Reducing vulnerability and building resilience – what does it entail?

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Summary

The eradication of poverty requires preventing the impoverishment which can otherwise cancel out the benefits of economic and social policies which help people out of extreme poverty. The policy agenda for poverty eradication is quite broad, includes critical social policy measures; and some of it is context specific. To stop impoverishment the social protection, education, pro-poorest growth policies and sexual and reproductive health policies need context specific support from conflict prevention, disaster risk management, progress towards universal health coverage, and insurance against other risks. Among poverty eradication policy areas disaster risk management, land policy and sexual and reproductive health services are highlighted because they offer opportunities for achieving economic, social and environmental outcomes (a theme of this EGM).

The paper further considers two critical areas of policy to build resilience among the poorest people: addressing the identity based intersecting inequalities which keep people poor; and bringing policy to bear on the informal sector in three areas: employment, private sector development and financial services.

Critical social aspects of the poverty eradication policy agenda

The 3rd Chronic Poverty Report 2014-5: The road to zero extreme poverty argued that the eradication of extreme poverty required achieving three objectives: tackling chronic poverty; stopping impoverishment; and sustaining escapes from extreme poverty. In addition to policies which assist people out of extreme poverty, it is important to focus on impoverishment - which in some periods in some countries has been enough to nearly or more than cancel out the escapes from extreme poverty; and on poor people’s trajectories beyond the poverty line – there has been little reduction in the numbers of $2 a day poverty over several decades, for example.

Three policies help to achieve all three objectives: social protection (in particular social assistance); education, including massive and targeted investment in pre- and post-primary and links to the labour market; and a bundle of more context specific measures to spread the benefits of economic growth to the poorest people.

Then each of the three objectives also requires a set of dedicated policies (see Table 1), which are intuitively plausible, but are justified in the Report.

Table 1. Cross cutting and dedicated policies to tackle chronic poverty, stop impoverishment and sustain escapes from extreme poverty
Objectives | Tackle chronic poverty | Stop impoverishment | Sustain escapes from extreme poverty
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Cross cutting policies | Social protection | Education, including pre- and post-primary and links to labour markets | Pro-poorest growth measures, including employment quality measures | Universal access to reproductive and sexual health services
Objective-specific policies | Anti-discrimination measures | Conflict prevention measures | Land policy reforms enabling mobility (renting in/out)
 | Affirmative actions | Disaster risk management | Strong regional development policies
 | Access to justice | Universal health coverage | 
 | Agricultural market improvements | Insure against other major risks – asset loss, ill-health, deaths

Riders I would add at this point are (i) that the new thrust of social protection since 2000 has been largely conceptualised in terms of tackling the poverty gap through social assistance, which is quite legitimate as a priority. But social protection can also play a strong role in preventing impoverishment. For those countries which are capable, and for others which are not but where development co-operation can fill the gap, the social protection agenda needs to broaden out from targeted cash transfers and self-targeted public works to incorporating a stronger social insurance component. There is then a debate to be had about the timing of this. Finally (ii) having access to good quality sexual and reproductive health services will also help achieve all three objectives.

And a clarification: Gender inequality is a key cross-cutting aspect of eradicating extreme poverty, so policies to address gender inequality specifically among poor and vulnerable people will be critical. This means extending the gains made by middle class women and men to the poorest households, where these gains may face additional challenges. So the policies in Table 1 all need to be formulated in a gender-responsive way (eg gender-based anti-discrimination measures; gender-responsive social protection). In addition, policies to address issues like gender-based violence are essential to interrupt the inter-generational cycle of violence which can be so impoverishing. Box 1 focuses on tackling the social norms underlying gender inequalities.

Box 1. Tackling Discriminatory social norms

‘Girls’ vulnerabilities in relation to poverty dynamics are different to those of boys and to those of adult women. This is in part because of their relative powerlessness and the particularities of their life stage. What happens at this critical time in their lives can reinforce their poverty status and that of their offspring, or influence their movement into or out of poverty.’ Tackling the discriminatory social norms which underpin gender inequalities is an important aspect of this. These include the discriminatory family codes which can result in: ‘early marriage; separation of girls from maternal presence, influence and authority; lack of decision-making influence by girls themselves; denial of vital material assets through ownership and inheritance; and, in some cases, physical harm.’ Other influential social norms include: son bias - the unequal investment in and care of daughters and sons; limited resource rights and entitlements; restricted civil liberties; and the laws, norms and
practices which condone or fail to challenge gender-based violence in the household, school, workplace and community. Physical insecurity as a consequence of gender-based violence is also a particular risk in times of conflict and social upheaval.

