

WESO 2016: Transforming Jobs to End Poverty



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Nearly US\$10 trillion in total is needed to eradicate extreme and moderate poverty globally by 2030.

Global income gap, by region and level of the poverty line, 2012

| | Distribution (%) | | | | Income gap (% of GDP) | | | | Income gap (% government expenditure) | | | |
|--------------------------------|------------------|-------------|-------------|------------|-----------------------|-------------|-------------|-------------|---------------------------------------|-------------|--------------|-------------|
| | \$1.90 PPP | \$3.10 PPP | \$5 PPP | Relative | \$1.90 PPP | \$3.10 PPP | \$5 PPP | Relative | \$1.90 PPP | \$3.10 PPP | \$5 PPP | Relative |
| | | | | | | | | | | | | |
| Emerging and developing | 88.6 | 96.5 | 98.1 | | 0.31 | 1.65 | 5.72 | | 1.46 | 7.27 | 24.34 | |
| Africa | 48.6 | 36.1 | 28.8 | | 1.67 | 5.85 | 15.82 | | 9.03 | 31.30 | 82.97 | |
| Latin America | 6.3 | 4.6 | 4.8 | | 0.10 | 0.36 | 1.28 | | 0.35 | 1.27 | 4.58 | |
| Arab States | 0.1 | 0.4 | 1.2 | | 0.03 | 0.44 | 4.41 | | 0.08 | 1.03 | 10.33 | |
| Asia and the Pacific | 33.3 | 55.0 | 62.6 | | 0.19 | 1.49 | 5.75 | | 0.74 | 5.84 | 22.55 | |
| Europe and Central Asia | 0.2 | 0.4 | 0.7 | | 0.01 | 0.09 | 0.53 | | 0.04 | 0.30 | 1.76 | |
| Rural | 85.8 | 84.1 | 80.7 | | 0.27 | 1.39 | 4.61 | | 1.25 | 6.11 | 19.64 | |
| Urban | 14.2 | 15.9 | 19.3 | | 0.04 | 0.26 | 1.10 | | 0.21 | 1.16 | 4.70 | |
| Emerging | 75.7 | 82.5 | 86.3 | | 0.25 | 1.40 | 5.05 | | 1.14 | 6.02 | 20.95 | |
| Developing | 24.3 | 17.5 | 13.7 | | 5.48 | 20.75 | 55.95 | | 25.57 | 101.36 | 279.62 | |
| Developed | 11.4 | 3.5 | 1.9 | | 0.02 | 0.03 | 0.05 | 1.67 | 0.04 | 0.06 | 0.12 | 4.15 |
| Rural | 20.1 | 19.0 | 20.0 | 15.0 | 0.00 | 0.01 | 0.01 | 0.25 | 0.01 | 0.01 | 0.02 | 0.62 |
| Urban | 79.9 | 81.0 | 80.0 | 85.0 | 0.02 | 0.02 | 0.04 | 1.42 | 0.03 | 0.05 | 0.10 | 3.53 |
| World | 100 | 100 | 100 | 100 | 0.16 | 0.80 | 2.74 | | 0.72 | 3.49 | 11.63 | |
| Rural | 76.7 | 80.9 | 79.1 | | 0.12 | 0.65 | 2.17 | | 0.55 | 2.82 | 9.19 | |
| Urban | 23.3 | 19.1 | 20.9 | | 0.04 | 0.15 | 0.57 | | 0.17 | 0.67 | 2.44 | |

First, an underlying feature of the chronic nature of poverty is the persistence of poor quality employment

In emerging and developing countries

- Poor face **higher demographic & economic dependency ratios**
- **A almost one-third of those living in extreme and moderate poverty actually have a job, but these are often vulnerable in nature**

