Combating Poverty and Inequality: The role of employment

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Outline

- UNRISD Report: key messages on poverty and employment
- Evidence from historical experience: employment, growth, distribution
- Links between social policy, employment and patterns of growth
- Policy frameworks – macro, meso, micro
- Opportunities for employment generation
The report: Questions and approach

• What accounts for the persistence of poverty when concern for its reduction has been high on the policy agenda?
• Why have some countries been more successful than others in reducing poverty and inequality?
• Historical and comparative analysis
• Policy regimes and development trajectories: interactions between economic, social and political processes
The Report …

• Explains variations in poverty outcomes by focusing on countries’ development trajectories and policy regimes.

• Engages with current policy debates on poverty reduction from a developmental and social policy perspective.

• Argues that a fall in poverty generally results not from policies aimed at poverty or the poor per se, but those with wider social, political and economic objectives: employment and inequality matter.
Outline of the Report

• The report is structured around three interconnected issues.
  – **The Economic**: growth and structural change
  – **The Social**: universal social protection and social services
  – **The Political**: civic rights, activism and political arrangements

• All elements and interactions critical for employment
Five Key Messages

1. Poverty reduction requires **growth and structural change** that generate productive **employment**
2. High levels of **inequality** are an **obstacle** to poverty reduction
3. Comprehensive **social policies** are essential for successful poverty reduction
4. Effective **state capacity and politics** matter for poverty reduction
5. Poverty is reduced when economic and social policies, institutions and political arrangements are **mutually supportive**
• Historical experience
• Cross-country comparisons – group
• Relationship between labour markets and social policies
• ‘Successful’ social policies as ‘productivist’, (more or less) redistributive, and premised on full employment
• What is the possibility of social protection in absence of ‘full employment’?
  – Current challenge for both developed welfare states and developing countries
Growth and Structural Change

Poverty reduction requires a pattern of growth and structural change that generates productive employment.

- Industrial countries’ path of structural change remains elusive.
- Lack of employment-centred structural change in poor countries is linked to problems associated with globalization, dependence of productivity growth on external firms and ‘neoliberal’ policies.
FIGURE 1.1: The share of agricultural employment and per capita GDP, averages 1997–2006 (natural logarithm)
FIGURE 1.2: The share of industrial employment and per capita GDP, averages 1997–2006 (natural logarithm)
FIGURE 1.3: The share of service employment and per capita GDP, averages 1997–2006 (natural logarithm)
### Table 1.8: Working poor poverty rates in Brazil and Kenya

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<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
<td>Male</td>
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<tr>
<td><strong>Formal employment (%)</strong></td>
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<td>18.1</td>
<td>29.1</td>
<td>32.9</td>
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<td>8.2</td>
<td>10.5</td>
<td>16.8</td>
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<tr>
<td>Construction</td>
<td>20.9</td>
<td>8.6</td>
<td>20.2</td>
<td>20.9</td>
</tr>
<tr>
<td>Services</td>
<td>10.9</td>
<td>6.3</td>
<td>8.7</td>
<td>15.0</td>
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<tr>
<td><strong>Informal employment (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>51.4</td>
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<td>20.6</td>
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<td>Construction</td>
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<td>20.2</td>
<td>23.4</td>
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Different Pathways

**Growth Path**

- **Welfare states /Nordic**
- **Developmentalism and industrialization**
  - Rep. of Korea, Taiwan PoC
- ‘**Social democratic’ LDCs**
  - Costa Rica
- **Dualist economies**
  - Argentina, Brazil, South Africa
- **Mineral rich / commodity based economies**
- **Agrarian-informal contexts**
  - India, Tanzania

**Labour Markets**

- Full employment / productivist
- From full employment to ‘mature’ LMs
- Informality lower than LA average
- Dualist LMs: High informality LA, high unemployment SA
- Limited job creation, segmented markets
- Majority of labour force in informal economy; high percentage of working poor
Growth and Structural Change

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Linked to widening global and national inequalities...

- Global and national inequalities are widening
- Intersectoral terms of trade are a major driver of inequality in poor countries
- Inequalities have risen within poor, agricultural dependent countries
- Weak links between agriculture and industry / rural and urban sectors
- Productivity gains translate into weak gains for labour
- How labour markets are structured and types of jobs created determines inequalities as does discrimination in markets and public sphere
Inequalities are growing..
FIGURE 2.3: Global patterns of inequality over time, 1963–2002
FIGURE 2.4: Inequality within countries, with and without the global effect

Actual values

After global effect removed

Non-OECD v. OECD

Non-OECD

OECD
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FIGURE 2.5: Inequality in manufacturing pay and the share of agriculture in employment in selected countries, 1979–2003
... and are an obstacle to poverty reduction

- Poverty is closely related to inequalities based on class, gender, ethnicity, location
- Interlocking inequalities reinforce each other and may be reinforced by market processes
- make it harder to incorporate the poor in the growth process;
- May encourage the emergence of institutions that lock the poor into poverty traps
- limit the size of the domestic market and prospects for sustained growth;
- may contribute to crime, social unrest and conflict and undermine social cohesion and stability
Social policies and employment

Comprehensive social policies are essential for employment and reducing poverty and inequality

- The most significant reductions in poverty have occurred in countries with comprehensive social policies that lean towards universal coverage.
- Universal social policies are feasible and affordable for countries at fairly low levels of income.
- Such policies also reduce inequality, generate social cohesion and contribute to productivity.
‘Transformative’ Social Policy

Is social policy grounded in universal rights that aims to:

- enhance the productive capacities of individuals, groups and communities;
- reinforce the progressive redistributive effects of economic policies;
- reduce the burden of growth and reproduction of society, including care-related work, and
- protect people from income loss and costs associated with unemployment, pregnancy, ill-health or disability, and old age.

