

WESO 2016: Transforming Jobs to End Poverty

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Productive employment and decent work paramount in achieving the SDGs

- WESO 2016 examines the relationship between employment and poverty reduction and shows that addressing decent work deficits are a necessary condition for ending poverty in all its forms.
- One of the central findings of the Report is that the world has made significant progress in reducing poverty. In 2012, the share of the total population in extreme poverty was just under 15 per cent – down from 46.9 per cent in 1990.



Poverty has reduced in the majority of countries over the past two decades

Poverty rates by country grouping and ILO region, 1990–2012 (percentages)

	Extreme poverty ($< \$1.90$ PPP per capita per day)			Extreme and moderate poverty ($< \$3.10$ PPP per capita per day)			
	1990	2005	2012	1990	2005	2012	2014
Major country groupings							
Total emerging and developing countries	46.9	25.2	14.9	67.2	50.4	36.2	
Middle-income countries	44.7	23.0	12.6	65.2	48.2	33.3	
Low-income countries	69.0	59.2	47.2	86.8	81.9	73.6	
ILO regions (excluding developed countries)							
Africa	52.4	48.3	40.7	71.7	75.0	64.2	
Asia and the Pacific	58.7	25.4	12.2	82.0	54.3	36.2	
Europe and Central Asia	2.5	9.1	3.9	7.7	18.2	11.2	
Latin America and the Caribbean	21.2	10.2	5.9	35.8	21.4	13.0	
Relative poverty line at 60 per cent of median income							
Developed countries (equivalent adult scale) ¹					20.0	20.1	
European Union					16.5	16.8	17.2
United States					23.8	24.6	24.6
Japan					21.7	22.1	
Other developed					20.7	20.3	
Developed countries (per capita) ²						22.0	

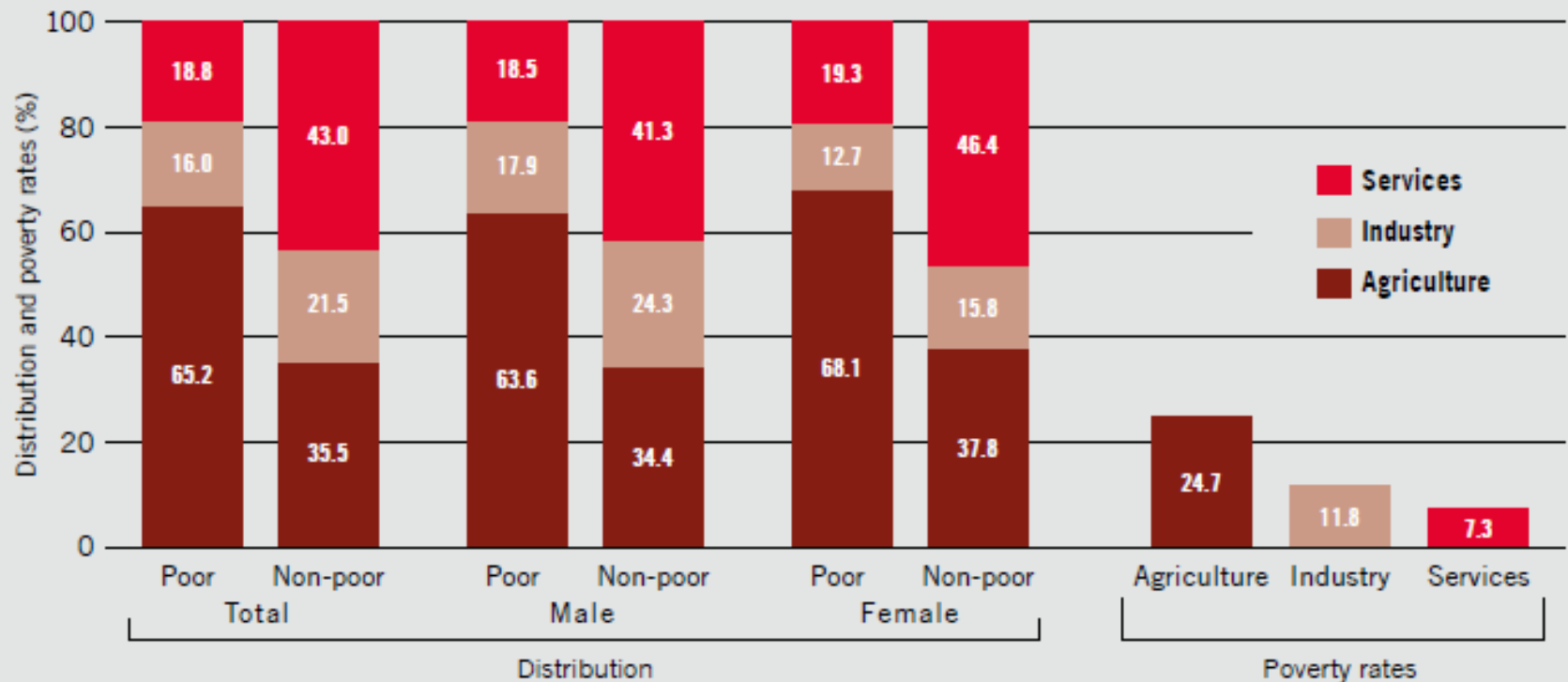
But, the gains have been uneven and fragile, particularly in developed countries

