothing out inefficiencies in rural labor markets, it should be noted that brokerage can also lead to its own inefficiencies. In any event, steps must be taken to protect workers' rights and minimize risks of discrimination and exploitative practices amongst labor brokers[30].

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[30] It is recognized that labor brokerage or "triangular employment relationships" are a contentious are of labor policy, and that some trade union organizations and labor rights campaigners advocate against such employment relationships outright. Any efforts to promote labor brokerage should therefore be approached cautiously and should at the very least ensure that workers' rights are not weakened as a result of entering into such employment relationships.

CONCLUSIONS AND PROGRAMMATIC IMPLICATIONS

In terms of interventions at the *micro- or meso-level*, an important step that market systems programs can take is to pay particular attention to waged labor implications when choosing specific value chains to support, and when designing the nature of such interventions. Focusing on labor-intensive value chains is an important starting point. In addition however, target value chains and value chain stages should be those that offer the types of jobs that: are culturally acceptable for women; build on the traditionally held skills of the rural poor, in particular women and other disadvantaged groups; and do not require high educational attainment or literacy levels.

Where *facilitating sustained escapes from poverty* is a key aim, the focus should perhaps be on higher-value, higher end value chains or market segments where the quality of jobs has the potential to be higher. Strengthening existing labor brokering networks might be considered as a way of maximizing employment opportunities for the rural poor; however protecting workers' rights in the context of complex employment relationships needs to be prioritized, including managing risks of exploitation by labor brokers.

Insofar as market systems programs can influence *macro-level* policies, programmers can help support more favorable conditions for rural waged workers by lobbying and supporting national governments to: address underlying conditions that will help boost overall rural labor demand and/or restrict labor supply; extend coverage of social protection and other relevant labor laws to informal and casual and seasonal workers, and ensure effective enforcement of such laws where coverage is already inclusive; and improve both the quantity and quality of schools and other educational infrastructure in rural areas.

C. DETERMINANTS OF POOR PEOPLE'S ACCESS TO "GOOD" JOBS

The evidence clearly points to the fact that some households and individuals face much greater barriers than others in accessing better jobs; thus, understanding and addressing these barriers is crucial when designing and implementing market systems interventions with a labor and pro-poor focus. Section V.C therefore explores these issues further. The evidence suggests that, in rural areas, key determinants of access to better jobs are *gender*, *education (literacy) levels*, *migrant status*, and *age group*. *Proximity and access to urban centers*, access to *social capital* and *caste/ethnicity/religion* were also identified as significant determinants in some cases. Each of these determinants are discussed further below.

GENDER

The literature clearly shows that underlying patriarchal norms[31] lead to a number of constraints for women in the labor market:

- *Women's disproportionate share of reproductive/care responsibilities* limits the amount of time they can spend on productive (economic) work, how far they can travel for work, and their ability to take advantage of educational and training opportunities;
- *Men's patriarchal control over the means of production* often makes women dependent for economic (re)production. In turn, men often are in a position to restrict women to household work, preventing them from

[31] That is, socio-cultural belief systems that consider women as inferior to men and/or which place less value on women's roles and responsibilities as compared to those performed by men.

earning independent incomes by entering the labor market (Sender and Smith, 1990; Sender et al., 2006; Oya and Sender, 2009; Oya, 2010b);

- *Gender stereotyping,* which can lead to unequal pay for equal work, and discouragement or even prevention of women from entering better-paid occupations and securing senior jobs within a given occupation;
- *Lower female literacy and educational attainment levels,* which limit women's access to better jobs; and
- *Socio-religious restrictions on women's mobility,* resulting for example in a high prevalence of insecure and low paid home-based work amongst women in many South Asian countries (FAO et al., 2010; Wandschneider, 2003; Chan, 2011, Forthcoming).

There is also abundant evidence across a wide range of sectors and countries that these constraints result in lower overall female participation in waged labor markets, and women having greater difficulty in accessing better paid jobs (Dasgupta and Sudarshan, 2011; World Bank et al., 2009; Chan, 2011; Winters et al., 2008; Smith et al., 2004).

For example, an analysis of data on the rural waged workforce in 15 countries in Africa, Asia, Central and Eastern Europe, and Latin America found that there was a significant difference in male and female earnings in 14 of the 15 countries, with female earnings being between 5 and 50 percent lower than males when controlling for basic individual characteristics (Winters et al., 2008). Gender discrimination is also widespread with respect to non-wage benefits: because women generally have lower access to formal jobs, women tend to experience lower job security, poorer access to social security benefits (including health insurance, maternity benefits and sick pay), and weaker access to other legal protections (Chan, 2011; Raworth, 2004; Smith et al., 2004).

MIGRANT STATUS

As Section IV.C has clearly shown, out-migration to urban centers and richer rural areas has proven to be an effective pathway out of poverty for many of the rural poor, largely due to the greater availability of work and/or higher wages in receiving areas compared to sending communities. At the same time, compared to other workers in their new workplaces and host communities, migrant workers often face employment-based discrimination, resulting in inferior working conditions and a significant risk of serious labor abuses.

For example, studies on cross-border migrant workers in UK, US, and Kazakhstan's farms and packhouses show that migrant workers tend to be concentrated in the most arduous and lowest paid jobs; are paid (significantly) lower wages compared to local workers for the same tasks; face high job insecurity; work excessive hours on a regular basis; and are at significant risk of very serious labor rights abuses, including forced labor, severe physical and sexual abuse, and exposure to life-threatening health and safety hazards (Temporary Labour Working Group, 2004; Anderson and Hancilova, 2009; Shtaltovna and Hornridge, 2014; Pomfret, 2008; Verite, 2010).

Typical reasons why overseas migrant workers tend to be concentrated in the worst jobs include: cultural and language barriers (which restrict their awareness of legal rights and their ability to seek official assistance or redress); the lack of or weak local social support networks (which increases their vulnerability and weakens their bargaining power); and the high proportion of migrant workers who are recruited and/or employed by third party labor brokers (see subsection on macro-level labor market characteristics in section V.B). Many (often most) poor migrants in rural areas also lack legal immigration status, which further increases their vulnerability to labor exploitation (Anderson and Hancilova, 2009; Verite, 2010; CCC, 2012).

Internal rural-rural migrant workers, i.e., those who have migrated from (typically poorer) rural areas within the same country, can also face discrimination in the labor market—a trend which is less well documented but equally noteworthy given that a much larger number of poor migrant workers are internal rather than cross-border migrants (Bulla et al., 2013). Government policies to control internal migration can have discriminatory impact on migrant workers; for example, policies in China, Vietnam and India variously restrict internal migrant workers' and their families' access to formal jobs, free or subsidized healthcare, free or subsidized schooling, and other social protection schemes (Bulla et al., 2013). Even where the policy framework is not restrictive, cultural or ethnicity-based discriminatory attitudes can lead internal migrants to be concentrated in the worse jobs; thus, migrant workers from northern Ghana working on small-scale tomato farms in the Brong Ahafo regions tend only to be employed to perform the most arduous, undesirable tasks such as land clearing and preparation[32].

Thus whilst there are strong arguments for promoting migration as a pathway out of poverty, measures must also be taken to reduce risks of the most serious labor abuses and tackle other discriminatory practices faced by migrant workers.

EDUCATIONAL/LITERACY LEVEL

Educational attainment is commonly cited as a critical determinant of access to better jobs, both generally and in the context of the rural poor (World Bank, 2012; ILO, 2008; CPAN, 2014b; Winters et al., 2008; Wandschneider, 2003). Thus for example, cross-country comparisons show that in all regions, more schooling is associated with higher labor earnings; and in lower income countries, those who have completed primary school education on average earn about 15 percent more than those who have not completed primary education (World Bank, 2012). Winters et al. (2008) found that education level was amongst the three most important determinants of access to "productive" jobs, with each additional year of education increasing the probability of high productivity employment by 1 to 4 percent.

However, much of the analysis seems to focus on a worker's access to the "best" jobs, such as government jobs or other salaried office jobs (Wandschneider, 2003; Winters et al., 2008) – jobs that are likely to be beyond the reach of the vast majority of the rural poor because they require relatively high levels of educational attainment and/or other assets that poor people typically do not possess (e.g., contacts with the urban élite). In contrast, the importance of formal educational attainment levels in determining access to jobs at the lower end of the job market, particularly rural labor markets, is much less clear. Whilst Winters et al. (2008) found that education level also influences overall participation in the rural waged labor force (regardless of whether participation is in low or high-paid work), other evidence suggests that formal education is *not* a significant determinant of poor rural waged workers' access to reasonable (if not "decent") jobs. A number of studies highlight the fact that the skills required to engage in many rural non-farm activities are either very simple or acquired outside the formal school system, through relatives and friends and on-the-job training (Cannon and Smith, 2002; Som et al., 2002; Coppard, 2001; Zwick, 2001).

Thus, in terms of the three elements of pathways out of poverty, whilst increasing educational attainment levels may be a crucial strategy for *facilitating or sustaining escapes from poverty*, this may be less a priority for *addressing extreme poverty*.