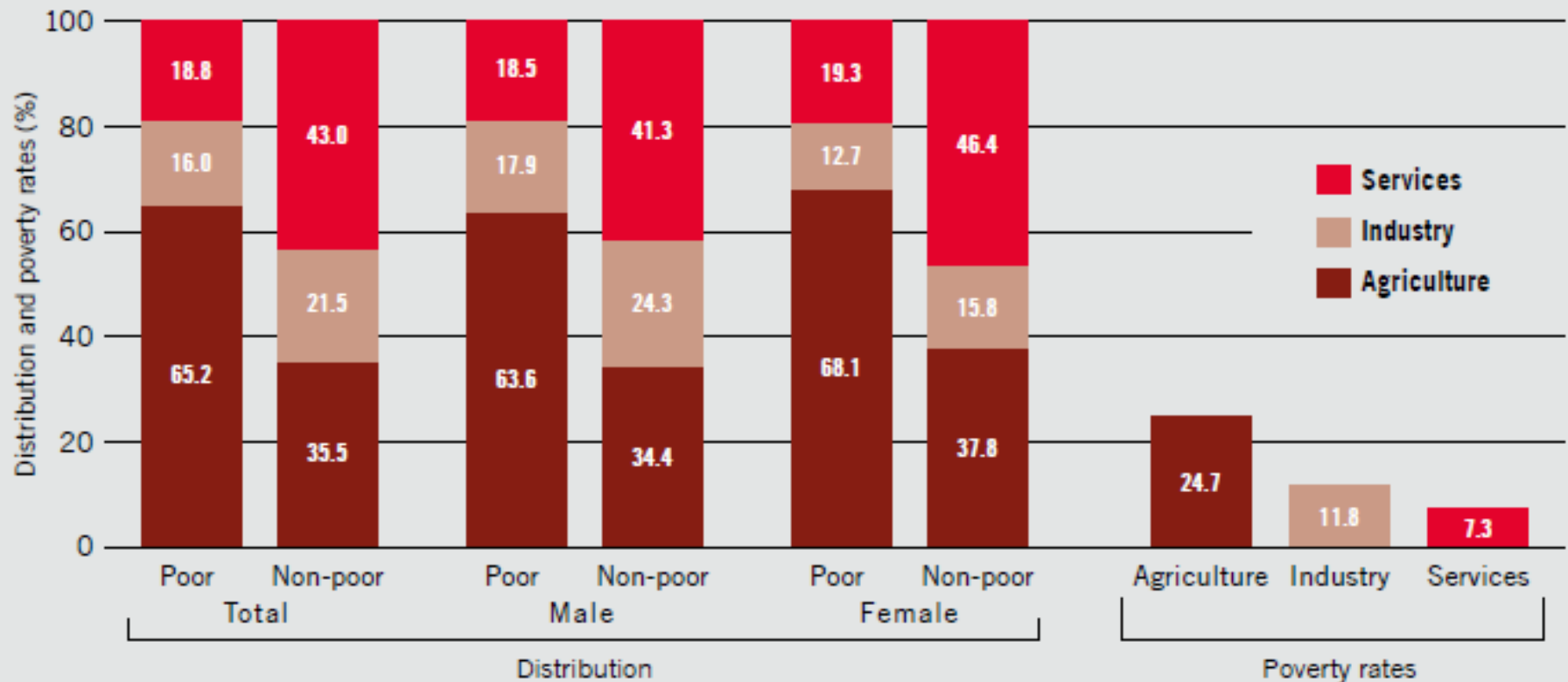
In developed countries

- The lack of paid employment among poor households is even more striking (people in paid employment ent is 28.4 per cent for the poor and 46.9 per cent for the non-poo)
- **While in employment**, 80 per cent of the working-poor are in wage and salaried employment but face more precarious employment conditions than the non-poor



Most of the working poor are employed in agriculture and rural areas

Extreme poverty by broad economic sector of employment in emerging and developing countries, 2012 (percentages)