- Poverty reductions have been significant in a number of countries, notably China and much of Latin America.
- However, the incidence of poverty remains stubbornly high in Africa – e.g. 40 per cent of the population continue to live in extreme poverty – and parts of Asia.
- In developed countries, increase in poverty has been recorded in recent years – over 300 million were living in poverty (defined in relative terms).



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)

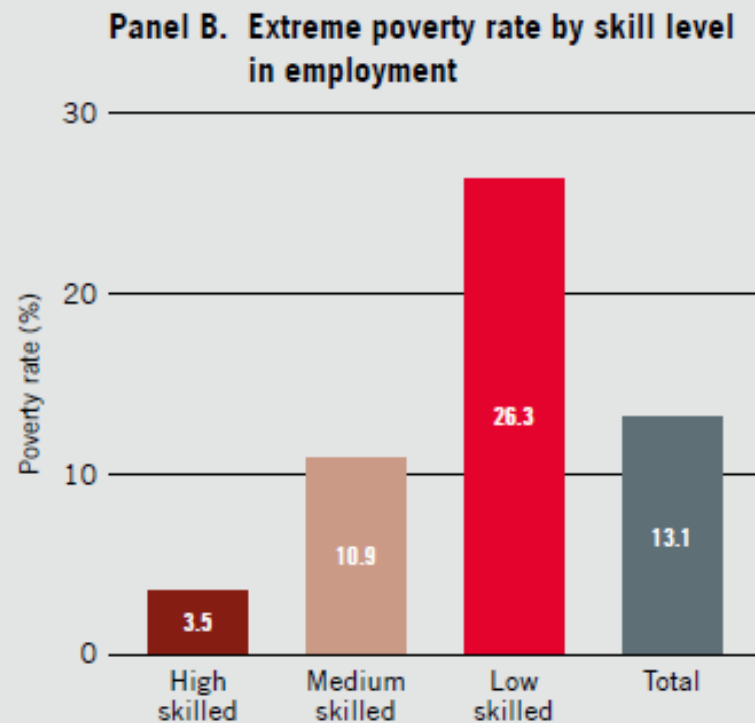
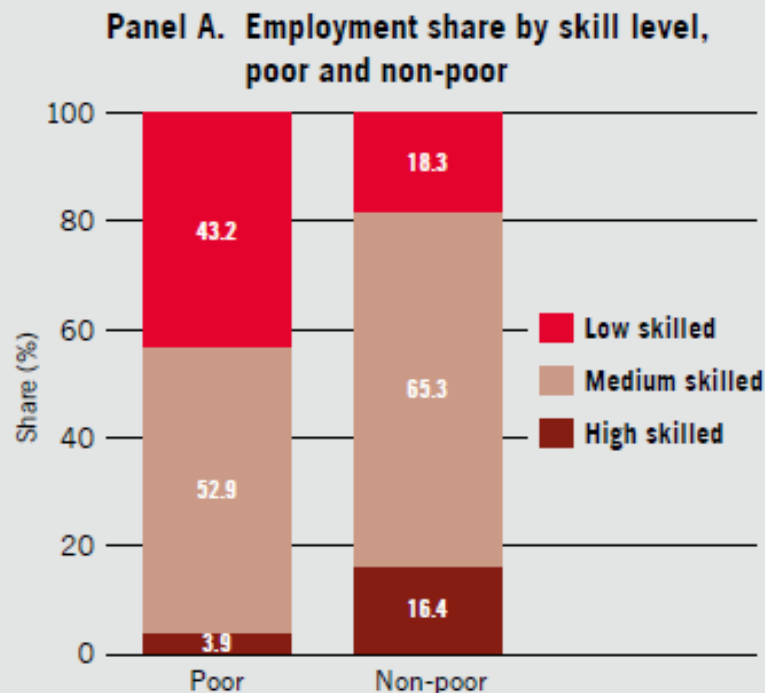