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[32] Source: unpublished field research conducted by Man-Kwun Chan as part of the "Integrated Food Crops Systems Project (Ghana)" funded by the UK Department for International Development (c.2006).

AGE GROUP (YOUTH VERSUS NON-YOUTH)

There is now substantial evidence of the particular difficulties faced by youth in developing regions in accessing jobs, and the resultant disparity between youth and adult unemployment and underemployment rates. Evidence points to the following key constraints faced by rural youth in accessing waged jobs:

- a significant proportion of rural youth remaining illiterate and lacking even basic schooling (in turn a result of the low quantity and quality and high cost of schooling in many rural areas);
- lack of employable skills, exacerbated by lack of post-school vocational training in rural areas;
- poor access to information on job opportunities—a function both of poor public services and infrastructure and youth's limited social capital (youth tend to have much more limited social networks and contact with individuals in positions of power, which are still predominantly occupied by older men);
- for young women, the early age of starting a family and women's disproportionate responsibility for childcare are additional constraints (Filmer and Fox, 2014; Bennell, 2007; World Bank, 2012).

There is also considerable evidence that these constraints lead to high absolute and relative youth unemployment and underemployment rates (Bennell, 2007; van der Geest, 2010; Filmer and Fox, 2014). Thus, in almost all countries youth unemployment rates (15-24 year olds) are higher than adult unemployment rates (24-49 year olds), with youth unemployment rates typically being two to three times higher than adult unemployment rates (van der Geest, 2010; World Bank, 2012). Data on youth *under*employment—which tends to be a greater problem than unemployment amongst rural youth in developing countries—is relatively scarce; however, data from eight developing countries shows that youth underemployment is significant (with between 10 and 39 percent of youth working under 24 hours per week) and higher than adult underemployment in all but one of the countries (van der Geest, 2010).

THE IMPORTANCE OF INTRA-HOUSEHOLD GENDER RELATIONS IN DETERMINING HOUSEHOLD-LEVEL POVERTY IMPACTS

There remains a tendency amongst many development researchers and practitioners to assume that households operate as homogenous units, and that therefore any increase in overall household income will automatically improve the poverty status of all household members (Wiggins and Keats, 2014). Yet evidence clearly shows that the prevalence of unequal gender relations within households, shaped by wider socio-cultural values and norms, means that women and girls tend to receive a lower share of the benefits than male household members from any given increase in overall household income. Equally, women tend to have less control than men over their own income and how it is spent; and where women do retain some degree of control over expenditure, their spending patterns tend to be different from those of men. If the poverty impacts of labor (and other income) interventions are to be maximized, it is therefore also crucial to understand and address intra-household gender relations in terms of how they affect the distribution of benefits from any given increase in household income. The following three paragraphs therefore briefly examines the evidence in this regard[33].

There is a significant body of evidence suggesting that women often have little control over the income they earn (Lastarria-Cornhiel, 2006; Dolan and Sutherland, 2002; IFAD, 2010). For example, married women in

[33] Given the continued importance of age as a determinant of social status in many developing countries, the authors specifically searched for evidence of whether and to what extent young people might experience discrimination within households in terms of control over any income earned and how that money is spent. However, no convincing evidence could be found to support this hypothesis.

Kenya's vegetable industry rarely have full control over how to spend their wages and often hand over their entire wages to their husbands (Dolan and Sutherland, 2002); and many married women working in the tea and coffee sectors in Rwanda also hand over any cash they earn to their husbands, with husbands typically retaining a proportion of this income for their own personal use (IFAD, 2010).

Secondly, where women do have some degree of control over income and/or household expenditure, there is much evidence to suggest that there are significant gender differences in expenditure patterns, with women, as compared to men, typically having a higher propensity to invest in children's human capital. Thus, the World Development Report 2008 highlights that women tend to spend more of their income on food compared to men (World Bank, 2007b); and an analysis of household data from Bangladesh, Indonesia, Ethiopia and South Africa found that assets controlled by women have a positive and significant effect on expenditure allocations toward the next generation, including in particular children's education and children's clothing (Quisumbing and Maluccio, 2000). Further studies on a range of countries show that a greater income share in the hands of women leads to higher household expenditure on development of children's human capital including health, and that female-headed households tend to spend more of their income on children's education as compared to male-headed households (Angel-Urdinola and Wodon, 2010).

Significant regional variations exist however, and these broad patterns do not always hold true: for example, in South Africa fathers' schooling was found to have a *positive* effect on girls schooling while mothers' assets brought to marriage have a negative impact on girls (Quisumbing and Maluccio, 2000).

OTHER DETERMINANTS

Other determinants found to influence access to better jobs in rural areas included the following:

- *Geographical proximity or ease of access to urban and rural labor markets* (Winters et al., 2008). This reinforces the importance of developing appropriate transport infrastructure (see V.B. on macro-factors).
- *Importance of social capital* (i.e., access to social networks and contacts). One composite study exploring determinants of access to rural non-farm employment in five countries found that access to social capital (social networks and contacts) was often important in allowing workers to access new or better income-earning opportunities, and notes in particular that cooperation along kinship, neighborhood, religious and ethnic lines is often behind successful migration abroad (Wandschneider, 2003).
- *Caste (in India), religion and ethnicity*. This is in part due to discriminatory occupational segregation (e.g., in the case of the lower castes in India), but also because membership of minority ethnic or religious groups can provide access to specialized networks (e.g., members of minority religious cults in Romania were found to have better access to overseas jobs due to strong mutual support networks) (Wandschneider, 2003).

CONCLUSIONS AND PROGRAMMATIC IMPLICATIONS

Section V.C highlights the need to ensure that job creation efforts linked to extreme poverty reduction goals must be carefully targeted in order to ensure that the *types* of jobs they generate are largely accessible to those groups amongst the rural poor who are most disadvantaged in the labor market: namely, women, youth and migrant workers (both internal and cross-border). Such targeted job creation needs to be complemented by

interventions that aim to remove or at least ameliorate the particular constraints to job access experienced by each of these groups.

Whilst the evidence to some extent supports the widely acknowledged need to improve the quantity, quality and accessibility of schooling as a means of accessing better jobs, it also indicates that formal education may be less of a priority for the poorest workers who are struggling to cope with extreme poverty.

Finally, the evidence shows that (a) specific efforts to increase women's access to paid employment; and (b) interventions to strengthen women's control over household income and decision-making, are likely to improve overall household poverty impacts (as well as support gender equality goals). However, for such interventions to be successful there is a need to understand context-specific gender dynamics and ensure that program design and implementation reflects and builds on these dynamics, due to significant cultural and regional variation.

VI. THE EFFECTS OF IMPROVED WORKING CONDITIONS AND WORKER AGENCY ON GROWTH

A. A SUMMARY OF EVIDENCE ON IMPACT

One reason why agricultural development programs have tended to steer clear of labor-based interventions is the "conventional wisdom" that there is a trade-off between improved job quality and economic growth and competitiveness. But does empirical evidence support this claim? Whether job quality improvements have positive, neutral or negative impacts on growth and competitiveness, and the conditions under which positive impacts can be achieved, clearly has an important bearing on how and to what extent labor-based interventions can be promoted within agricultural market systems programs. Section VI. A therefore briefly reviews the available evidence on these impacts. Impacts are reviewed for each job quality characteristic in turn, since the impact pathways can differ depending on the labor conditions being addressed[34]. For each labor condition, impacts are further broken down by their level of impact (i.e., macro-level versus micro (enterprise)-level impacts), since the direction, scale and pathways of impact can be quite different at these two levels. A summary of findings is presented in table 4 below.

Whilst there is a very substantial body of literature on the relationship between job quality and growth and competitiveness, relatively little agriculture-specific evidence was found, and hardly any evidence could be found relating specifically to the smallholder sector. To address the first gap, the review also included relevant cross-sectoral evidence and evidence relating to the garment industry; the latter was included due to the availability of highly relevant evidence and because the garment industry shares key characteristics with the agriculture sector including high labor intensity, a largely low-skilled labor force, a high degree of seasonality, and low levels of worker organization. The second gap is addressed as far as possible at the end of section VI.A., by briefly discussing how and to what extent the available evidence is applicable to smallholder farms.

[34] Due to the large volume of literature on this topic, it was not possible within the scope of this study to review all labor conditions with equal comprehensiveness. Most effort was therefore given to labor conditions that have the greatest impact on poverty (see section V) and/or those that were considered to be more controversial in terms of their compatibility with growth and competitiveness. In particular, evidence relating to the quantity and distribution of work was not reviewed because this is only expected to increase in line with commercial need; skills development was only reviewed cursorily because its relationship with growth and competitiveness is not considered to be controversial; and harsh treatment was also only reviewed on a cursory level due to its relatively small impact on poverty.