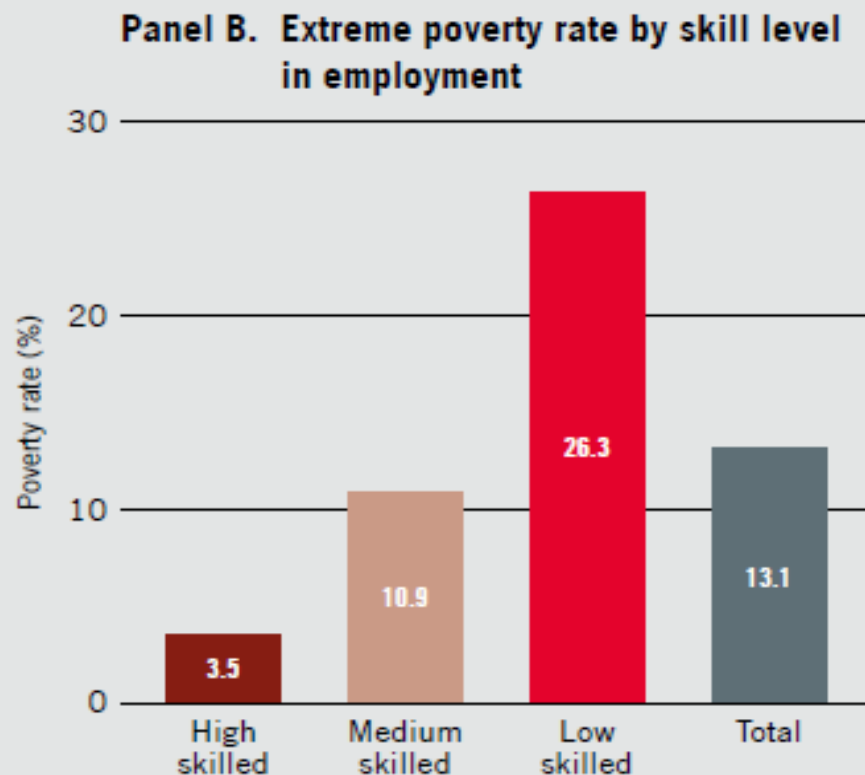
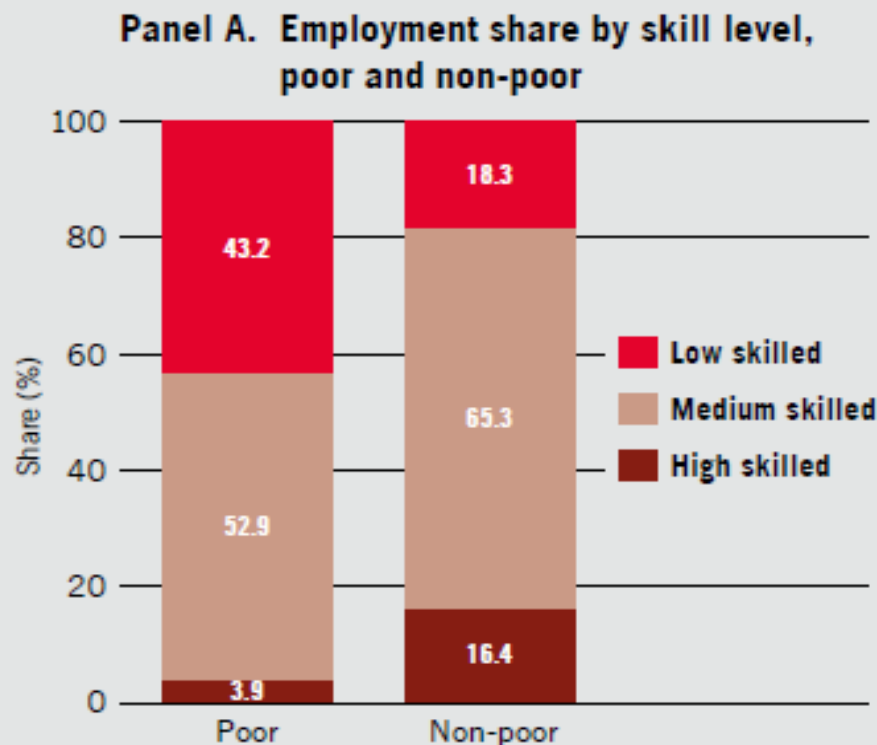


Note: Extreme poverty is defined as per capita income of less than \$1.90 PPP per day. Based on 43 countries (excluding developed countries). See note to table 1B.4 in appendix B for a list of countries.