Note: Extreme poverty is defined as per capita income of less than \$1.90 PPP per day. Based on 43 countries (excluding developed countries). See note to table 1B.4 in appendix B for a list of countries.

Source: ILO calculations based on national household survey data.

And the poor are disadvantaged in terms of skilled occupations

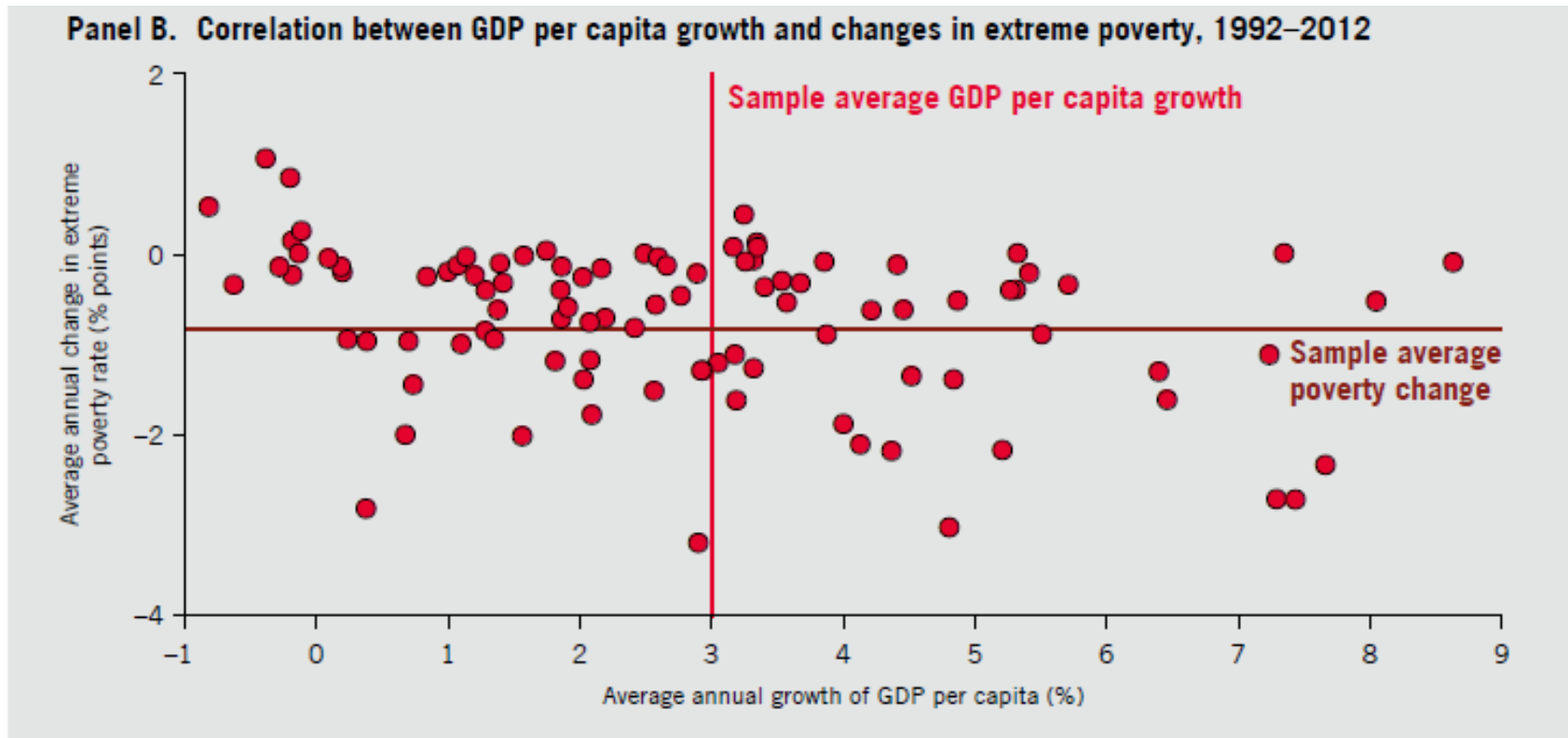
Extreme poverty by skill level in emerging and developing countries, 2012 (percentages)



