CONFERENCE DOCUMENTATION

Employment and Development
What Do We Know and What Can We Do?

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Presentation by Professor Gary Fields

“Employment, growth and poverty reduction: Factors, interdependencies and successful policies”

Summary

Professor Gary Fields of Cornell University, a labour economist of high international reputation, started his presentation by pointing out that within the problem of global poverty there is what he termed an “employment problem” (rather than an unemployment problem). According to ILO statistics, while 200 million people live in poverty and are unemployed, there are 900 million people who are actually employed but still earn so little that their family members live on less than USD 2/day. Fields illustrated this using the image of an iceberg whose biggest, though invisible part represents those employed, but still poor.

Fields offered vivid insight into how the world’s poor work. He presented several personal stories, for instance of a woman in India who hand-rolls cigarettes eleven hours non-stop, earning as little as ten cents an hour, or of a woman in Mexico producing fireworks – a task so dangerous that she built her production site far-away uphill so that if something explodes it would only kill her and not her family. Fields underlined the enormous gap between how much these poor earn and the minimum wage of USD 7.25 in the US.

Fields concluded that the poor are not poor because they are unemployed. The poor want to work and they do work long and hard hours. But they earn so little that they remain poor. A main problem underlying this are segmented labour markets: People with the same qualification may have a very different chance of getting a good or a bad job due to circumstances they can hardly influence.He illustrated this through the story of a young woman who could not get a job in a hotel although she was highly qualified because, as she said herself, she was not beautiful.

Continuing on a more general level, Fields gave an overview of the problems facing working people in developing countries: often there are simply not enough good jobs that pay enough to get out of poverty. Moreover, jobs are often insecure and there is little, if any, job-related social protection (which, as Fields suggested, is what is often called the informal sector). Finally, work is often indecent – not only in the sense of not meeting the ILO definition of decent work, but also cruel such as child prostitution, people trafficking and the like.

Often the hope is that employment and labour market conditions will improve with economic growth. Fields discussed this correlation by referring to several countries for which the necessary data are actually available. His conclusion was that in fact labour market conditions do generally improve as economic growth takes place. According to Fields this result holds for both low- and middle-income countries, for countries in Asia, Latin America or Africa, and for both fast and not-so-fast-growing economies. An important exception to this is South Africa where labour market conditions have not improved, and where conditions outside the labour market, like social funds, have helped reduce poverty.

Surprisingly, thus, growth in these developing countries has not been jobless as it has been in the US and as it is often thought to have been in fast-growing economies like China. However, Fields qualified this result, emphasising that growth has not come at the expense of labour if one uses the ILO definition of a job (one which is not overly demanding). According to this definition one has a job if one works at least one hour a week for pay or 15 hours for no pay, for instance in a family business.

So, at least by that definition, more employment has been created with growth, although this is often not salaried work and formal employment. Against this background, Fields suggested several areas in which donors may contribute to helping the poor find their way out of poverty by supporting the creation of more and better jobs, such as creating workplace protections, enhancing growth and harnessing the employment potentials of private companies.

Fields differentiated between the goals of generating more paid employment and of raising self-employment earnings. The former would involve avoiding prematurely high labour costs and undue barriers to employment, increasing employees’ productive abilities and improving labour market information systems. The latter would involve, among several other measures, building business skills and designing products that help raise the productivity of the self-employed. For this pro-poor innovation Fields gave an example of rice farming: planting seeds further apart and applying less water has lead to 40 % higher yields.

To make this call for donor engagement more specific, Fields outlined several critical knowledge gaps that donors would have an important role in remedying. For each gap, he suggested one crucial question to be addressed:

- Regarding macro-economic growth, to what extent and how does it improve labour market conditions in each specific context?
- Regarding labour demand, why is the demand curve positioned where it is?
- Regarding labour supply, what are the effects of interventions such as improving education on those treated and on those not treated?
- Regarding wage-setting mechanisms and institutions, what determines earnings changes

over time?

- And finally, regarding other institutions affecting the functioning of the labour market, what are some barriers to labour market adjustments within labour markets (like a minimum wage) but also outside labour markets (like officially elevated living costs of job migrants, such as in the case of China)?

Fields underlined again that these knowledge gaps need to be addressed for each country individually and that what is needed are better models of how different countries' labour markets function, how the different sectors work and how they are interlinked.

Closing his presentation, Fields encouraged practitioners and researchers to be more explicit about objectives, trade-offs and evaluation criteria, to be more specific about theoretical models and more comprehensive in empirical evidence, and finally to be "humble enough to know when the best policy conclusion is to draw no policy conclusion at all".