Source: ILO calculations based on national household survey data.

And the poor are disadvantaged in terms of skilled occupations

Extreme poverty by skill level in emerging and developing countries, 2012 (percentages)



Note: Extreme poverty is defined as a per capita income of less than \$1.90 PPP per day. Based on 17 countries. Africa (4): Egypt, Ghana, Namibia, South Africa; Asia and the Pacific (5): Bhutan, Cambodia, India, Pakistan, Thailand; Latin America and the Caribbean (6): Plurinational State of Bolivia, Brazil, Costa Rica, El Salvador, Guatemala, Paraguay; and Europe and Central Asia (2): Serbia; Turkey.

Source: ILO calculations based on household survey data.

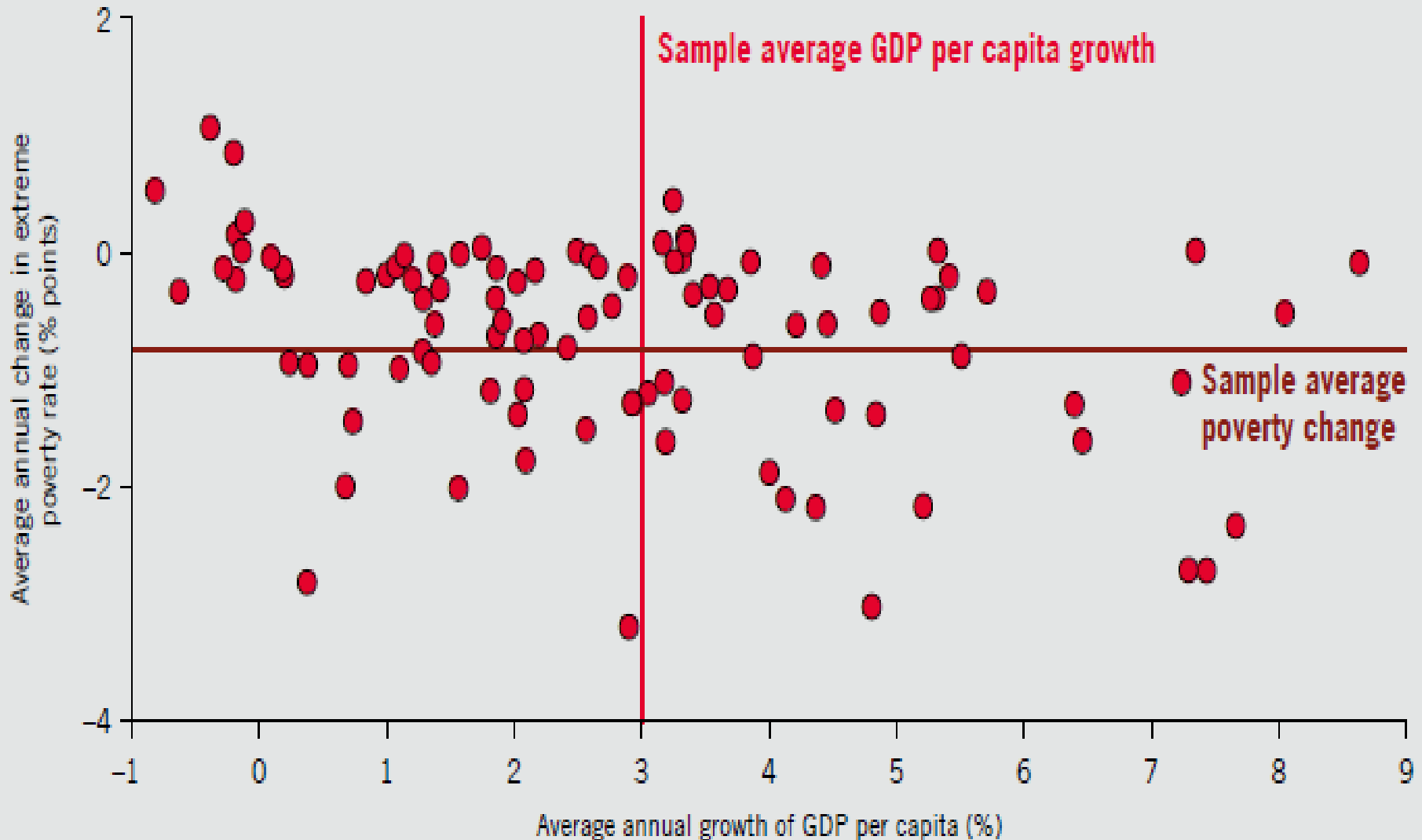
Second, economic growth alone is insufficient to eradicate poverty