Table 4: Improving key labor conditions: impacts on growth/competitiveness at macro and enterprise levels

	Macro-level impacts	Enterprise-level impacts
Child labor	+ (but only in the longer term)	–
Forced labor	+	Mixed
Wage/piece rates	– (mixed)	Mixed (but + when tackled via productivity improvements)
Working hours	Inconclusive evidence	Mixed (but + if root causes are addressed)
Social protection: State-provided Employer-contribution	 + (mixed) + (mixed)	 n/a – (but neutral in medium term if widely enforced)
Harsh treatment	Inconclusive evidence	+[35]
OHS	+	+
Skills development	Inconclusive evidence	+[36]
Job security/predictability	–	– (but + for more highly skilled jobs/industries)
FACB rights	+	Neutral (but + if quality of FACB mechanisms is high)
Gender discrimination	+	+

CHILD LABOR

The *net macro-economic gains* from reducing the incidence of child labor are estimated to be high (IPEC, 2004; Gordon, 2008). For example, a comprehensive multi-country study (IPEC, 2004) found that in developing and transitional regions, benefits on average exceed costs by a ratio of 6.7:1 over a 20-year period, with average net economic benefits representing 22.2 percent of annual gross national income (54 percent in sub-Saharan Africa). Reducing child labor contributes to economic growth in a variety of ways, including: increasing availability of work and wage rates for adults (due to a tightening of the labor market), improving productive capacity through higher educational attainment; improving productive efficiency by replacing less productive child workers with stronger, more experienced adult workers; and enhancing economic efficiency by decreasing the supply of low-skilled workers and hence forcing firms to increase efficiency (Gordon, 2008; Ranjan, 2001; IPEC, 2004). However, the public costs of effective child labor interventions are high in absolute terms, and benefits only start exceeding costs in the longer term (IPEC, 2004).

Little evidence could be found regarding commercial benefits of reducing child labor at the *enterprise level*; whilst there is some evidence of reputational benefits,[37] these are unlikely to be significant outside of certain export supply chains. In contrast, there is significant evidence to suggest that enterprise-level costs of implementing effective child labor interventions are high. Several studies highlight the need for costly intervention approaches such as multi-pronged remediation strategies and multi-stakeholder collaboration (Save the Children, 2011; ILO and UCW, 2010; IPEC, 2013); and given that child-adult wage differentials are often significant (Verite, 2010; Solidaridad, 2012; Save the Children, 2011), replacing child workers with adult workers is

[35] A study of garment factories in Vietnam found that verbal abuse decreased individual worker productivity and that factory profits decrease as worker concern with verbal abuse increases (Better Work, 2012).

[36] There is considerable evidence that training and skills development (both formal and informal) is linked to positive outcomes at the enterprise-level, including in SMEs (Croucher et al., 2013).

[37] E.g., http://www.ilo.org/ipec/Action/CSR/lang--en/index.htm and Save the Children 2011

likely to increase labor costs overall. Thus it seems likely that the net financial impact of eliminating child labor at the individual enterprise level is typically negative.

FORCED LABOR

Evidence indicates that reduction of forced labor has *positive* macro-economic impacts. By reducing the supply of free or cheap labor, elimination of forced labor is likely to increase average wage levels and promote greater innovation and productivity improvements amongst enterprises (Bivens and Weller, 2003). Effective measures may also increase the proportion of income on which taxes can be levied, and decrease the considerable costs involved in dealing with forced labor cases (ILO, 2014b). Finally, multi-country comparisons show that a high incidence of forced labor is not compatible with more open trade policies due to the high degree of international intolerance towards forced labor (Bivens and Weller, 2003).

Unsurprisingly, evidence regarding the *enterprise-level impacts* of reducing forced labor is more mixed. On the one hand, the illegal profits generated by workers in forced labor conditions are high, with global profits exceeding US$ 50 billion. At the same time, law-abiding businesses and employers are disadvantaged by forced labor because it creates an environment of unfair competition and risks tarnishing the reputation of entire industries and sectors (ILO, 2014b).

WAGES

The evidence suggests that the impact of increasing wages on *macro-economic performance* is mixed, but with a tendency towards a negative impact (Kucera, 2002; Croucher et al., 2013; Bhorat et al., 2012). For example, whilst the introduction of a minimum wage has been found to have a neutral impact on employment opportunities in some sectors and countries (Dinkelman and Ranchhod, 2012), in other countries and sectors it has led to a *reduction* in employment opportunities at least in the short run (Croucher et al., 2013; Bhorat et al., 2012). In terms of other economic growth indicators, the available evidence tends to suggest that higher labor costs (of which wage costs are typically the dominant component) negatively affect foreign direct investment (FDI) (Kucera, 2002).

According to a recent and comprehensive literature review, available evidence shows that *enterprise-level impacts* of increasing wages are also mixed (Croucher et al., 2013). Nevertheless, recent multi-country labor initiatives in the export garment sector indicate that wage increases can be achieved in conjunction with productivity and overall commercial gains, if underpinned by efforts to address underlying management inefficiencies and improve worker-management dialogue (Better Work, 2012; Hurst et al., 2005; Hurst, 2013; Burns, 2014). For example, Impactt's Benefits for Businesses and Workers (BBW) Programme aimed to tackle the root causes of poor working conditions in garment factories by strengthening skills in human resource management, productivity, and worker-management communication. These interventions led to an 18 percent increase in production efficiency in participating Bangladeshi factories, whilst simultaneously achieving a 12 percent increase in workers' hourly pay; similar results were found in India (Hurst, 2013).

WORKING HOURS[38]

There is much evidence showing that long working hours tend to have a negative impact on worker productivity at the *micro- or enterprise-level*. However, productivity gains resulting from reduced working hours are not

[38] Little conclusive evidence could be found regarding the *macro*-economic impacts of reducing working hours, in particular in relation to developing countries. This section therefore focuses solely on reviewing the evidence of impacts at micro/enterprise level.

always sufficient to positively impact overall profitability (Croucher et al., 2013; Hurst et al., 2005). For example, where (excessive) overtime is primarily used as a means of meeting highly seasonal and unpredictable demand (e.g., in many export food and garment supply chains), increases in *average* productivity rates resulting from reduced working hours are unlikely to compensate for the loss of flexibility in meeting unanticipated customer orders (Barrientos and Smith, 2006; Hurst et al., 2005). Nevertheless, recent evidence from global supply chain labor initiatives suggests that working hours interventions that tackle the key *internal* drivers of excessive overtime (i.e., management inefficiencies) can generate significant commercial benefits even in conditions of high seasonality and unpredictability of demand (Hurst et al., 2005; Hurst, 2013). For example, one such project with Chinese garment factories achieved a 13 percent reduction in peak season monthly overtime whilst also generating substantial quality and productivity improvements, with all factories achieving a reduction in rework rates of at least 25 percent (Hurst et al., 2005).

SOCIAL PROTECTION

Evidence regarding the *macro-economic impacts* of social protection measures tends to be mixed and somewhat inconclusive; however, several recent studies indicate that impacts tend to be neutral (ILO, 2001) or even tend towards a net positive (albeit small) impact (Barrientos and Scott, 2008; Mathers and Slater, 2014). The recent literature highlights that whilst state-supported social protection measures can clearly generate economic costs (e.g., reduced labor force participation rates, reduced savings resulting from higher taxation), they also create a range of both direct and indirect macro-economic benefits that tend to balance out or even outweigh the costs. Such benefits include: cumulative increases in household productivity (resulting from improved retention and accumulation of productive assets); stimulation of aggregate demand; and enhanced human capital (resulting from improved health status of beneficiaries and their ability to improve or maintain children's access to education) (Mathers and Slater, 2014; Barrientos and Scott, 2008; DfID, 2006; ILO, 2001).

There is limited evidence on the *enterprise-level economic impacts* of employer-based social insurance schemes. However, one significant study shows that whilst an increase in employer social security contributions (unsurprisingly) increases overall labor costs at the firm-level in the short run, the longer-term impact on labor costs in fact tends to be neutral, since wages levels usually adjust over time to compensate for the higher non-wage costs. Thus, a comparison of 29 OECD countries shows that there is no correlation between higher employer social security contributions and higher overall labor costs (ILO, 2001). Nevertheless in most developing countries, social insurance regulations are poorly enforced and non-payment of employer contributions is therefore the norm. In this context, the short-term costs of unilaterally meeting social security contributions can be substantial for any individual employer, since it places them at a cost disadvantage compared to their competitors (Chan, 2013, Forthcoming). Creating a level playing field is therefore important to incentivize employers.

OCCUPATIONAL HEALTH AND SAFETY

The negative impact of poor OHS practices on *macro-economic growth* is estimated to be significant[39]. For example, the ILO estimates that more than 4 percent of the world's annual GDP is lost as a consequence of occupational accidents and diseases; this figure is likely to be substantially higher in many developing countries due

[39] E.g., http://www.ilo.org/global/topics/safety-and-health-at-work/lang--en/index.htm and (European Agency for Safety and Health at Work, 2007)

to the greater OHS risks involved[40]. The agricultural sector alone is likely to account for a substantial proportion of this loss in GDP, since it is one of the three most hazardous sectors globally and accounts for over half of fatal workplace accidents worldwide[41]. This implies that improvements in OHS practices in the agricultural sector have the potential to generate significant macro-economic gains in developing regions.