Key areas to progress include: (i) Develop and enforce context-sensitive legal provisions to eliminate gender discrimination in the family, school, workplace and community. (ii) Support measures to promote children’s and especially girls’ right to be heard and to participate in decisions in areas of importance to them. (iii) Invest in the design and implementation of child- and gender-sensitive social protection. (iv) Strengthen services for girls who are hard to reach, because of both spatial disadvantage as well as age- and gender-specific socio-cultural barriers. (v) Support measures to strengthen girls’ and young women’s individual and collective ownership of, access to and use of resources. (vi) Strengthen efforts to promote girls’ and women’s physical integrity and control over their bodies, especially in conflict and post-conflict settings.

Source: Jones et al, 2010

*Integrated social-economic-environmental measures*

This policy agenda is largely economic and social. In terms of a triply integrated economic-social-environmental agenda there are three key policy areas brought out by this analysis. Firstly, universal access to sexual and reproductive health (SRH) services. The proportion of dependents to income earning adults is a key variable associated with escaping and falling into extreme poverty, which is not to claim causality, merely to say that demographic changes are part of people’s stories. Providing poor people with the services they need to have the number and spacing of children they want remains a key priority, but is a very challenging one in many countries with large populations of extremely poor people. Countries which have grown economically in a sustained and inclusive way have also reduced average and distributed fertility levels as a result of enhanced gender equality, education, and economic transformation as well as provision of SRH services. And population growth has been argued to be one factor in growing carbon emissions, though other factors are more important – countries with similar levels of population growth have remarkably different CO₂ emissions because consumption matters more than population growth (Wilson, 2013).

Many countries have reduced fertility ahead of what could be expected from their level of economic development, and some at low cost. Bangladesh is a key recent example. ‘Variation among countries in scores on the Family Planning Program Effort Index, but not on the Human Development Index, has diminished since the 1970s. On average, fertility levels were lower among countries with better social settings or stronger family planning programs than among those with poorer settings or weaker programs; they were lowest in the presence of both good social settings and strong programs. In addition, fertility was positively associated with infant mortality and negatively associated with female education, but not associated with poverty. About half of the 2.3-birth difference in fertility between countries in Sub-Saharan Africa and those elsewhere can be attributed to differences in program efforts and social settings. Policies focused on improving levels of female education, reducing infant mortality and improving family planning services can be expected to have mutually reinforcing effects on fertility decline (Jain and Ross, 2012).’ Delayed pregnancies have enormously beneficial wellbeing effects for women, enabling the interruption of
inter-generational transmission of poverty; and substantial macro-economic benefits in terms of reduced health care costs and increased economic productivity (UNFPA, 2012).

And secondly, **land policies**, both tenure arrangements and land management. Land tenure arrangements are important because getting out of poverty often requires accumulating land or getting out of agriculture. If that is easy – through renting in/out or acquisition, escaping poverty will also be easier. Moving into the nonfarm economy is also a route out of poverty in many circumstances, in which case the possibility of renting out land while keeping security of ownership is also important. China, Vietnam, Ethiopia and Uganda are key examples where the security of tenure and the land rental market has been improved by policy change (Holden et al, 2013).

Land management is important since, in the growing number of places where land is a scarce resource, land productivity is an important determinant of economic security. Policies to support investing in land through farming systems which conserve or build soil fertility and water retention are especially important in the marginal land systems where the poorest are often to be found. As climate finance moves into supporting such interventions (as mitigation or adaptation measures) it is important they take on board the lessons of previous experience of the distributional consequences of introducing new technologies – that the poorest farm households often lose out unless special safeguards are in place (for further discussion and examples see CPAN, 2012).

Thirdly, **disaster risk management**. The biggest impact of climate change on poor people is to increase the frequency and severity of climate-related disasters. Countries have widely varying quality of disaster risk management (DRM) policies and responses (Shepherd et al, 2013: 47). These responses need to be targeted to the most disaster-risk and poor regions of a country, requiring geographically disaggregated analysis to identify these. The most predictable disasters are related to climate extremes - floods, droughts and extreme temperatures – and it is most important to plan for these. However, the Nepal earthquake is a reminder that such more unpredictable events can also wreak havoc and impoverish communities as well as individuals and households.

Colombia, Indonesia, Mexico, Rwanda, Tanzania, Thailand, Viet Nam, and Zambia were all reckoned to have well above average DRM responses (Ibid: 48). At the sub-national level, one example of improved disaster governance is Bihar, where political change spurred general improvements in governance in a very difficult situation, and this also translated into better DRM and much lower deaths from disasters (Ibid: 50).