- Countries whose exports depend on natural resources and primary goods have seen the smallest improvements
- The presence of a large informal and rural economy reinforces the weak link between the exploitation of natural resources and poverty reduction.
- Narrowly based economic growth also exacerbates income inequality,
- Even though the world's poor make up 30 per cent of total population, they receive only 2 per cent of its income.



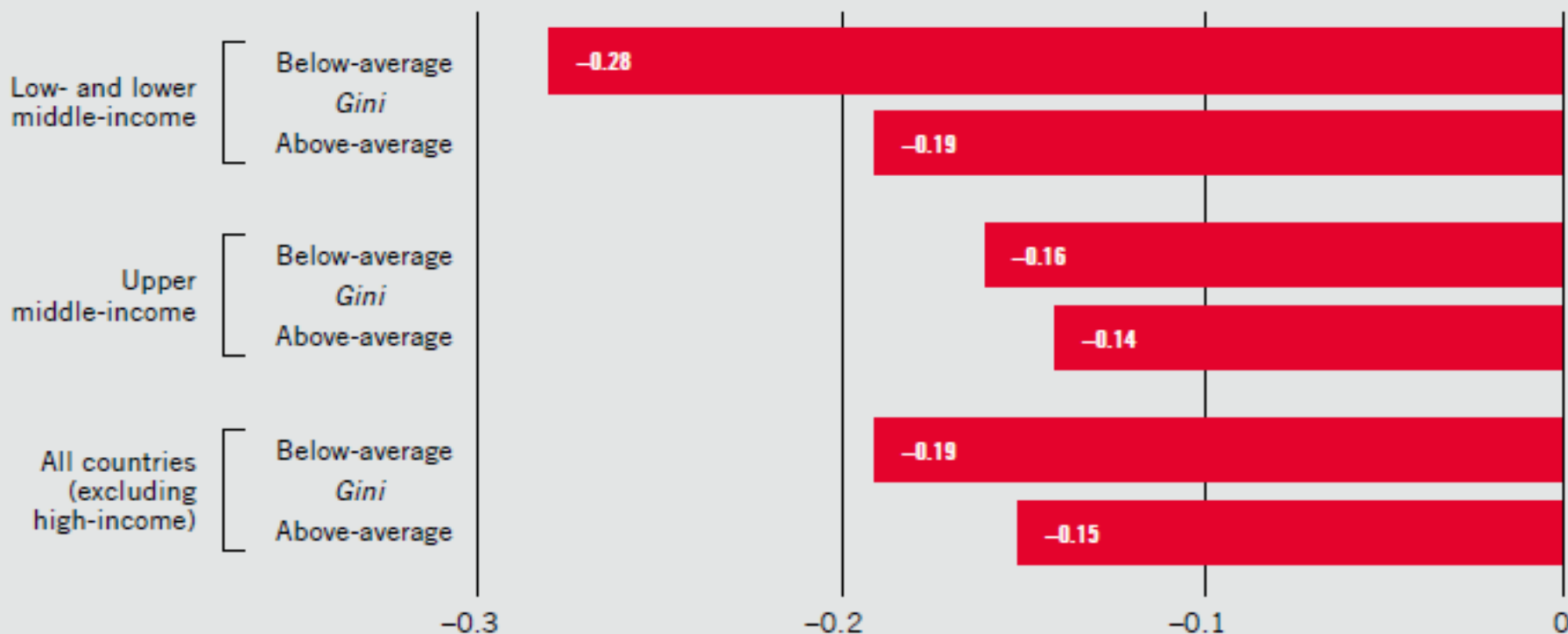
Economic growth alone is insufficient to end poverty