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.

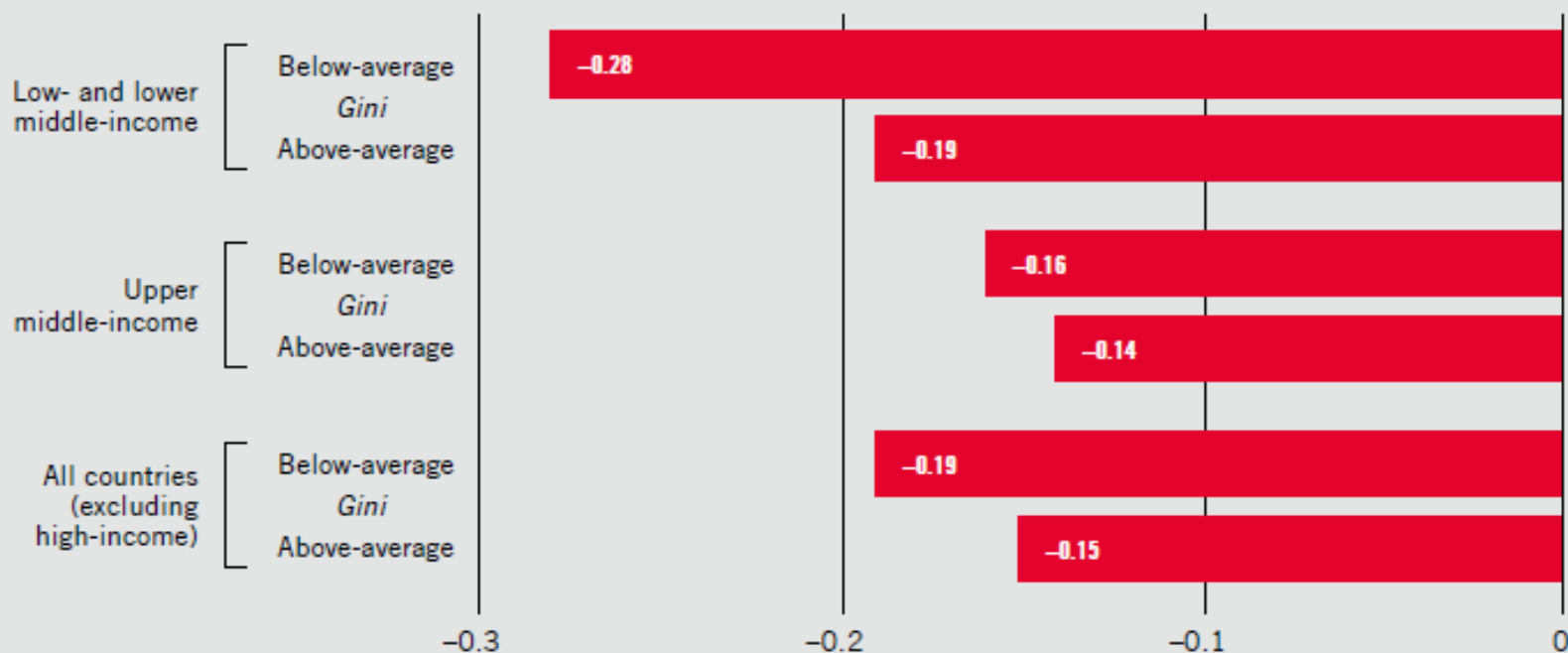
Source: ILO calculations based on household survey data.

