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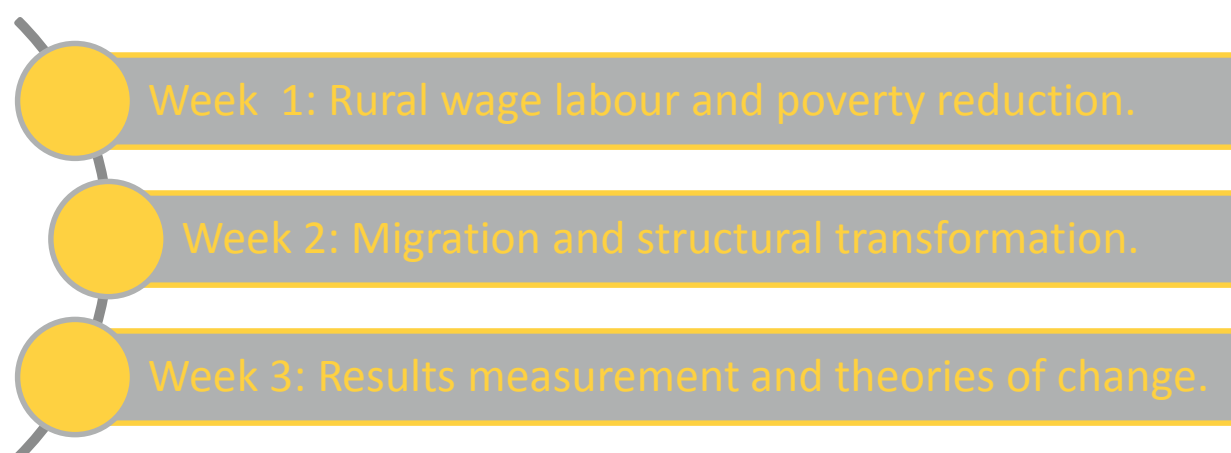
Beyond farmers and > micro-entrepreneurs: Why rural wage labour matters

E-discussion report

August 2015

1. Executive Summary

Recognising the importance of wage work in the income streams and resilience of the poor, the BEAM Exchange and USAID's Leveraging Economic Opportunities (LEO) project¹ organised and hosted an open, online discussion on the links between **wage work, poverty, and market systems development**. The discussion took place in May-June 2015, and brought together 229 participants from 38 countries, including market development practitioners, labour economists, researchers, and technical representatives at donor agencies amongst others. In total, 54 different people contributed nearly 400 posts. The discussion was organised over 3 weeks, each with a different theme as shown below:



This report summarises key takeaways from the discussion organised by week, as follows:

- Recap of priority questions/topics explored each week, with acknowledgements to the facilitator and expert panellists
- Key takeaways
- Core themes, agreements, and debates
- Highlights from participant posts

Implications for programmes: While acknowledging that the topic of labour within market systems development is an area with limited applied practice, the discussion generated a number of findings that can be taken up by market systems development practitioners. These have been organised to loosely align with key phases of the programme design cycle.

Programme design and scoping

- Structural transformation and wage labour provide useful lenses for sector and sub-sector selection during the design phase of a market development programme – especially those looking to expand development impact beyond those who will be able to profitably engage as producers. Understanding the context and stage of transitions in a country's macro-economy could lead to including sectors (e.g. services, information technologies (IT) and manufacturing) which are on the cusp of transformation and key to poverty reduction. Potential for wage work creation and/or improved quality could also be a new criterion for sub-sector selection, whether in a typical agriculture development programme or otherwise.

¹ For more information on the LEO project, visit www.acdivoca.org/leo. For more information on the BEAM Exchange, visit www.beamexchange.org.