As for *micro-level effects*, there is a substantial body of evidence that confirms a link between good OHS provision and positive outcomes at the individual enterprise level (Croucher et al., 2013; Better Work, 2012; ESD, 2007). For example, the provision of on-site health services for workers in a medium-sized garment factory in Bangladesh led to a 43 percent fall in staff turnover and 18 percent reduction in absenteeism in the first 18 months, with resultant productivity gains leading to a 3:1 return on investment during this period (ESD, 2007). (Croucher et al., 2013) note however that the link between OHS practice and enterprise performance is "highly context-dependent".

JOB SECURITY

Evidence indicates that government-mandated measures to increase job security tend to have a *negative macro-economic impact* in developing countries where low-skilled, labor-intensive production predominates. In particular, such measures have been found to slow employment growth as employers become more reluctant to create new jobs (Marshall and Van Adams, n.d.; Fallon and Lucas, 1991). However, as production moves towards more high tech industries requiring higher skill levels, the relationship between job security and growth becomes more positive (Marshall and Van Adams, n.d.).

Similarly, evidence suggests that increased job security is largely incompatible with improved commercial performance at the *enterprise* level, although a positive relationship tends to be experienced for more highly-skilled and senior workers. This is evidenced in the increasingly segmented workforces found in export garment factories and food packing and processing units. Factories now commonly have two-tier workforces, with a small number of workers employed on a permanent basis with relatively high job security (usually senior staff and/or more highly skilled workers involved in critical production stages such as quality control), but where the majority of workers are employed on a highly casual and flexible basis with virtually no job security at all. Employing the majority of the workforce on a highly flexible and insecure basis is seen by firms as the only way to respond to increasing unpredictability and seasonality of orders, short lead teams and other commercial pressures from international buyers. However, maintaining a small permanent workforce is also important to meet buyers' stringent quality standards (Barrientos et al., 2011; Barrientos and Visser, 2012; Rossi, 2011).

FACB RIGHTS

Overall, evidence indicates that stronger FACB rights are associated with stronger economic performance *at the national (macro) level* (Kucera and Sarna, 2006; Kucera, 2002; Newitt and Gibbons, 2011). For example, two large-scale statistical studies found that countries with stronger FACB rights generally receive greater FDI[42] inflows (Kucera, 2002) and have higher total manufacturing exports (Kucera and Sarna, 2006). Whilst stronger FACB rights typically lead to higher labor costs, these costs are on average outweighed by a range of

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[40] http://www.ilo.org/global/topics/safety-and-health-at-work/lang--en/index.htm

[41] http://www.ilo.org/global/industries-and-sectors/agriculture-plantations-other-rural-sectors/lang--en/index.htm

[42] Whilst it is recognised that FDI is by no means the only measure of macro-economic growth, it is nevertheless an important growth indicator and also speaks directly to a common focus of concern—i.e., that strengthening labor rights discourages exports and/or overseas investors.

benefits, including more effective dispute resolution and reduced conflict, higher quality skills development/training, and more effective change management (Newitt and Gibbons, 2011; Kucera, 2002). However, the evidence also suggests that the relationship can vary significantly between industries; thus, despite finding a positive relationship in other industries, (Kucera, 2002) found no robust relationship between FACB rights and exports in labor-intensive manufacturing industries.

Regarding impacts of strengthened FACB rights at the *micro (enterprise) level*, one stock-take of secondary evidence finds that unions have a positive impact on worker retention, but on average unions have little impact on overall productivity or growth at the enterprise level (either positive or negative). However the study also found that unionization can lead to positive overall commercial outcomes in specific circumstances, in particular where union activity is of "high quality" (Aidt and Tzannatos, 2002). This latter observation is supported by a substantial number of enterprise-level case studies, including several in the food and agriculture sector. These case studies provide evidence of improved worker organization and/or collective bargaining leading to various positive commercial outcomes, including: a drastic decline in strikes and stoppages, with resultant productivity gains; more cost-effective disciplinary measures; and improved worker-management communication—which other studies have found to be crucial for maximizing productivity improvements (ETI, 2005a; Newitt and Gibbons, 2011).

GENDER DISCRIMINATION

There is substantial evidence that reducing gender discrimination in the workplace is strongly correlated with *macro-economic* growth. For example, national female labor force participation rates are found to be positively correlated to GDP per capita (Pelligrino et al., 2011; Kabeer and Natali, 2013), and a narrowing of the gender wage gap has variously been found to contribute to higher GDP and macro-economic growth (Cassells et al., 2009; Kabeer and Natali, 2013; Schober and Winter-Ebmer, 2009) and increased productivity in the manufacturing sector (Wolszczak-Derlacz, 2013). Reducing gender wage inequality boosts macro-economic performance in a number of ways, including: increasing productivity through more optimal allocation of labor; and increasing female labor force participation and increasing hours of work performed by women (due to higher wages creating a larger incentive for women to work) (Kabeer and Natali, 2013; Cassells et al., 2009).

There is also considerable evidence that reducing gender discrimination generates considerable commercial benefits at the *enterprise level*. For example, there is substantial evidence that a higher number of women in management and leadership positions is positively correlated with a firm's financial performance (Oxfam International, 2012; Catalyst, 2004; Adams and Ferreira, 2004); and a recent study of garment factories in Haiti, Jordan, Vietnam and Nicaragua found that the incidence of *sexual harassment* is negatively correlated with firm profitability (Lin et al., 2014). The ways in which improved gender equality in the workplace has been found to improve commercial performance include: the ability to attract better staff, a reduction in staff turnover, increased productivity, improved worker morale, reduced absenteeism, increased return on investment in staff training and career development, enhanced reputation, and increased innovation (Newitt et al., 2013; Oxfam International, 2012; Pelligrino et al., 2011).

THE JOB QUALITY–COMPETITIVENESS RELATIONSHIP ON SMALLHOLDER FARMS

As already noted, most *enterprise-level* evidence on the relationship between job quality and competitiveness relates to medium- and large-scale enterprises; but how relevant are these findings for smallholder farms? Unfortunately, no direct evidence could be found on the relationship between improved working conditions and competitiveness in the context of smallholder farms. However, a number of studies highlight specific

characteristics of smallholder employers that distinguish them from larger employers; these provide some indication of how the job quality−competitiveness relationship might differ on smallholder farms. In particular:

- *Narrow profit margins and limited use of agricultural inputs* (NRI, 2003; ETI, 2005b) means that the cost of waged labor is likely to comprise a higher share of overall production costs than on larger farms. As a result, smallholder employers can typically only afford to pay lower wages than those found on commercial farms, and even small increases in wage rates or other on-going labor costs (e.g., employer social security contributions) can erode their profit margins (Shtaltovna and Hornridge, 2014).
- *Weak access to financial capital* (minimal savings and limited access to credit due to low collateral) make it difficult for smallholder employers to invest in labor improvements that entail even relatively small up-front investment costs, even if they would be able to reap net benefits from that investment in the medium term. For example, this means that investments in even basic OHS facilities (e.g., provision of clean drinking water) and basic skills training can be prohibitive (ETI, 2005b; NRET, 2001).
- *A strong reliance on family labor* (Chan, 2010; UTZ CERTIFIED and Solidaridad-Certification Support Network, 2009; ITC, 2011) means that smallholder employers may be able to substitute waged labor with family labor if wage costs go up, and short-medium terms costs of reducing child labor may be substantially higher where family labor includes child labor (see section V.B).
- *The small size and highly transient and seasonal nature of the workforce* is likely to mean that some of the commercial benefits of job quality improvements experienced by larger firms may be less significant on smallholder farms (e.g., change management and conflict resolution gains from stronger FACB rights, worker retention benefits from reducing gender discrimination).

B. KEY VARIABLES THAT INFLUENCE THE RELATIONSHIP BETWEEN WORKING CONDITIONS AND ECONOMIC PERFORMANCE

Section VI.A clearly highlights the context-specific nature of the relationship between labor conditions and growth and competitiveness, indicating that improvements in any given labor condition can have opposite impacts on growth and competitiveness depending on the circumstances under which these interventions take place. Section VI.B therefore briefly discusses two of the key variables found to influence this relationship: that is, value chain characteristics and the nature of labor interventions[43].