Economic growth alone is insufficient to end poverty



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

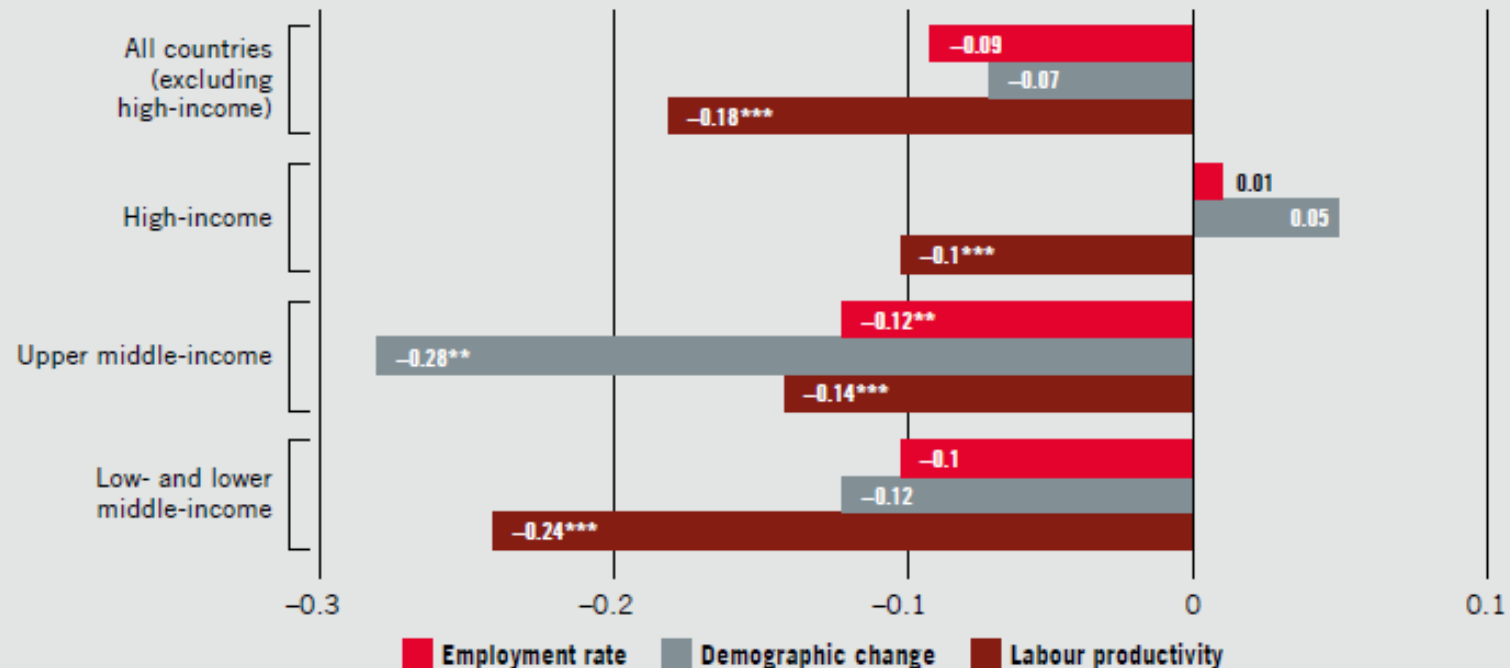


Note: The figure shows the average annual percentage point change in the poverty rate associated with a 1 percentage point change in the average annual GDP per capita growth, separating this effect for countries with a Gini index above the sample average from those below it. Extreme poverty is defined 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.

Source: ILO calculations based on World Bank PovcalNet and World Development Indicators.

While productivity, together with job-friendly growth, is associated with poverty reduction

Decomposing the effect of GDP per capita growth on extreme poverty, 1992–2012 (percentage points)



*Note: The figure presents the average annual percentage point change in the extreme poverty rate associated with a 1 percentage point change in the average annual contribution of each component of GDP per capita growth. The poverty rate for high-income countries is defined as the share of the population with income below 60 per cent of the median, whereas for all the other countries it refers to the share of population with income or consumption below \$1.90 PPP per capita per day (i.e. the extreme poverty rate). ** and *** indicate statistical significance at the 5 per cent and 1 per cent level, respectively. See regression table 3A.3 in appendix A for further details on the regression results.*

Source: ILO calculations based on national household surveys, the ILO Trends Econometric Models, November 2015 and World Bank PovcalNet.

The poor rely less on labour income than non-poor and \$10 trillion is necessary to close the “income gap”

- Poor households depend upon multiple sources of income to meet their consumption and material needs, whereas non-poor households largely rely on labour income.
- Yet, there is significant cross-country heterogeneity regarding the sources of income that households' dependence on.
- The report estimates that to eradicate both extreme and moderate poverty in the next 15 years, around US\$10 trillion is required, translating to an additional redistribution of around 0.16 per cent of total global income per year.