- Labour-sensitive value chain analysis can be used to identify the current employment impact of a value chain and where there is the most potential to impact wage workers and the labour market overall. This helps to understand how changes in business practices can support improvements in the amount and conditions of wage work.
- Programmes will gain more accurate information if they complement official statistics (widely acknowledged to under-represent wage work) with specialised research, including their own labour market surveys. Some best practices for tailoring labour market surveys to local realities include using local words for wage work and making sure categories of work make sense in the local context.
- Programmes should pay close attention to different levels of income, land and risk aversion within rural communities, as there may be opportunities to help successful farmers more effectively hire wage workers from within their communities. The model of four subgroups of rural farmers articulated in week 2 of this report (page 11) could be of real value.
- Some key market actors with strategic relevance to wage work can be included in scoping exercises: (1) Labour brokers are a critical leverage point for improving information flow and transparency, especially for migrant workers, but also for women and girls. (2) Key intermediary businesses in agricultural value chains, such as processing and aggregation firms, are a key link between rural supply and urban markets as well as a potential pathway to wage employment when they can grow through hiring rural farmers with less land.

Intervention development and adaptation

- In contexts where the non-farm economy is creating jobs, programmes can facilitate the migration of some rural workers into better employment in cities which should tighten the rural labour market and potentially increase wages.
- Businesses may be more receptive to improving working conditions (i.e. occupational health and safety, benefits, worker rights for bargaining, channels to report ethics violations, wage increases, etc.) when they are combined with interventions that increase productivity, to help offset additional costs and to reframe the improvements as investments in workers as productive assets.
- Market development programmes already working to improve productivity in key firms may want to consider including labour quality interventions to augment existing work. In global supply chains, the link between good labour conditions and business performance is often even more apparent.
- Context will play a major role in the effectiveness of implementation, and applied practice is limited. The LEO evidence review showed no clear cause and effect relationships that can be generalised across contexts.

Results measurement

- The number of full-time equivalent (FTE) jobs created is widely agreed to be the most useful existing indicator for how much work has been created – though there is still much work to be done in educating implementers on how FTE work is calculated and how the numbers should be analysed – along with the limitations of this analysis.
- A wide variety of indicators for better quality work exist, but only a small subset (relevant to the intervention at hand) should be tested to keep the task manageable.
- Indicators for the number of jobs need to be kept in check by qualitative indicators so they don't dominate decision making and block learning within a programme. Systems indicators can provide this balance by looking at the precursors to employment such as

the quality of networks that help match supply and demand of labour. A list of possible system-level indicators for labour markets is shared in Box 5 (page 21).

Background

The e-discussion was launched on the back of an [extensive evidence review](#) on the links between poverty reduction, market development, and wage labour, particularly in sub-Saharan Africa. The review feeds into the learning agenda of the Pathways out of Poverty stream of LEO, which is managed by ACDI/VOCA. A major driver for investigating these linkages is the growing recognition of the important role wage work plays in the income streams and resilience of the poor – especially the poorest of the poor, who often rely on work for the majority of their income, but also for many rural farming families, who complement income from crop sales with on- and off-farm employment.



To access the evidence review and infographic visit www.microlinks.org/LEOwagelabor

The subtitle for the e-discussion ‘beyond farmers and micro-entrepreneurs’ references the overwhelming tendency of donor-funded market development programmes to invest in farming-based poverty reduction strategies, and to define their ‘end beneficiaries’ (or ‘the poor’ in Making Markets Work for the Poor (M4P) approaches) as either farmers or micro-entrepreneurs.

As such, the e-discussion had two aims:

1. To raise attention within the market systems community of the importance of applying the systems framework to labour markets.
2. To put wage workers on the map as a legitimate and differentiated group whose needs, incentives and roles in market systems require specialised focus.



Graphic distribution of e-discussion participants (Source: dGroups)

This summary report is aimed at two main audiences: (1) those who participated in the e-discussion (facilitating, posting or reading), as a one-stop shop for referencing interesting remarks and links to more in-depth resources and examples cited by participants and, 2) a wider audience of market development practitioners, as a meaningful and accessible source of insight and an introduction to wage labour issues.

Given these dual audiences and purposes, the structure of the report will trace the trajectory of the discussion, but leave out significant detail from the back-and-forth debates and exchanges that actually took place. People interested in this level of detail can access the [weekly syntheses](#) on the BEAM Exchange website.