VALUE CHAIN CHARACTERISTICS

The evidence shows that the relationship between working conditions and growth and competitiveness varies substantially between different *industries*, *market segments* and *production stages*. In general, *industries* associated with a higher-skilled labor force and where product quality is important tend to experience a more positive relationship between working conditions and economic growth and performance. In contrast, labor-intensive industries mainly employing low-skilled workers are less likely to experience a positive relationship (Barrientos et al., 2011). Furthermore, within any one industry this relationship can vary depending on the *market segment*

[43] The evidence also suggests that enterprise-level characteristics – in particular *the size of the firm* – has a strong influence on the relationship between any given labour condition and growth. The main factors that explain why large and small firms experience this relationship differently are already addressed in VI.A (sub-section "The relationship between improved job quality and competitiveness on smallholder farms") and is therefore not further discussed in VI.B.

involved. Factories and farms producing for high-end markets (where product quality is paramount) are more likely to reap commercial gains from improving working conditions, whereas those choosing to produce for the lower end of the market (where price is paramount) are likely to find it more worthwhile to keep labor costs as low as possible (Barrientos et al., 2011; Bernhardt and Milberg, 2011; Janson and Lee, 2007; Barrientos and Smith, 2006).

Finally, the evidence also indicates that for any given product, the relationship between improved working conditions and enterprise-level competitiveness depends significantly on the *production stage* involved. This is evident in the increasing segmentation of workforces in food and garment export supply chains, as previously explained in relation to job security. The "two tiers" of these workforces experience not only differences in job security but also substantial differences in wages and other working conditions (Barrientos et al., 2011; Barrientos and Visser, 2012).

NATURE OF LABOR INTERVENTIONS

Evidence indicates that the nature of labor interventions is crucial in determining whether and to what extent improvements in working conditions lead to improved commercial performance at the firm level. The quality of interventions and the extent to which they respond to context-specific characteristics are clearly important (Croucher et al., 2013; Aidt and Tzannatos, 2002). A number of studies also point to the fact that interventions which address *multiple working conditions* are more likely to yield benefits both for workers and for the enterprise (Croucher et al., 2013; Better Work, 2012; Hurst et al., 2005). One reason for this is that different working conditions are often inter-connected with each other and with key determinants of overall commercial performance. The strong interdependence of working hours, wages and productivity is a good example, and as previously discussed, interventions that have aimed to jointly tackle wages and working hours have also been successful at generating significant commercial gains at the firm level. Secondly, addressing several working conditions together may help balance out the negative commercial impacts of costly improvements in individual labor conditions (e.g., child labor interventions). Moreover, the benefits derived from related labor interventions may be mutually reinforcing, and hence yield greater overall benefit if tackled together—such as providing training on a range of complementary skill areas (Croucher et al., 2013).

Finally, available evidence also suggests that labor interventions which *effectively tackle underlying management inefficiencies* are most likely to yield commercial gains, particularly in the case of addressing labor conditions that are strongly linked to firm output and productivity (e.g., wage/piece rates and working hours). Whilst inferior working conditions may in some cases be compatible with optimal production efficiency and profitability (see above), evidence from export supply chains suggests that poor labor conditions are often associated with low productivity and quality, which in turn are symptoms of ineffective production management, weak human resource systems and/or poor management-worker communication (Better Work, 2012; Hurst et al., 2005; Burns, 2014). In these situations, programs that aim to improve working conditions in isolation are likely to hurt the bottom line; whereas interventions that effectively address underlying management inefficiencies have a strong potential to yield both commercial and labor gains.

CONCLUSIONS AND PROGRAMMATIC IMPLICATIONS

Overall, the evidence challenges the conventional wisdom that there is an automatic trade-off between improved working conditions and increased growth and competitiveness. Whilst most job quality improvements are of course likely to incur costs, the evidence shows that, under the right circumstances, *improvements in nearly all aspects of job quality also generate significant economic or commercial benefits*. For most labor conditions, these benefits appear on average to either balance out or even outweigh the costs.

However, the direction, scale and modalities of impact on growth and competitiveness were found to depend strongly both on the particular labor condition in question, and also on the level where impact is measured (i.e., whether at the macro level or at the level of an individual enterprise) (see table 4 above). For any given labor condition, impacts were found to further depend on a number of variables. In particular, *value chain or industry characteristics* were found to be influential, with a positive relationship between job quality and growth and competitiveness more likely to be found in value chains where product quality is important and/or where higher levels of skills are required. The *nature and quality of labor interventions* were also found to have a strong influence on growth and competiveness outcomes. In general, integrated interventions that addressed linkages between different labor conditions and tackled root causes of poor performance were found to be most effective, particularly when tackling wages and working hours.

There is limited evidence on the relationship between job quality and profitability *on smallholder farms*. Nevertheless, relevant literature indicates that this relationship is likely to differ significantly from that found on larger-scale farms and enterprises. The literature highlights a number of distinguishing characteristics of smallholder farms (e.g., limited access to financial capital) that are likely to make the balance of costs of benefits from improving labor conditions to be different from that experienced on larger farms.

The programmatic implications of these findings are as follows:

- With the possible exception of wages and job security, advocating for macro-level improvements in working conditions is unlikely to conflict with core programmatic aims of improving agricultural growth and competitiveness. Indeed, such labor improvements could positively support growth and competitiveness goals in many cases.

- Value chains and market segments that tend to experience a positive relationship between job quality and competitiveness (e.g., value chains where product quality is important) should be promoted wherever possible.

- Interventions to improve labor conditions in *medium- and large-scale enterprises* have a considerable potential to generate improvements in enterprise performance and profitability, although this is unlikely in the case of child labor, employer-based social insurance and job security measures. Moreover, achieving net commercial benefits may not be possible in some value chain contexts, in which case some form of subsidization may need to be considered.

- Interventions to improve labor conditions on *smallholder farms* must take into account their particular constraints and characteristics that distinguish them from larger, more formal enterprises. In particular, external financial support is likely to be needed where initial investment costs are significant, for example improvements in OHS facilities and training. A good starting point might be to provide types of support that both waged workers and their smallholder employers can benefit from, for example training in basic OHS practices and facilitating access to state-funded social protection schemes to which both groups are eligible.

VII. CONCLUSION: IMPLICATIONS FOR PROGRAMMERS AND IMPLEMENTERS

This report provides a comprehensive overview of the current state of knowledge on the role of wage labor in agriculture-based economies and for pathways out of poverty. It is based on an extensive review of the available academic and institutional literature, covering both theoretical discussions as well as quantitative and qualitative empirical evidence.

The dominant and most important finding of this stocktaking report can be summarized in one sentence: ***Particularly for the poorest households and individuals, successful pathways out of poverty typically are closely linked to and often depend on wage labor***.

In its most basic form, this overall statement holds true regardless of the continent, the sector, or the relative level of economic development in which the pathway in question is unfolding. As a result, any effort towards furthering poverty reduction, particularly in rural areas, must not ignore wage labor in its conceptual and practical approach, or else it risks failing to effectively support the poorest members of society.

Although true on a highly aggregate level, the above statement nevertheless hides the considerable nuance and context-specific nature of labor markets in agriculture-based economies, and the substantial extent of differentiation among rural households, which in turn has profound implications for the effectiveness of specific interventions in any given context. The preceding chapters have attempted to dissect some of this differentiation and nuance, in order to support programmers and implementers in identifying the labor-aware interventions and support mechanisms.

The report's main sections were structured to first provide an overview of the available evidence and quality of statistics on rural labor markets (section III), and subsequently to create an overarching understanding of the current knowledge of the forms of employment that are of particular importance for rural poor households, both in general terms, but particularly in the context of ongoing processes of structural transformations (section IV). These two sections in many ways provide the conceptual and empirical underpinnings, which allow a discussion of how wage labor, and labor market improvements, concretely contribute to pathways out of poverty, and which characteristics and constraints are particularly important in order to give rise to sustained escapes from poverty (section V). Finally, we analyzed the available literature and evidence to create an understanding of whether there might be a trade-off, as is often assumed, between improvements in various labor conditions and economic performance and competitiveness (section VI).

The most important findings and resulting recommendations for program design and implementation which have emanated from this rich discussion are summarized below.

A. SUMMARY OF THE MAIN FINDINGS

WAGE LABOR IS THE MOST IMPORTANT FORM OF EMPLOYMENT FOR THE RURAL POOR

Although regional diversity and maintaining context-specific perspective is of fundamental importance, a general trend is discernible: Rural wage labor, typically low-paid manual labor in agriculture and beyond, is the most important form of employment for the poorest households, both for bare economic survival and as pathways out of poverty. Although the quality of data is a major caveat (see next paragraph), this general finding is confirmed across geographic regions and both on the basis of national statistics and more nuanced case study evidence. It is important to note that rural communities are heavily differentiated and pathways out of poverty are often characterized by three important elements (addressing extreme poverty, stopping (re)impoverishment, and sustained escapes from poverty), and wage labor has important roles to play in all of these.

WAGE LABOR IS SYSTEMATICALLY UNDERESTIMATED IN MOST NATIONAL STATISTICS, PARTICULARLY IN RURAL AREAS AND SSA

One of the most fundamental issues highlighted in this report is the extent to which engagement in wage labor, particularly in rural areas and sub-Saharan Africa, is heavily underestimated by most national statistics and databases. These statistics are derived from large-scale data collection exercises, such as the ILO's Labor Force Surveys, or the LSMS household surveys among others. Many of these however are known to be very irregular, often not standardized, and typically are ill-designed to capture the intricacies and true extent of rural labor relations. For this reason, they consistently yield a much lower participation in wage labor, compared to specialized labor market surveys and case studies. Section III provides numerous examples for these discrepancies, together with a range of common sources for such inaccuracies. It is indispensable that rural development economists, programmers and practitioners are made aware of these systematic shortcomings in widely used statistics, in order to be able to devise solutions that are in touch with socio-economic realities on the ground.