*The inseparability of employment and social policy...*
Outcomes depend on social policies

**TABLE 5.1: Inequality and poverty by welfare state regimes**

<table>
<thead>
<tr>
<th></th>
<th>Inequality among working-age population</th>
<th>Poverty among working-age population</th>
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<tbody>
<tr>
<td></td>
<td>Pre-tax and transfers Gini</td>
<td>Post-tax and transfers Gini</td>
</tr>
<tr>
<td>Social democratic welfare states&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.35</td>
<td>0.21</td>
</tr>
<tr>
<td>Christian-democratic welfare states&lt;sup&gt;b&lt;/sup&gt;</td>
<td>0.35</td>
<td>0.26</td>
</tr>
<tr>
<td>Liberal welfare states&lt;sup&gt;c&lt;/sup&gt;</td>
<td>0.42</td>
<td>0.32</td>
</tr>
<tr>
<td>Grand mean</td>
<td>0.37</td>
<td>0.26</td>
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Notes: Mean values. <sup>a</sup> Data refer to 1995 for Sweden, Norway and Finland, and to 1992 for Denmark. <sup>b</sup> Data refer to 1992 for Belgium and Switzerland, 1994 for the Netherlands and France; 1989 for Germany. <sup>c</sup> Data refer to 1994 for Australia, Canada and the United States; 1995 for Ireland and the United Kingdom. Source: Adapted from Stephens (2007).
Beyond Social Protection

- Labour markets and links with the productive economy
- Inequality and redistribution
- Reproduction and gender roles
- Politics of welfare policies: contestation, interests and constructing social pacts
- Synergies and complementarities between these areas (economic, social and political)
Extension and Reform of Social Insurance

Labour markets are key:
- Contribution-financed schemes only for “formal economy”
- Challenge in countries with high degree of informality
- Full employment is a normative goal: social protection + employment policies necessary response to real world market outcomes (+ crisis)

→ *Copenhagen Social Summit* emphasized linkages between poverty, unemployment and social exclusion

Privatization revisited: poor record in terms of
- Coverage, poverty reduction, redistribution
- Resilience in times of systemic crisis (economic, financial)
- Stabilization of macro economy
- Gender equality
  - *Implications for employment*
Employment creation

Governments can achieve employment-centred structural change by pursuing deliberate policies.

- Avoid procyclical policies during periods of slow growth;
- Pursue industrial and agricultural policies;
- Stimulate and maintain an adequate level of labour demand;
- Invest in infrastructure and skills; the reproduction of labour;
- Trade regimes that reduce vulnerability to commodity price and interest rate shocks;
- Target employment as a policy goal.
Gender inequalities

• Women’s labour force participation – growing but unequal; growth may be premised on / reinforce inequality
• State policies narrow the gap but inequalities are persistent across diverse regimes
• Women’s unpaid work / domestic role is a major barrier to their well-being and equity
• Public action is needed to share the costs of social reproduction, and to recognise and reward ‘care’ work which is highly feminised
Addressing inequalities

Countries can adopt a number of redistributive policies to tackle the multiple dimensions of inequality, for example:

- provide the poor with greater access to productive assets and credit
- strengthen legal rights (e.g., tenure)
- pursue affirmative action policies within a universal framework;
- invest in social infrastructure and basic services that can reduce the drudgery of domestic work;
- stimulate investment in rural infrastructure and creating public works programmes;
- improve tax administration, prevent tax evasion, and limit opposition to progressive taxation;
- create a stable global economic environment that responds to the needs of low-income countries.
Constructing welfare regimes

- Institutional complementarities, or policy regimes, vary across countries because they are a product of:
  
  ✓ competing values and social norms
  ✓ differences in the weights accorded to markets and non-market institutions in coordinating activities, and
  ✓ differences in power structures and institutions which have evolved historically
Concluding thoughts

- Is it possible to delink work from welfare?
- What macro policy framework can promote employment? Links between demand/consumption and growth
- What inputs into production of ‘labour’, how to organise and finance?
- The role of services and the public sector – esp. care economy, reproduction, gender and decent jobs
- Potential for environmental services / production – transition to ‘green jobs’
- Relationship between ‘decent work’ and organising / collective action
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• An autonomous research institute within the United Nations
• We undertake multidisciplinary, policy-relevant research on the social dimensions of contemporary development issues;
• We aim to stimulate dialogue and contribute to policy debates within and outside the United Nations system;
• We work with networks of scholars based in academic and research organizations in the North and South
Details of report

*Combating Poverty and Inequality*

*Structural Change, Social Policy and Politics*

The UNRISD Flagship Report 2010

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