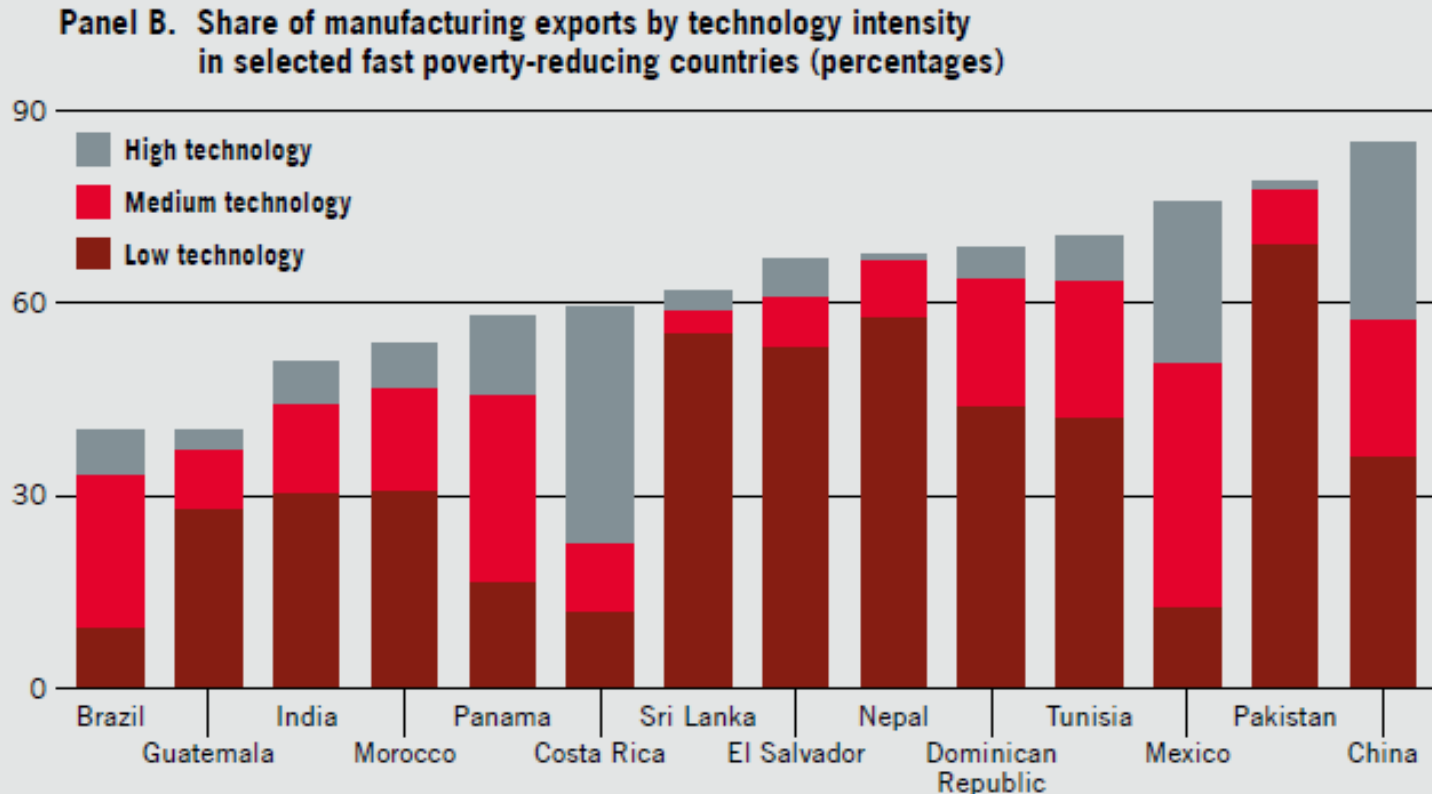


In order to end poverty, there is a need to transform jobs: first, by broadening the productive base

- Countries whose exports depend on natural resources and primary goods have seen the smallest improvements in this regard – exports of primary products (extractive industries) have limited spillover effects on the rest of the economy
- The presence of a large informal and rural economy compounds the problem of the weak link between the exploitation of natural resources and poverty reduction.
- Narrowly based economic growth also exacerbates income inequality, as the benefits are concentrated among small groups of people who are better placed to capture the gains.



Shift towards higher productivity sectors is important for poverty reduction



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.