Panel B. Correlation between GDP per capita growth and changes in extreme poverty, 1992–2012



High income inequality dampens the impact of growth on extreme poverty

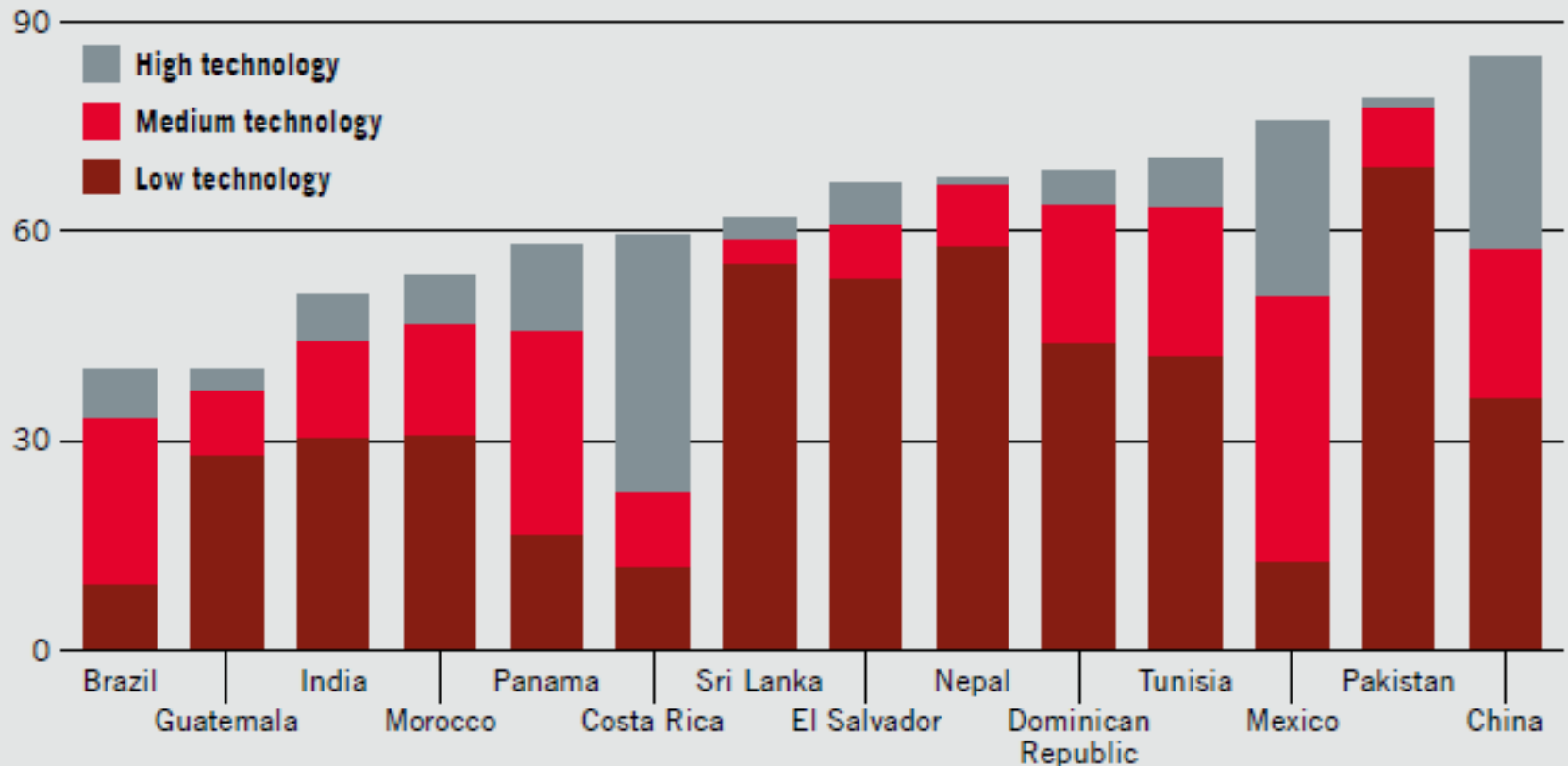
Effect on extreme poverty rate of a 1 percentage point increase in GDP per capita growth by level of income inequality and country group, 1992–2012