Two of the five aspects\(^1\) of disaster risk management have especially strong social components: (i) reducing risks through reducing especially poor people’s vulnerability, and (ii) managing residual risks through risk pooling, transferring and sharing. Reducing vulnerability includes the long term development agenda of poverty reduction, health service improvements, and enhanced access to services; livelihood diversification and asset development; improved community security and access to decision-making. Pooling, sharing and transferring risk involves mutual and reserve funds, financial insurance, and other risk sharing instruments, as well as social networks and social capital.

\(^1\) These are: reduce vulnerability; reduce hazards and exposure; pool, transfer and share risk; prepare and respond effectively; increase capacity to respond to surprises.
More broadly, **climate change** will have serious impacts on the achievement of the poverty eradication goal within the period to 2030, and there is a strong argument for targeting zero emissions sooner than with a business as usual approach. Without this reductions in poverty will be threatened on a substantial and cross-national scale both by climate extremes (for 150 million people), child malnutrition and stunting (120 and 40 million children), and declines in agricultural productivity (250-500 million people). This would constitute a major policy incoherence in countries which are both major Greenhouse Gas emitters and attempting to eradicate extreme poverty. While there are low cost measures available in the short-medium term, there can be trade-offs between reducing emissions and growth, which will require managing so that moderate and sustained growth can be maintained in countries with high levels of extreme poverty. Reducing emissions can be compatible with reorienting growth in a pro-poor direction through climate smart agriculture, increased public transport, low emissions waste management, reduced fossil fuel and fertiliser subsidies, energy efficient residential buildings, distributed and centralised renewable energy, and increased bio-energy (Granoff et al, 2014).

**Tackling identity based intersecting inequalities**

‘Those most likely to be left out of development progress are those groups in the population whose economic deficits intersect with culturally devalued identities, locational disadvantage and lack of political representation. The most enduring forms of identity-based inequalities are ascribed from birth, such as race, caste, and ethnicity, and persist over generations. This report explores policies and programmes which address these intersecting inequalities in a group of countries which have made significant efforts, as a way of indicating what is possible in this difficult terrain.’ (Arauco, 2014) Such identity based intersecting inequalities lead to vulnerabilities which require external intervention supported by political movements to reduce. There is a significant overlap with Frances Stewart’s paper on Social Inclusion policies here.

ODI’s 2014 report on [Strengthening Social Justice to Address Intersecting Inequalities](#) identified a set of political and constitutional changes, as well as policy reforms which in varied combinations lay foundations for addressing these most intractable inequalities (Figure 1). This analysis is based on the experiences of a number of countries which have either succeeded, or have made serious attempts to address intersecting inequalities. These included: Bolivia, Brazil, Ecuador, Ethiopia, Nepal, and in the latter category, India and Pakistan. This is not an exhaustive list: for example, China’s indigenous groups have done relatively well, and a more comprehensive analysis would need to include China as well as other countries – however, we found this was poorly researched.

The report does not suggest there is one model, but these are the common elements which emerge from the countries identified above. The improved outcomes achieved through such measures may remain marginal for some time – the challenges of reversing the exclusion and discrimination built up over centuries are very deep and require sustained policy effort as well as change in societal values and norms. The initiatives reported on here have made a good start, however. While all countries making progress do not major on all elements of the model, all have established new principles or rules of the game in some way, even if not at a constitutional level. For example, the principle of ‘Active Search’ (Brazil) or a census-based approach to listing beneficiaries of social protection (Pakistan) can make a big difference to the degree of inclusion achieved. All countries
have combined universal and targeted sectoral policies, with basic services often universal and income or food based support frequently targeted. The pattern of social mobilisation varies significantly, as do the degree of opening of spaces for political participation in policy making.

Figure 1. Essentials of addressing intersecting inequalities

Access to land remains a difficult issue in most political contexts, with major equalisation (Ethiopia and Bolivia) the product of particular political circumstances. This is an example of a link between the social and environmental agendas. For the most marginal people, access to land has often been an extremely contentious issue, one which has occasioned struggles, peaceful and violent, to exert claims, which have only sometimes been rewarded with progressive legislation and protective measures. As a result, such people’s ability to manage land, forests and other natural resources in an environmentally sustainable way has often been compromised. And their livelihood security is seriously undermined. Providing secure if (very) small parcels of land to marginal people can have dramatic positive wellbeing effects (Ibid: 33), and secure tenure rights more broadly would probably provide a basis for enhancing environmental management, and reducing carbon emissions from deforestation and land degradation. However, in many countries this is a highly politically contested issue (witness the recent reversals of policy in India).