AS DEVELOPMENT AND STRUCTURAL TRANSFORMATION UNFOLDS, WAGE LABOR BECOMES MORE IMPORTANT, NOT LESS SO

This is supported both by economic theory and empirical evidence. Although fierce debates are held over how this process is best promoted, there is general agreement that the proportion of wage workers among the labor force in a country is strongly correlated with wealth. In turn, agricultural employment and in particular self-employed activities across sectors reduce as transformation proceeds and labor productivity increases. Accumulation (and employment creation) based on agriculture and non-farm businesses are mostly reserved to already better-off households, and generally such paths are likely to become less and less viable as pathways out of poverty. Furthermore, internal and international migration, both rural-to-urban and rural-to-rural, can create important pathways out of poverty that should be promoted.

EVEN RELATIVELY "BAD" JOBS ARE IMPORTANT AS COPING STRATEGIES AGAINST EXTREME POVERTY

Wage labor generally can serve two (sometimes overlapping) basic functions for most poor people, as they can constitute both coping strategies and pathways out of poverty. In relation to the poverty status of the worker, the quality and quantity of work can make the difference between these two basic functions. Relatively low-quality employment can have a positive impact on poverty status for the most disadvantaged groups of workers. Such work would rarely conform to what is typically called "formal" or "decent work",

which in its majority is unachievable for the poor. Where a person is currently situated along the poverty continuum (tackling extreme poverty, fighting impoverishment, sustaining escapes from poverty) greatly affects the type of labor-based improvements that will be most helpful in improving his or her situation. Although higher wages generally are important, they do not always reflect the most urgent needs of the poor, and in many cases their highest priority is more work as well as a better seasonal distribution of income-generating activities. It is important to note that these relations are likely to vary across different country contexts, very much depending on the relative status of development and structural transformation in a given economy.

LABOR-RELATED IMPROVEMENTS HAVE DIFFERING IMPACTS DEPENDING ON THE POVERTY SITUATION OF THE INDIVIDUAL OR HOUSEHOLD

In particular, an overall increase in the quantity of work (for all adult household members), a reduction in seasonal variation, an increase of wages, piece or task rates, as well as better access to social protection systems have particularly positive impacts for all workers, regardless of their poverty status. In addition to these fundamental improvements—specifically to address most extreme poverty—forced labor, the worst of child labor and any work that directly harms workers must be eliminated, and improvements in basic technical skills can have a positive impact. To stop (re)impoverishment, OHS risks must also be reduced and jobs have to be more secure and predictable. Finally, to promote sustained escapes out of poverty, OHS risks should be further reduced, technical skills should be promoted further, excessive working hours should be reduced (whilst maintaining overall income levels), and child labor should be reduced or ideally eliminated.

IMPROVING WOMEN'S ACCESS TO WAGE WORK AND THEIR CONTROL OVER INCOME CAN HAVE SUBSTANTIAL POSITIVE EFFECTS ON POVERTY REDUCTION

Women face a range of important constraints in accessing jobs, and as a result, on average they have substantially poorer access to better jobs as compared to men. Widespread issues such as (a) men's control over the means of production, (b) women's disproportionate share of reproductive/care responsibilities, (c) gender stereotyping, (d) lower female educational attainment levels, and (e) socio-religious restrictions constitute common barriers for many women to gainfully participate in labor markets. There is abundant evidence that these constraints result in (rural) women having considerably greater difficulty than men in securing better jobs, and women's average earnings are almost always lower than men's. Furthermore, improving women's access to better jobs may not be enough, as they often lack full control over their earnings due to men's control over household income. Increasing women's decision-making power within the household is therefore important, not least due to evidence that rises in female income tend to lead to increased spending on better nutrition and education for children.

IMPROVING WORKING CONDITIONS AND RAISING WAGES DOES NOT AUTOMATICALLY HAMPER ECONOMIC PERFORMANCE

To the contrary, if implemented carefully, there is evidence that improvement of working conditions may enhance competitiveness, productivity, quality of output, and ultimately the profitability of firms. This finding however is not universal. The relationship between labor conditions and growth and competitiveness is highly context-specific, and concrete outcomes particularly depend on the type of labor interventions as well as the targeted value chains, industries and enterprises in question. Some evidence points to the fact that interventions which address multiple working conditions, but also which tackle underlying management inefficiencies, are more likely to yield benefits both for workers and for the enterprise. In particular, efforts to increase wages are best made in conjunction with efforts to improve farm/enterprise productivity as a whole. Linking

better working conditions with profitability is a particular challenge in the context of smaller farms and enterprises, given their lack of economics of scale to shoulder necessary investments in improved conditions, lower profit margins, limited access to financial capital, low education levels, poor access to information and knowledge, and a small and transient labor force.

THE TYPE OF INDUSTRY AND VALUE CHAIN HAS WIDE-RANGING IMPLICATIONS FOR THE POTENTIAL OF LABOR-DRIVEN POVERTY REDUCTION

Particularly to support sustained escapes from poverty (i.e., the 'final' element of pathways out of poverty), it is crucial to carefully select industries and sectors not only for their competitiveness and growth potential, but to target those that are employment-intensive, have a high reliance on wage labor inputs and create jobs accessible to the poor, including vulnerable groups such as women, youth and migrant workers. Furthermore, sectors where quality of output is important, that supply higher-end markets and where larger firms operate should be targeted for support and promotion, as they tend, on average, to offer better working conditions. However, it is important to note that these characteristics do not offer a guarantee for good practices, and it is important to note that scale and product quality certainly are not the only determinants for good labor conditions. Furthermore, programmers and policy makers should always be mindful of who will be able to access the jobs in question, and especially whether poor people will benefit from such employment. To reach the breadth of the poverty continuum is likely to require targeting a mix of value chains so that people at all ends of the poverty scale can benefit. To achieve this, careful attention to context, but also sound regulatory mechanisms, incentives or monitoring to protect workers against unethical employers (on all scales) are essential.

B. SOME RESULTING PRACTICAL RECOMMENDATIONS FOR PROGRAMMERS AND IMPLEMENTERS

These findings lend themselves to a number of practical steps for programmers and implementers, as well as policy makers, to improve rural development and agricultural market systems programs and approaches. The authors have put forward this initial list for program designers and practitioners, as a basis of further refinement and development by the LEO project and similar initiatives.

ACTIVELY INCLUDE (AND, WHERE APPROPRIATE, FOCUS ON) WAGE WORKERS AS A KEY BENEFICIARY GROUP

The majority of rural development initiatives take primary agricultural production – particularly by smallholder farmers – and micro-entrepreneurship as their prime angles of intervention. Such targeting is likely to miss those who are in most immediate need of support: the countless land- and asset-less people in rural areas, but also marginal and disadvantaged farmers who depend on wage incomes for survival and accumulation and for whom self-employment simply is not a viable pathway out of poverty. Consequently, goals such as increased poverty reduction, resilience, or food security should not just be a question of primary production and supply-side constraints, but also of incomes and jobs.

It is important that programmers pay close attention to the different categories of employment (as defined in section IV.A)—particularly the distinction between wage, self, and unpaid employment—in order to identify what type of employment characterizes the poorest in a given context and how they can be targeted. For this, crude categories like farm/non-farm, formal/informal, etc., are usually unhelpful. Instead, the first level of distinctions should be between wage and self-employment, with occupational, spatial and socio-economic categories entering the analysis in subsequent phases. Furthermore, it is important to be aware of significant

overlap in most categories (e.g., marginal farming households who rely heavily on income from wage labor), and the typical pronounced socio-economic differentiation of most rural communities.

BE AWARE OF SYSTEMATIC UNDERREPORTING OF WAGE LABOR IN MOST STATISTICS, AND BROADEN PROGRAMS TO INCLUDE ANALYTICAL WORK TO CAPTURE WAGE LABOR

One of the most far-reaching results of this report is the low quality of labor market data, particularly for rural areas and in SSA. This has profound implications for policy makers, program designers and practitioners on the ground, who need accurate information of the socio-economics realities underpinning their work. For this reason, the international donor community both has an incentive and a need to improve statistics and information on employment in rural areas.

An important starting point for this can be improved program design. In order to devise meaningful and effective solutions for poverty reduction, a shift is needed in the conceptual approach of most programs and projects. Rather than relying on rigid assumptions and prescribing pre-defined solutions and interventions in remotely-drafted program documents, it will be important to create cycles of evidence collection, context-specific intervention design and implementation, with recurring phases of program scrutiny and revision to ensure adequate impact on employment and labor-based poverty reduction. For this, programs should allow for data collection and analytical components that are needed to inform the subsequent finalization of interventions. One way towards this end will be to accept greater reliance on qualitative and case study evidence, as well as to make conscious efforts towards improving labor market survey designs and data collection methods. Furthermore, where possible, international development organizations should support national governments in enhancing their capacity to collect accurate rural labor market data. Finally, it is important that collected data is handled transparently and made available to key internal and external users. Most importantly, specific efforts should be made to raise awareness among development programmers of the pitfalls that surround conventional labor market statistics, and to propose alternative solutions and forms of data (if available). See annex 2 for more detail.

