WORKING HARD, WORKING POOR

A GLOBAL JOURNEY

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I. A Problem of Enormous Proportions
The Magnitude of Global Poverty

Of the world’s 6 ½ billion people (as of 2005):
1.4 billion people living on live less than US$1.25 per person per day, PPP-adjusted

Another 1.7 billion live on between $1.25 and $2.50, PPP-adjusted

The World’s Employment Problem

200 million persons are unemployed

900 million persons are employed but earn so little that they and their households live on less $2 per person per day
II. How the World’s Poor Work
Earnings Levels Around the World

Kalavati in India: U.S.$1.10 per 11 hour day
Lenovo workers in China: U.S. $0.80 per hour
Tuğçe in Turkey: U.S. $2 per hour
U.S. minimum wage worker: $7.25 per hour
Working Hard, Working Poor

The poor want to work.
Not only do the great majority of the poor work, they work long hours, but they earn very little for the work they do.
The composition of employment is very different in developing countries from that in developed countries.
Typically, the better jobs are in wage employment, not self-employment.
Unemployment rates are lower in the developing countries than in the richer countries.
What the developing countries have is an employment problem – that is, poverty among those who work - rather than an unemployment problem.
The Problems Workers in the Developing World Face

An insufficient number of good jobs
Uncertainty of work
Low earnings despite long hours
Few job-related social protections
Indecent work
III. How Do Labor Market Conditions Change with Economic Growth?

**Countries studied:** China, India, Brazil, Mexico, South Africa, Bangladesh, Madagascar, Nicaragua, Burkina Faso, Cameroon, Ghana, Mozambique, Senegal, Uganda, Turkey, Taiwan, Indonesia, Costa Rica, Hong Kong, Singapore, South Korea, Taiwan, Barbados, Jamaica, Trinidad and Tobago
Conclusions from studies over time within countries:

Labor market conditions generally improve as economic growth takes place within countries.

True of low-income and middle-income countries
True of Asia, Latin America, and Africa
True of fast- and not-so-fast-growing economies
Exception: South Africa

Growth has *not* been jobless.

Economic growth has *not* come at the expense of labor.
IV. Helping the Poor Earn Their Way Out of Poverty: Lessons from the International Literature

1. Basic workplace protections.

2. Economic growth, international trade, and foreign aid.

3. Harnessing the energies of private companies.
4. Labor market policies for generating more paid employment.

- Avoid prematurely high labor costs
- Remove undue barriers to employment
- Increase employees’ skills and productive abilities
- Create jobs for the poor
- Improve labor market information systems (?)
5. Raising self-employment earnings.

Design products to help raise the productivity of the self-employed

Adopt a positive policy stance and avoid hassles

Provide the poor in agriculture with more to work with

Facilitate off-farm employment and self-employment

Make capital available to the poor

Build skills and business know-how

Stimulate micro-franchising
V. Issues for Donor Engagement

A. Summary of what has come so far
   Defining the challenges
   Cross-sectional comparisons
   Changes over time
   Possible policy interventions

B. Setting objectives and facing tradeoffs
C. Identifying and remedying critical knowledge gaps

- Growth and labor market outcomes
- Demand for labor
- Supply of labor
- Wage-setting mechanisms and institutions
- Other institutions impinging upon labor market functioning
- Interrelationships among labor markets
D. Some final words

Let us try to be:

1. Bold enough to be explicit about our policy evaluation criteria.
2. Specific about our theoretical models.
3. Comprehensive in our empirical evidence.
4. Humble enough to know when the best policy conclusion is to draw no policy conclusion at all.

For the world’s poor, the stakes are too high for carelessness.