Addressing policy to the informal economy: (i) improving terms of employment

Vulnerable employment and self-employment are critical problems, as acknowledged by the dedication of a session of this meeting to these issues. ‘Adverse inclusion (or incorporation)’ is a term which characterises this situation: the working poor are not economically excluded, they are
included but on adverse terms. Addressing these adverse terms is a critical aspect of policy for poverty eradication.

CPAN has produced an Employment Policy Guide (CPAN, 2013), which focuses on four groups of workers who account for a large proportion of the working chronically poor: agricultural, domestic, construction and home-based workers. While more jobs are also clearly needed, key policy approaches to improving the quality of work are: (i) governments need to formally recognise and plan for the informal economy at national and local levels – collecting data, extending labour standards (Box 1); (ii) the progressive extension of social insurance coverage to the informal economy, to increase poor workers’ resilience to shocks and help them cope with their negative consequences. Expansion of coverage can begin by focusing on specific categories of workers, as has been done in India. This would be a substantial contribution to reducing the impoverishment which can result from loss of/reduced earnings or a job. (iii) migration policies are also important. Active measures must be taken to make sure that migration is not a substitute for efforts to create decent employment in the countries or areas of origin, and that it doesn’t lead to adverse inclusion. Measures include legislation on the free movement of labour; reform of public services in host areas to include migrants more effectively and ensure that they have ID cards; and developing the infrastructure network along the routes followed by migrants.

Particular measures which are important include: formalising contracts and including labour contractors in requirements for formal contracts is a foundational measure: the implementation of China’s 2008 legislation on labour contractors is a case of good practice in terms of implementation – a dramatically growing proportion of the labour force are now covered by written contracts (Lan and Pickles 2011). Implementing or enforcing labour laws in general is a political challenge: enforcement agencies need to be properly resourced. Where financial (as opposed to political) constraints exist, donor agencies could contribute to building these agencies’ capacities.

There is an unresolved international debate about whether minimum wage legislation does in fact improve the earnings of the poorest people. One issue is whether legislation can be enforced, especially for informal wage employment. Evidence for domestic workers in South Africa (a largely law-abiding society) highlights the success of minimum wages legislation in improving wages even without widespread enforcement (Dinkelman and Ranchhod 2012). It does also seem that minimum wages in the formal economy can establish a ‘reference wage’, or set a wage floor for informal wage workers (World Bank 2012).

Finally, there is strong evidence that organising informal sector workers can improve their terms of inclusion. Brazil again provides an example with the improvements experienced by domestic workers (Box 2). Indonesia has opened up the civic space for workers’ organisations through changes to the legal framework that governs the labour market. As part of its constitutional reform process, Indonesia also ratified the ILO Convention No 87 on Freedom of Association and Protection of the Right to Organise in 1998. As a consequence, the number of trade unions proliferated from 1 at the national level and around 1000 unions at the enterprise level in 1997 to around 87 trade union federations registered nationally and more than 11,000 enterprise level unions registered at local level in 2006 (Palmer with Noriel 2009).

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2 For a theoretical discussion of the relationship between social exclusion and adverse incorporation in developing countries see du Toit and Hickey (2007).
Box 1: Agricultural labour legislation reform, Brazil

Until 1988, labour law in Brazil distinguished between agricultural and non-agricultural workers. In 1963, a separate statute was enacted to recognise farm labourers, but these rights were limited and fell short of those granted to workers in other sectors. In 1988 a constitutional reform granted equal rights to urban and rural workers. This guaranteed protection against unfair dismissal, minimum wage, maximum working hours, annual paid leave, social security, safe working conditions and collective bargaining rights.

Source: Cotula (2002)

Box 2: Organising domestic workers in Brazil

In Brazil domestic work has been recognised by national labour laws since 1973 and spurred the formation of associations and unions of domestic workers. The result was the creation of 45 unions in different regions of the country and umbrella organisations at the national level. It also illustrates that voice of the working poor within the informal economy is often rooted in grassroots-level associations that can eventually forge networks and umbrella organisations reaching national level decision-making. Being formally recognised and using the civic space to engage with other civil society organizations, domestic workers were able to influence the reform of the Brazilian constitution in 1988. The new constitution provided domestic workers with new labour rights such as a minimum wage, maternity leave, or a fixed set of paid-leave days.

Source: Cornwall et al. (2013).

Addressing policy to the informal economy: (i) self-employment

We also now have a guide on Private Sector Development (CPAN 2015a) which emphasises the importance of improving working and other conditions for informal self-employed people and micro- and small businesses more generally. The dominance of the informal sector in most developing countries means that this must be at the heart of national strategies of private sector development if they are to be pro-poor. There are three key areas of a pro-poor private sector development strategy: the enabling environment; the creation of capabilities among the poor that enable them to participate on good terms; and the creation of opportunities for poor people in value chains, inclusive business initiatives and public–private partnerships (PPPs).