FOCUS ON INITIATIVES THAT INCREASE QUANTITY OF WORK AND HAVE A TIGHTENING EFFECT ON LABOR MARKETS

A major obstacle for poor people to find labor-based pathways out of poverty is the reality that in most rural areas labor supply greatly outstrips labor demand. Due to the importance of sufficient work, particularly for the poorest households, it is crucial to focus on interventions that have the potential to increase or improve the quantity and seasonal distribution of work available to individual workers. This is particular important in agriculture, where labor demand often is highly seasonal, leading to labor shortages during short periods, but long spells of un- or underemployment throughout most of the year. Increasing and smoothening labor demand over the year, e.g., by increasing number of harvests by reducing dependence on rain-fed agriculture, commercializing agricultural production to increase reliance on wage labor beyond individual seasons, or introducing non-agricultural industries and employment may be important mechanisms.

More generally, any policy or intervention that can tighten the labor market—that is, which reduces the gap between supply and demand—is to be welcomed. Such efforts can be direct labor market policies, but also initiatives such as reducing child labor and increasing school attendance, in order to force employers (and household heads) to replace working children with (ideally, paid) adult workers. Alternatively, the promotion or introduction of particular labor-intensive value-added production techniques can drive up both productivity and demand for labor. In a similar vein, measures which reduce birth rates such as lengthening years of

schooling, delaying the age of marriage (particularly for women) as well as family planning services may be effective measures. Furthermore, social protection measure can both create jobs (in the care service sector), and withdraw some groups partly or wholly from the labor market, such as disabled or elderly people.

Also, migration, if carefully managed and accompanied by suitable protective measures, can have an important function in this regard, as it tends to reduce labor supply in structurally disadvantaged areas, and shift surplus labor to more productive areas. However, in order to curtail excessive urbanization, it is important to support wage-labor reliant production in agriculture (on dynamic medium to large farms), and promote employment in secondary and tertiary towns.

CHOOSE SECTORS, VALUE CHAINS, AND TYPE OF ENTERPRISES WITH LARGE WAGE EMPLOYMENT POTENTIAL AND IMPACTS

Not all value chains, sectors or types of enterprises are equally suitable for the promotion of labor-based pathways out of poverty. For this reason, a careful selection of the right target areas, sectors and value chains is paramount, and the potential for labor-intensive production and positive employment impacts should therefore be a guiding principle for the selection process. In particular, labor-intensive sectors, both within agriculture (e.g., horticulture and many export crop sectors) and in (rural) manufacturing and agro-processing, which create a large number of manual jobs that are accessible for the poor, should to be favored. The right opportunities in a given context depend heavily on agro-ecological conditions and comparative advantage (which, it is important to note, is not static and can be created through targeted interventions, as demonstrated, for instance, by the successful promotion of competitive floricultural production by the Ethiopian government). Where possible, linkages between the agricultural sector and growing urban economies should be exploited, such as those found in the livestock sector, for example (i.e., exploiting and catering for the growing urban demand for animal proteins, coupled with the potential of labor-intensive value-added sectors, such as hide/leather/skin processing).

Also the type of enterprise that dominates a particular sector plays an important role. Large-scale employers are typically in a better position to offer improved working conditions and higher wages. Furthermore, as described in the following paragraph, any sector in which product quality is important, tends to have greater potential for offering better conditions to its workers.

CONTRIBUTE TO IMPROVING QUALITY OF WORK

Most jobs that are accessible to the poor do not offer agreeable working conditions and development programs can contribute greatly to improving them. Most fundamentally, the worst forms of employment, including forced labor, the worst forms of child labor, and work that directly harms workers, should be eradicated wherever possible. Other important areas for interventions are the reduction of health and safety risks, and general improvements in work-related social protection coverage (e.g., maternity benefits, severance pay, company pensions and health insurance schemes).

Often, the greatest potential lies in sectors where product quality is important, or that target high-end market segments, where better working conditions also lead to higher productivity in order to create win-win situations. Also, those sectors which tend to be dominated by larger employers who can shoulder the fixed costs of investing in better working conditions can have great potential to create more and better jobs. This may be quite context-specific, so in many cases labor interventions should be preceded by a needs assessment which includes identifying "quick wins" that are non-contentious for employers but also deliver significant improvements for workers.

Especially in order to address extreme poverty, it is important that the focus does not only lie on "decent" jobs as strictly defined by ILS, for these jobs are likely to be unachievable for most of the poor. Instead, sectors should be picked with "better" manual jobs that are accessible for the rural poor. Typically these could be in export sectors, larger-scale farming, or labor-intensive smallholder farming such as horticulture. Furthermore, where informal agricultural workers are covered by relevant labor legislation, project interventions should consider facilitating poor rural workers' access to relevant state social security schemes and/or advocating for wider enforcement of these for poor rural workers. Where project interventions involve developing value chains, emphasis should be given to those products, chains and segments that are likely to generate a large number of (relatively) safe jobs that are accessible to the rural poor—including, in particular, to poor rural women. Interventions should also prioritize reducing the health and safety risks associated with waged work (in particular those risks which threaten the long-term ability of individuals to work), increasing wage and piece rate levels and improving workers' access to social protection (both formal and informal).

SPECIFIC EFFORTS FOCUSED ON WOMEN AS WELL AS ON MIGRANT WORKERS ARE NEEDED

These include facilitating and supporting poor women's access to waged work, and awareness-raising and sensitization efforts to encourage more equal sharing of household chores, incomes and decision making within households. A particular emphasis should be placed on female-headed households, and the situation of single, divorced, or widowed women, who may have systematic barriers to accessing employment opportunities, but at the same time, an even greater need for wage income due to often limited ownership of productive assets. For this reason, a specific focus on sectors that display particular demand for female workers may have large effects on poverty reduction (e.g., horticulture, floriculture, small ruminants, garment sector). Furthermore, the provision of childcare and access to schooling is important to allow mothers (especially single mothers) to go to work and secure sufficient income to provide for the family without threatening their children's well-being and development.

Because migration frequently offers pathways out of poverty, targeted efforts for migrant workers (both internal rural-to-rural and cross-border migrants) should also be considered. These should include efforts to eliminate the worst labor abuses (e.g., forced labor, harsh treatment) on farms and enterprises that employ migrant workers. Insofar as outmigration is a potential poverty escape option for target beneficiaries and their households, project interventions could also look at supporting potential out-migrants to find better jobs and educating them about basic worker rights and how to access support networks should they face abuse in their host communities.

THERE IS LESS OF A TRADE-OFF BETWEEN IMPROVED LABOR CONDITIONS AND ECONOMIC GROWTH AND COMPETITIVENESS, THAN COMMONLY ASSUMED

Overall, the evidence challenges the conventional wisdom that there is an automatic trade-off between improved working conditions and increased growth or competitiveness. Whilst most job quality improvements are of course likely to incur costs, the evidence shows that, under the right circumstances, improvements in nearly all aspects of job quality also generate significant economic or commercial benefits. However, the direction, scale and modalities of impact on growth and competitiveness depend strongly both on the particular labor condition in question, and also on whether impact is measured at the macro level or at the level of an individual enterprise.

For most labor conditions, these benefits appear on average to either balance out or even outweigh the costs. Many good practice case studies at the individual enterprise level highlight that improvements in working

conditions can indeed be achieved alongside improving commercial performance. However, care needs to be taken as to how labor interventions are designed and implemented, since the nature of interventions is shown to significantly influence commercial outcomes. In particular, improvements in wages should be addressed in combination with efforts to improve productivity, on which higher wages generally should be based. This is especially important for farms and enterprises that rely on hired labor inputs. An important starting point for this are those value chains where the positive relationship between improved labor conditions and competitiveness is strongest. This strong relationship is more likely to be found in value chains where product quality is important. Close collaboration with employer and industry associations, but also targeted value chain and industry assessments can be important mechanisms to identify such opportunities. The *nature and quality of labor interventions* also have a strong influence on growth and competiveness outcomes. In general, integrated interventions that addressed linkages between different labor conditions and tackled root causes of poor performance were found to be most effective, particularly when tackling wages and working hours.

Interventions to improve labor conditions in *medium- to large-scale enterprises* have a considerable potential to generate improvements in enterprise performance and profitability. But there is limited evidence on the relationship between job quality and profitability *on smallholder farms*. The relevant literature indicates that this relationship is likely to differ significantly from that found on larger-scale farms and enterprises. For programs operating in contexts that are chiefly occupied by small-scale farmers or enterprises, due to their limited scope for improved working conditions, it will be important to directly link interventions that target better working conditions with those that create enhanced levels of productivity, profitability and accumulation.