2.Week 1: Rural poverty and wage labour

Key questions:

- What is the link between extreme poverty reduction and wage labour?
- What does research tell us that matters about quality and quantity of wage labour, and in what contexts?
- What are the implications of wage labour issues for programme design?

Facilitator: Bernd Mueller, a labour economist and rural employment expert at the FAO's Decent Rural Employment team and the lead author of the recently-published LEO project evidence review on wage labour and poverty reduction in agricultural economies.

Expert panellists:

- Jake Grover, USAID Bureau for Policy, Planning and Learning
- Deborah Johnston, University of London School of Oriental and African Studies
- James Oehmke, USAID, Bureau for Food Security
- Tim Mahoney, USAID Bureau of Food Security
- Man-Kwun Chan, independent consultant and co-author of evidence review
- Matthias Herr, HELVETAS Swiss Intercooperation

Key takeaways:

- The poorest of the poor often rely heavily on wage work for survival – and as agricultural economies evolve, work will become even more critical. Therefore to address extreme poverty and create an environment where inclusive growth can flourish, development organisations need to increase their attention to wage work and wage workers.
- In-depth analysis can be used to identify wage work at different functions in a given market system or value chain to understand how changes in business practices can support improvements in the amount and conditions of wage work.
- Programmes can learn a lot from paying close attention to the local dynamics of leasing or lending land in relation to temporary migration for work.
- In contexts where the non-farm economy is creating jobs, programmes can facilitate the migration of some rural workers into better employment in cities which should tighten the localised rural labour market and potentially increase wages.
- Businesses may be more receptive to improving working conditions (i.e. occupational health and safety, benefits, worker rights for bargaining, channels to report ethics violations, wage increases, etc.) when they are combined with interventions that increase productivity, to help offset additional costs and to reframe the improvements as investments in workers as productive assets. Facilitating the collective bargaining process is one of the most tangible ways of explicitly supporting wage workers with a 'labour aware' intervention.

Core themes, agreements and debates

1. Wage increases and size of enterprises in relation to productivity and job

creation: *Large, medium and micro enterprises; the role of people management and collective bargaining.*

The discussion explored the relationships between agricultural yields, quality and employment outcomes in different agriculture sectors, and highlighted the need to understand wage workers and their role within the specific market systems. A few participants agreed on the need to reject the assumption that business growth will ‘trickle-down’ to wage workers. Microenterprises were recognised as playing a complementary role to larger businesses in large-scale growth, but most participants thought that these small businesses will never be the primary drivers of economic growth.

2. Impact of structural transformation on rural non-farm wage labour: *Driven by migration, climate change, links to land consolidation; implications for agriculture.*

Particularly for agriculture programmes, it is important to widen the boundaries of the market system to understand how wage workers will shift between sectors in search of work in the non-farm economy. This is increasingly relevant as economies go through structural transformation and farming work opportunities diminish. Participants agreed that the model of beneficiary as solely self-employed smallholder farmer is insufficient for explaining and improving wage labour dynamics and reducing poverty at scale. Numerous people commented on the different incentives for mechanisation, including increased rural wages because of urbanisation, and the complex land sharing arrangements instigated when landowners start migrating to cities for non-farm work.

A major open-ended question was whether agriculture should be reframed as a source of productive supply to the non-farm economy, rather than a direct driver of growth and poverty reduction itself.

3. Examples of what ‘labour aware’ interventions look like: *Tightening supply and demand; systemic approach to labour markets; how to translate strategies across contexts.*

Participants supported the need to integrate ‘labour aware’ interventions in market systems approaches, linking demand-side interventions (anything that creates jobs) with supply-side interventions (skills development, collective bargaining). Labour market tightening (reducing the gap between supply and demand) is recognised as a guiding principle, and reduction of ‘undesired’ labour supply (children or the elderly) is an important means to this end. Multiple programmes that were explicitly engaging wage workers did so by supporting the conditions for collective bargaining by workers.

