

**This document is an excerpt from:**

ILO International Training Centre, Module on Gender, Poverty and Employment

### **Linking poverty to employment...**

At its basic level, the relationship between poverty and employment lies in the extent to which income generated from employment permits workers and their dependants to obtain the goods and services necessary to meet basic needs. Poverty in developing countries is principally linked to underutilization of labour, whether in the form of open unemployment or massive underemployment.

Poverty can be traced to unemployment especially in urban areas which, in the last three decades, have expanded to accommodate huge influxes of jobseekers. Most of the urban poor are either unemployed or continually face irregular job access and precarious working conditions.

However, the vulnerability of the poor is largely due to underemployment and low returns on labour rather than open unemployment, since the poor would undertake any available economic activity, regardless of pay and working conditions, in order to survive. Hence, the majority of the poor in the world are “working poor”, in the rural and urban informal sectors, who work long hours and combine multiple activities but are still unable to earn enough to meet their basic needs.

Poverty is related to unequal access to employment opportunities in the labour market. Only a small fraction of the workforce in most developing countries have regular, full-time wage jobs. Poor workers are concentrated in those segments of the labour market where access to jobs is easier, but where returns on labour are low and employment is insecure and unprotected.

The poor are highly heterogeneous. They work in many and varied working arrangements. Levels of poverty differ and poor households and their members adopt different strategies for survival.

But far from limiting the concept of poverty to one of level of living, measured in terms of income and consumption, the ILO has viewed poverty as a multifaceted phenomenon. The work of the ILO on poverty and employment during the past decades has tried to deal with the multiple dimensions of poverty, such as economic insecurity and social discrimination.

### **... and dealing with its multiple dimensions**

The ILO's Basic Needs Strategy, as cited earlier, expanded the concept of poverty beyond income and consumption to encompass other important and essential components of well-being, notably education, health, water supply and housing. Some important elements of the Basic Needs Strategy were the identification of and specific attention to target groups in the planning process, the use of corrective measures by governments (through asset redistribution or through factor rewards) if the development process failed to reach the target groups adequately, and the use of government budgets to deliver non-marketable needs to targeted and other groups. Another important element was a concern to promote the participation of all members in a given society, not only in formulating targets for themselves, but also in finding creative solutions as to how to reach these targets. On the whole, however, the Basic Needs Strategy in practice met with little success. The onset of the developing countries' debt crisis at the beginning of the 1980s shifted attention towards short-run problems of macroeconomic stabilization and accompanying adjustment policies.

## **Breaking out of poverty through productive employment...**

The promotion of productive employment is one of the key strategies to eradicate poverty. This has been central to much of the ILO's action against poverty. National and international consensus on this is also firm and clear.

The ILO views productive employment as a basic right. It is not solely a means for earning an income and securing a livelihood and access to social services. Employment itself is necessary for an individual's dignity and self-esteem, and an essential element for social recognition and social inclusion.

For women, access to paid employment has an even higher value, since it strengthens their bargaining position within the household. Because the specific problems of poverty and employment differ between poverty groups, a differentiated approach is imperative. Poverty reduction calls for the creation of regular and good quality jobs in the labour market. It also calls for the general enhancement of the productivity of the "working poor" in the self-employment and home-based sectors. It means the creation of conditions for improved incomes, working conditions and the protection of vulnerable sectors of the working population.

### **... and through empowerment of the poor**

At the same time, it does not suffice merely to generate more jobs and improved income opportunities.

The poor must equally have the capacity and the power to develop, protect and sustain their livelihood. This implies effective access to and control over resources; bargaining strength to compete with other interest groups for a better share of resources and benefits; and participation in the political processes which determine resource distribution in a country.

### **Policy reform and direct interventions: A complementary duo**

The debate on poverty eradication strategies has at times been polarized between proponents of macro-level policies, whether concerned with overall economic growth or redistributive measures, and those believing in direct targeted interventions.

The ILO's experience shows a strong complementarity between the two. In its work, it has addressed the problem at both levels. Strategies for development and structural change designed to generate productive employment and reduce poverty have been central concerns for the work of the ILO on poverty. The total set of policies adopted by a country in pursuit of development objectives is considered to have a dominant influence on the fate of the poor because the rate of growth determines the overall income prospects while the pattern of growth, mediated through economic structures and institutions, determines the primary distribution of income among different groups.

If development strategies can be influenced to address poverty and employment objectives, it would be the most powerful mechanism for eradicating poverty.

In the 1980s and 1990s, the emphasis was on employment-intensive patterns of development strategies. Maximizing the employment generation potential of economic growth is viewed as a most effective way of fighting poverty. This is mainly achieved by reforming sectoral policies and creating the conditions for employment and income generation of the poor in the rural and urban sectors.

As the debt crises and economic restructuring dominated the development agendas in much of the developing world, the ILO focused its attention on the impact of adjustment on poverty and on unemployment. The central concern of the ILO was to place the social dimension of adjustment at the heart of economic reform policies.

The globalization of the economy, flexibility of labour markets, and increasing informalization and precariousness of jobs pose new challenges to the problem of poverty and policy responses.

Part of the work of the ILO has also been devoted to programmes aimed at channeling direct support to disadvantaged social groups. This work intensified in the 1980s with increasing demands for immediate and tangible improvements in the material conditions of the poor and their bargaining power. There was also recognition that policy reforms and structural changes in the economy involved long-term processes and had to overcome deeply rooted political and economic constraints.

The complementarity of this twin approach is best shown in the ILO's work on gender, poverty and employment.