C. TOWARDS A NEW WAY FORWARD

The literature and evidence reviewed for this report points towards the emergence of a new consensus: the promotion of wage labor is of crucial importance for rural poverty reduction. This is echoed by the academic literature, qualitative case study evidence and quantitative panel data (despite the mentioned caveats of data quality), and also institutional flagship reports such as the recent WDR 2013 on jobs and the WDR 2008 on agriculture: "*Making the rural labor market a more effective pathway out of poverty is […] a major challenge that remains poorly understood and sorely neglected in policy making*" (World Bank, 2007a, p. 202).

This new consensus signifies a marked departure from long-standing approaches that tend to focus on primary production, supply-side constraints and—perhaps most importantly—farmers as the main beneficiaries. In this regard, it is important to highlight that an enhanced attention and support to wage labor does not mean that the international development community should abandon smallholder farmers, for many of these farmers already derive the mainstay of their income from casual and insecure wage labor. Nor does it question the importance of agriculture in the process of development, for a large share of the type of wage work that is accessible to the poor will most likely be found in agriculture for the foreseeable future.

However, the new focus on wage labor does imply that we can no longer assume that pathways out of poverty will be most successful through the vehicle of small-scale self-employment, either as farmers or as micro-entrepreneurs. Historical experience shows us that this is not the case, and a mass eradication of poverty has always been achieved through mass (wage) employment. It is in this sense that a shift in focus is urgently needed.

The present report attempts to provide a summarized literature and evidence base for this urgently needed shift, and more importantly to offer a first indication to programmers and implementers of what type of support mechanisms and interventions can be expected to have the largest impact on improved labor market outcomes for poor women and men.

However, through this process rural development and agricultural market system programs are entering fairly unchartered waters, and our literature review also highlighted that not enough is known yet regarding which interventions will prove to be most effective (particularly in the agricultural sector). This clearly raises the need for more research and learning. But it also implies that programs must begin to take wage labor seriously, and to embark on concerted efforts to promote labor-based pathways out of poverty through careful, context-specific interventions and recurring cycles of learning and adjustment. This will kick-start a process in which the international development community can find the right solutions to improve labor outcomes for the rural poor.

As one author noted, the time has come to drop the old assumptions and to find new solutions instead: *"No longer can we assume that small farmers are better off than landless laborers. […] No longer are agriculture and farming the desired, default position of rural households. […] And no longer should we assume that agricultural development is the best way to promote rural development, and rural development the best means of raising rural incomes and improving livelihood"* (Rigg, 2006, p. 195).

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ANNEX 1: RESEARCH QUESTIONS AND REPORT METHODOLOGY

The literature review was structured along four main research questions. Each of these question broadly informed one section of the report (namely sections III–VI), but with the objective of achieving overall cohesion via a structured narrative that develops the central theme of labor and pathways out of poverty step-by-step. Through this, the aim was to create a more holistic answer to the set of questions as a whole, and therewith a conceptual framework that manages to integrate questions of labor within an agricultural market systems approach. Throughout the report, the topic of gender was covered as a cross-cutting theme that carries considerable import on the issue of rural labor as a whole.

Throughout the review, the available literature was comprehensively scanned on the pertinent topics via internet searches, as well as by expanding the range of included sources through iteratively tracing referenced literature in key publications for a given topic (snowball method). Furthermore, an advisory team of select experts on the relevant topics including senior officials from USAID, ILO, ODI, and academia has been established and consulted on a continuous basis via regular team discussions and individual correspondence. This process ensured a comprehensive coverage of the pertinent literature, as well as a balanced inclusion of various angles on the topic, which allowed a more complete and rounded interpretation of the literature and subject matter.

Research questions:

1) What is the quality of available data on wage labor in rural contexts, and in how far is it sufficient to inform policy makers/practitioners on labor market interventions in its present form? What specific improvements may be need to create consistent levels of high-quality data that allow an accurate appraisal of the importance of rural wage labor in a national and sub-national context? → section 3

2) What is the current knowledge on the nature and diversity of rural employment (on and off-farm)? What type of activities/occupations are particularly relevant for the poor in different regions? How might this shift over time and in the course of rising/declining incomes and within contexts of agricultural growth, transformation, and technological advancement (incl. labor-saving techniques) on rural labor market dynamics? What are the programming implications of any findings? → section 4

3) What is the role of rural (wage) labor in processes of poverty reduction? What micro (quality of jobs, wage levels, etc.) and macro (policies, availability of jobs, etc.) labor market characteristics are related to transformative/growth processes and can enable rural workers to escape poverty? → section 5

4) What is the impact of improved working conditions (including strengthened worker agency and worker organization) on competitiveness and agricultural growth? What are key variables that influence this relationship between labor conditions and growth/competitiveness (e.g., structure of industry, type of labor conditions being improved)? To what extent does the improvement of working conditions have differential impacts at macro and micro levels? → section 6

ANNEX 2: BRIEF SUMMARY OF PRACTICAL WAYS TO IMPROVE THE EVIDENCE BASE AND DATA ON RURAL (WAGE) LABOR

International development organizations can play important roles in improving the statistical coverage and inclusion of rural labor both in national policy-making and agricultural development program design. Here we highlight a few important practical ways in which this can be achieved.

1. Include analytical work in agricultural market systems and rural development programs

In order to design meaningful and effective solutions for poverty reduction, a shift is needed in the design of programs towards poverty reduction and agricultural market systems development. Rather than prescribing pre-defined solutions and interventions in remotely-drafted program documents, it will be important to create cycles of evidence collection, context-specific intervention design and implementation, with recurring phases of program scrutiny and revision to assure adequate impact on employment and labor-based poverty reduction. For this, programs should allow for data collection and analytical components that are needed to inform the subsequent finalization of interventions. Such an approach would improve the available data and understanding of labor markets, and it will greatly contribute to avoiding the prescription of ineffective solutions and white elephants.

2. Support national governments' data collection efforts, particularly with regard to improved panel data and longitudinal evidence

In terms of both finance and human resources, many national governments lack the capacity to devise and implement adequate nationally representative labor market data surveys on a regular basis. Development organizations have an important role to play, on the one hand, by calling for better and more consistent labor market data, and on the other, by supporting national statistical agencies and researchers through financial assistance and systematic capacity building. As summarized above, a wide range of the flaws of labor market data collection are now well-documented. The next step must be to actively promote the improvement of data collection systems on a national level that will allow the monitoring of employment dynamics over time.

3. Greater reliance on case studies and systematically linking quantitative with qualitative evidence

In the medium term, practitioners will have to rely more extensively on and make better use of available case study and qualitative evidence, particularly because many labor market aspects cannot be captured by purely quantitative approaches. This calls for an increase in mixed methods approaches, combining representative quantitative evidence with qualitative data such as scoping studies, focus group discussions, or life history interviews (Addison et al., 2009; Davis and Baulch, 2011; Cramer et al., 2014b). To an extent, this may require having to partly trade off statistically representative (but often inaccurate or shallow) evidence in favor of context-specific accounts that carry greater qualitative meaning and weight.

4. Adoption of advanced data collection methods and technologies

More sophisticated data collection conventions must be adopted in order to guarantee capturing labor market effects of programs and interventions. This requires a number of key elements, all of which relate to the common survey shortcomings listed in section III. In order to overcome these, data collection efforts should

- where possible rely on independent sampling approaches and household definitions that will incorporate marginal, mobile and vulnerable groups, which are more likely to be among the poorest and heavily rely on wage labor;
- carefully design questionnaires and methods that pay close attention to questions of labor (including reference periods of 12 months) and systematically capture issues of wage labor in all its diverse forms;
- incorporate qualitative methods that are better equipped to create a structural understanding of labor issues in a given context;
- sufficiently train and supervise enumerators and research assistants on labor issues in order to ensure adequate probing and double-checking during data collection exercises; and
- as much as possible, apply electronic data collection tools (computer assisted personal interviewing: CAPI). Given significant advances in tablet computing, compared to conventional paper surveys, CAPI tools are cheaper, yield higher quality data (through consistency checks and conditional skip/fill rules), offer innovative sampling solutions (e.g., by employing GPS-enabled tools), and render data available immediately, due to highly reduced time and costs for data entry and cleaning.

5. Making data available to key users and raising awareness

It will be important to make the resulting data more widely available. Although recent improvements in the general availability of data are discernible (e.g., the LSMS data sets or RIGA database), it will be important to systematically match data and analysis with programmers and programming needs. This may require the creation of inter-agency platforms that publish data that is suitably disaggregated by countries, gender, age, and key labor market indicators, which would greatly facilitate decision making and program design. Furthermore, it will be important to scale-up awareness raising for technical program designers and implementers, to make sure that labor issues are adequately addressed. Initiatives like LEO are an important step in that direction, but it will be important to also reach practitioners who do not yet have an immediate labor focus or awareness through their work.

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