4. Weak labour market data quality

Current large-scale surveys and national statistics crafted to emphasise inter-country comparability do not reflect the complex reality of wage work. Nuanced, localised approaches to data collection are needed to understand the current situation of wage labour and any future changes. This was discussed further in Week 3 (page 17).

The week at a glance: Highlights from week 1

Work in the non-farm economy

Jeanne Downing of USAID shared an [IFPRI report](#) on rural wages on Bangladesh, which shows that labour migration and urbanization caused significant wage labour shortages for rural agriculture, and so farmers turned to mechanisation to deal with rising labour costs. She highlighted how urbanization was enabled by factors such as the growth of manufacturing and liquidity of financial service markets which are not present in many African economies, notably Ethiopia. **Timothy Mahoney of USAID** questioned whether the Bangladesh results were an anomaly, and whether equivalent data was available in Sub-Saharan Africa. **Bernd Mueller of FAO/LEO** shared an [ODI report](#) showing how substantial wage increases in Asia have led to poverty reduction in rural communities. It presents the optimistic outlook that as low-wage work shifts to Africa there is hope for improved wages and working conditions.

Deborah Johnston of London University shared an example from Uganda where larger tea farmers introduced mechanisation in reaction to strike action from wage workers due to persistently low wages. Her conclusion was that supporting better employment practices is more feasible working through larger farmers rather than a large number of dispersed smallholder employers whose profit margins may be too low to provide decent work. **Jerome Wolgin of USAID-BFS** framed this as the farmers' varying ability to manage large numbers of unskilled labour effectively, which was supported by **Cornelia Flora of Iowa State University**. **Cornelia** emphasised how people management skills can be overlooked as a driver of productivity and efficiency. **Timothy** pointed out that better off households tended to benefit more from non-farm income generation because of their capital and social networks, while poorer households tend to be stuck accessing seasonal and low-skilled wage labour.

Jeremy Chevrier of USAID-Mali argued that structural transformation tends to reduce the viability of smallholder farming, in turn implying a reduction of employment in agriculture, a shift of wage employment to the non-agricultural sectors, and rising agricultural wages. **George Gray of USAID** caveated that this process of increasing non-agricultural employment only happens in the presence of rising investment outside of agriculture, which is not always a given, especially in Africa. **Jeremy** suggested that structural change can be caused by external pressures (policies such as rural minimum wage) or internal pressures for behaviour change (messaging about helping the poorest, working with religious leaders, etc.).

Richard Tinsley of Colorado State University questioned whether migration out of farming implies farm consolidation, and whether this is happening without mechanisation. **Jennifer Bremer of John Hopkins University** suggested that in Africa, population growth is actually driving migration: as plots of land get too small to be worthwhile, people leave for the cities. **Timothy** agreed, contrasting poorer landholders, who are pressured to consolidate in order to avoid their land being fragmented, with wealthier landholders, who might consolidate as a labour reallocation strategy based on expected returns in nearby towns. **Richard** pointed to an example from Thailand, where people were in fact lending their land to people in their social networks to farm for an in-kind fee. This was enabled by mechanisation of land preparation.

What do 'labour aware' interventions look like?

Kristin O'Planick of USAID and **Bernd** hypothesised that 'labour aware' interventions may look very similar to current market systems development efforts, meaning that they partner with enterprises. **Alfred Hamadziripi of World Vision International** articulated one example of what this might look like in skills markets: engaging the private sector through chambers of commerce to understand demand for wage work, and then working with flexible and willing training providers who can adapt their approach to meet specific skills gaps.

Box 1: Example of CARE in Bangladesh

Scott Merrill of CARE shared specific strategies used in Bangladesh where solidarity groups were formed to help women engage in collective bargaining, which ultimately led to 46 per cent wage increases for women and 23 per cent wage increases for men. This influenced neighbouring villages to mimic the collective bargaining processes and achieve similar results. The programme supported increases in farmer productivity, which helped to offset the increased labour costs achieved through wage worker collective bargaining.