Note: The figure shows the average annual percentage point change in the poverty rate associated with a 1 percentage point change in the average annual GDP per capita growth, separating this effect for countries with a Gini index above the sample average from those below it. Extreme poverty is defined as living on income or consumption per capita below \$1.90 PPP per day. All the estimated coefficients are statistically significant at the 1 per cent confidence level. See regression table 3A.2 in appendix A for further details.

Shift towards higher productivity sectors is important for poverty reduction

Panel B. Share of manufacturing exports by technology intensity in selected fast poverty-reducing countries (percentages)



Note: Export classification is based on Lall (2000). Average export shares of primary and manufacturing products are computed over the period 1995–2012. Extreme poverty is defined as living on income or consumption less than \$1.90 PPP per capita per day. Countries are defined as “fast poverty-reducing” if the extreme poverty rate fell by at least 3 per cent per year between 1990 and 2012.

Source: ILO calculations based on World Bank PovcalNet and UNCTADStat.

Raising productivity in the agricultural sector and enhancing linkages to markets is also key

- For poor rural households to move out of poverty, it is necessary:
 - increased agricultural productivity,
 - improved access to market opportunities,
 - diversification into off-farm businesses and
 - engagement in wage employment.
- Cooperatives
- Decent work in MSMEs.



Third, strengthening rights of the poor is key in ensuring creation of decent jobs

- International labour standards reach the poor
- Labour market institutions, including effective labour administrations and inspections
- Freedom of association and social dialogue



Fourth, carefully designed employment and income policies are necessary to help broaden the productive base

- Labour market policies contribute to poverty reduction by raising skill levels, boosting participation in the labour market and facilitating transitions from informal to formal employment.
- Enable employers to create jobs in new sectors required to alleviate poverty at the same time as equipping workers with the tools needed to take up these jobs.
- Social protection plays a key role in supporting the development of a productive workforce and in alleviating poverty among the most vulnerable.



Lastly, future of work and the end of poverty: Two faces of the same coin

- Rapid technological change and the emergence of new patterns of globalization, including the extension of global value chains, offer new opportunities for reaching remote areas, making policy tools more responsive and improving institutional frameworks.
- The proliferation of mobile devices and their use in enterprise development in Africa provides a ray of hope in the fight against poverty.
- These potential benefits will not be realized automatically and do entail new risks, especially for vulnerable groups, which may lack adequate skills or sufficient bargaining strength to share in the gains.



Summary

- 1. An underlying feature of the chronic nature of poverty is the persistence of poor quality employment
- 2. Economic growth alone is insufficient to eradicate poverty
- 3. Strengthening rights of the poor is key in ensuring creation of decent jobs
- 4. Carefully designed employment and income policies are necessary to help broaden the productive base
- 5. Future of work and the end of poverty: Two faces of the same coin