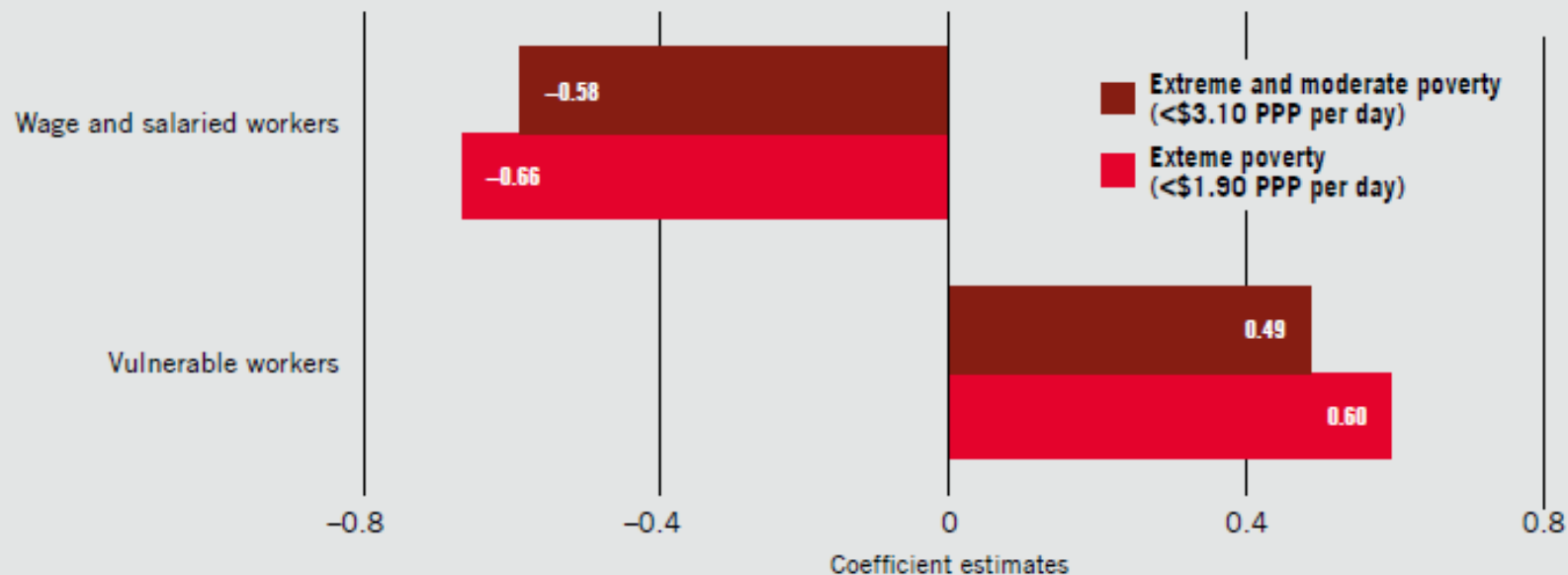
Raising productivity in the agricultural sector and enhancing linkages to markets is also key

- For poor rural households to move out of poverty, they rely on a range of strategies: increased agricultural productivity, improved access to market opportunities, diversification into off-farm businesses and engagement in wage employment.
- Cooperatives can play a major role in supporting smallholder farmers through distribution of improved agricultural inputs, provision of credit and insurance services, and by representing farmers in negotiations with buyers.
- A key policy challenge is how to promote decent work in micro and small enterprises in the rural non-farm economy, while fulfilling their potential to contribute to the reduction of extreme poverty.



Indeed, reducing vulnerable employment is key to ending poverty

Relationship between employment status over time and poverty share over time, 1991–2013



Note: Vulnerable employment includes own-account workers and contributing family workers. This chart displays the coefficient estimates from a regression of poverty against employment status. It shows the effect of a 1 percentage point increase in employment by labour market status on moderate and extreme poverty separately. See regression tables 3B.3–5 in appendix B for further details on the regression results.

Source: ILO Research Department based on the ILO Trends Econometric Models, November 2015.



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

- The report points to gaps in ratification and compliance with some of the most vital Conventions, in both developing and developed countries.
- Coverage of certain workers and enterprises – such as unpaid family work and informal businesses – is limited in a number of cases, with consequent implications for effective poverty reduction.
- It is crucial for poverty reduction to ensure that international labour standards reach the poor. The recently adopted ILO Convention on Domestic Workers (No. 189) is an example of what can be done in this respect.



Including strengthening of labour market institutions, which are key for poverty reduction

- Labour market institutions are an essential complement to international labour standards in terms of reaching the poor. These efforts must be supported through effective labour administrations and inspections.
- Another central channel is through the establishment of an enabling environment for representative employer and worker organizations – freedom of association, which helps to ensure a more effective and inclusive process leading to the achievement of the SDGs.



Third, 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.
- It is imperative to 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.
- Meanwhile, 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.



Concluding Remarks

- Improvements in regulatory and implementation tools and making international trade and investment more socially inclusive with a view to tackling inequalities may be complex tasks, but they do not require significant additional government resources.
- Nevertheless, there are cases where public funds are called for, such as the extension of social protection floors and the reinforcement of labour market institutions. Yet, in many instances, measures can be fiscally neutral or even positive.
- The dynamics within the future of work could prove a major driver in ending poverty and thereby make a vital contribution to the realization of the 2030 Agenda for Sustainable Development.

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