Deborah and Jeremy suggested that an oversupply of labour in the Ethiopian coffee sector could be addressed by sending children to school and thus ‘tightening’ the market while also developing the supply of more educated workers in the long term. **Deborah** theorized that in Kenya, lessons from the flower export market show the importance of links to high value niche markets, where visibility of poor practice helped to create real pressure on local labour markets to improve working conditions for wage workers.

Dave Boselie of IDH shared analysis of the Malawian tea sector where the absence of collective bargaining was a key issue. This led to multi-stakeholder platforms which involved smallholders in wage setting processes with government, industry and farmers.

Box 2: Example of HELVETAS in the Balkans

Matthias Herr of HELVETAS shared experiences using the M4P framework on labour markets in the Balkans. On the supply side, HELVETAS has gone beyond education and training by coordinating private sector needs with schools and seen training curricula updated as a result. On the demand side he recommended tweaking sub-sector selection criteria to target wage labour potential, but to expect familiar types of interventions involving partnership with strategic enterprises that have the potential to grow and hire more people. HELVETAS has supported intermediaries such as job portals to develop a business model for partnering with mobile phone companies to include a career service app on every phone sold.

Enterprise size, productivity and job creation

May-Kwun Chan suggested supply of credit to help medium-sized businesses grow could be an effective way to create jobs for wage workers. **Jennifer** pointed out other barriers to mid-sized firm growth such as weak infrastructure and policy challenges that also need addressing. She suggested input-supply clusters as one area of growth for these mid-sized firms. **Carlos Oya of London University** argued for investment in even larger businesses to tighten rural labour markets and generate competition for semi-skilled and unskilled labour.

Alfred challenged the idea of valuing larger firms more than smaller firms, or even for segmenting them based on size. He cited large mobile phone companies in Zimbabwe who have relied on tiny retail vendors for their growth, and argued that micro-enterprises have been crucial as a more resilient form of business throughout the country’s recent financial crises. **Carlos** agreed that microenterprises have a role to play as part of a broader range of coping mechanisms, but argued that they are not sufficient for long term development. **Sam Bbosa** built on Alfred’s point about business relationships between different sizes of enterprises; he emphasised the need to boost smallholder production to supply larger companies. **Simon Winter of Technoserve** agreed with Carlos on the lack of evidence for

microenterprise propelling growth, and highlighted the complexity of unequal power relationships between larger anchor businesses and micro-partners.

Simon proposed three elements for large scale growth that can sustain improved incomes: (1) demand from an end market that is expanding; (2) businesses taking on intermediation roles (aggregation, processing or storage) before all support services have been fully developed; and (3) crop and context-specific models that engage small producers. He pointed out that these context-specific models can cause differentiation within farming communities as larger producers start to employ less successful farmers as wage workers.

Marian Boquiren of the Swiss Agency for Development and Cooperation (SDC) Asia shared learning from research in Myanmar. She triangulated interviews with fish factory employees and reports on the global industry to explain how Myanmar's significantly lower productivity compared to other countries led to lower wages. **Sam** noted how increasing labour costs can discourage smallholders away from certain crops as it eats away at their profits margins, and at the same time how poorer workers can be coerced into accepting low wages because of their dependence on employers during financial emergencies.

Marian shared insights from the palm oil sector where harvesting accounts for significantly more employment than other types of labour in the production process, and so increasing yields (quantity of output) has the best potential for increasing wage work. **Lucho Osorio-Cortes of BEAM Exchange** extended this thought to suggest that perhaps in commodity crops, once a minimum level of quality has been met, yield increases may have the greatest impact on wage labour. **Kristin** contrasted this with examples from the horticulture export sector, where quality improvements required significantly more labour, and thus were a stronger creator of wage work than yield increases.

On financing the cost of agricultural labour, **Dun Grover of ACDI/VOCA** shared the rule of thumb used by some banks, which is to count household labour as farmer contribution, and finance wage labour when lending to farmers. **Anna Garloch of ACDI/VOCA-LEO** expressed interest in hearing about examples of savings product development targeted at casual or migrant workers, while **Terrence Isert of CARE** mentioned evaluations of the social benefits of savings groups.