Promoting entrepreneurial activities among poor and very poor people requires transfers of resources. This can be in the form of a cash and/or asset transfer for very poor people and an upgrade to microfinance for poor people who already own a business. Resource transfers need to be accompanied by other types of interventions to be effective. Financial services need to be linked with wider business development services (Box 3). Business development services (BDS) are the core of pro-poor private sector development, and can work well for poor entrepreneurs if business management training and grants or micro-loans are provided in tandem.
Box 3: The Youth Opportunities Programme in Uganda

The Ugandan government implemented YOP to promote self-employment for youth 16-35. YOP invited young adults organised in small groups to submit an application for a grant to cover training and the tools and materials they needed to run a business, either together or on their own. Facilitators helped them organise groups, build budgets and apply but played no role after the application phase; there was no formal mechanism for follow-up or fund accountability. Groups were responsible for creating a five-person management committee and doing their own budgeting and allocating. The money was given to the group and the management committee distributed the money according to the group’s plan. The average group had 22 members and received a grant of $7,100. Prior to the evaluation, the government disbursed hundreds of grants in a first phase. Researchers studied the second and last phase (from 2008 to 2012) of grant-making, when an additional 265 grants were available for 535 eligible groups. Those not picked were tracked as a control group.

Four years after the grant disbursement, most grant recipients were practising skilled trades and earning more money than the control group. In particular, young adults who had received the grants were 65% more likely to be working in a skilled trade such as carpentry, tailoring, metalworking and hairstyling. They were also earning 41% more than the control group. Those who received the grants were also 34% more likely to register a business and 40% more likely to pay business taxes and keep business-related records. Among those who received the money, 76% enrolled in vocational training, with levels similar for men and women, compared with 15% of the control group. In both cases, the most popular training was, in descending order, tailoring, carpentry, metalworking and hairdressing. It is significant that women benefited the most from the grant, with their incomes 84% higher than those for women in the control group. In contrast, incomes for men who received the grants were 31% higher than incomes of those in the control group. This suggests women face higher constraints than men in getting access to finance and other assets (including skills) required to start self-employed activities. Removing these constraints has therefore had a larger impact on women than on men.

Source: Blattman et al. (2013).

Measures to improve the enabling environment should include strong attempts to deal with petty corruption in the policy and judiciary, social services and natural resources, among others to reduce harassment and develop consistent regulations especially for street vendors; invest in smallholder agriculture and land tenure systems that acknowledge and promote the complex routes through which poor people access agricultural or urban land.

Including the poorest in value chains on good terms requires a package of measures: 1) commitment by private sector actors to labour and other social (and environmental) standards, in particular a living wage for labourers including casual workers or a living income for self-employed suppliers; 2) participants have or gain access to assets and/or skills that improve the quality of their participation; 3) adequate/greater bargaining power for the poorest achieved through organisation – recognised trades unions and associations; and 4) sustained support for the poorest from third parties (e.g. non-governmental organisations (NGOs)). Standards that value chains conform to need to be ‘good enough’ for the poorest and most vulnerable people in the value chain. These are standards the poorest producers can cope with, which may not be the highest.
Addressing policy to the informal sector (iii) the financial sector

We have also produced a Policy Guide on Financial Inclusion (CPAN 2015b) which argues that there are four promising avenues for the poorest people: (i) linking savings groups/clubs to formal financial services, which overcomes the limitations of the savings groups, and enables formal services to reach out to new customers in the long term; (ii) linking social protection with financial inclusion, through the mechanism of digital payments; (iii) more broadly using mobile money to open up access to financial services, as is occurring dramatically in Kenya and Tanzania; and (iv) weather indexed insurance. Provision of credit by comparison has a very mixed record, and was not a focus of the policy guide.

Savings and payments (private and public transfers) are critical instruments helping poor people manage shocks: strengthening this aspect of the household economy will build resilience. Finding creative ways of introducing insurance services in relation to major individual and collective shocks (like weather related events; but also ill-health and deaths) is a critical new aspect of financial services development in countries where insurance and re-insurance markets are ill-developed. For some risks it may be easier to begin this by aggregators and governments taking out insurance and finding ways of passing on the benefits to customers/citizens. Examples of this would include contract farming companies (rather than or as well as individual farmers) buying weather indexed insurance; a government buying insurance against extreme weather events which enables the government to support citizens affected (Mexico is a major example of this for droughts).

References


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