3.Week 2: Migration and structural transformation

Key questions:

- Where should programmes invest to facilitate poverty reduction through wage work?
- What are the lessons from countries moving away from agrarian-based economies to a greater reliance on wage employment that can be applied to Sub-Saharan Africa?
- What do we know about the links between poverty reduction and the evolution of employment markets?

Facilitator: Louise Fox is a university lecturer and consultant in development economics, specializing in employment and labour markets. Louise had a previous career at the World Bank, and is author of a book on Youth Unemployment in Africa.

Expert panellists:

- Thom Jayne, Michigan State University (African Studies Center)
- Stuart Tibbs, DFID, Economic Development Directorate
- Stephen O’Connell, USAID Chief Economist
- Bruce Byiers, ECDPM
- Vincent Gainey, DFID, Growth and Resilience Department

Key takeaways:

- Programmes should pay close attention to different levels of income, land and risk aversion within rural communities, as there may be opportunities to help successful farmers more effectively hire wage workers from within their communities.
- Labour brokers are a critical leverage point for improving information flow and transparency, especially for migrant workers but also for women and girls.
- Key intermediary businesses such as processing and aggregation are a key link between rural supply and urban markets as well as a potential pathway to wage employment when they can grow through hiring rural farmers with less land.
- Structural transformation and wage labour together provide a new lens to view sector selection during the design phase of a market development programme. This is especially true for programmes looking to expand development impact beyond those people who will be able to profitably engage as producers.

Core themes, agreements and debates

1. Relationship between agricultural productivity and structural transformation.

Market facilitation approaches tend to operate at lower scales (one specific subsector) than macroeconomic policy approaches. There are significant gains to be made from programmes that better recognise the structural transformation context they are operating in, and see the landscape level shifts as opportunities for supporting inclusive growth in new subsectors. Some participants pointed out how agricultural ‘profits’ can potentially be the source of growth finance for urban service sectors, and thus help to accelerate transformation.

Key questions raised included:

- What does the pattern of transformation in a country mean for identifying the sub-sectors and markets that market development projects should focus on?
- What role does agricultural productivity play in driving growth of other sectors, and who benefits from any productivity increases?

2. Differentiating types of rural farmers is crucial to distinguish incentives and capacities for employment, earnings, and exit from agriculture.

Differentiating rural farmers based on farm size, level of output, and dependence on wage labour can help to improve the design of interventions according to their characteristics. Within each of these types of farmers, wage work plays a different role and donors and implementers alike could substantially improve their theories of change by understanding how rural workers shift between the different types. Size and differentiation also matter for businesses and their ability to grow and create employment. Household businesses usually generate employment when they are established but have very limited capacity to create wage employment compared to that of large firms and farms.

3. Migration

When carefully managed, temporary emigration can be an effective policy strategy for developing a workforce, but it can also backfire. Migrant workers tend to have fewer rights and are vulnerable to exploitation. Participants generally acknowledged that urbanisation is a part of development and also helps rural labour markets by tightening markets.

Participants flagged the importance of understanding the impacts of male-dominated migration on women who are often left behind to farm under cultural and social constraints that can make them vulnerable in the absence of their male partners.

There was no clear consensus on the question of whether development interventions can be designed to improve or facilitate migration.

The week at a glance: Highlights from week 2

Migration and rural-urban linkages

Anna highlighted the role of intermediate actors like aggregators and input distributors in linking rural and urban agricultural markets. She suggested that programmes could work with brokers within the migrant labour system to address market information flow and asymmetries, transparency, quality control and other labour dimensions.

Thom Jayne of Michigan State University pointed out the trend in Sub-Saharan Africa of medium-sized farms growing through acquisition of customary lands by urban-based professionals who are effective at navigating local land institutions. **George** backed this up with examples from Ethiopia where smallholder teff farmers rent their land to larger farmers and then look for work in nearby towns.

Louise distinguished between jobs on the extensive (new jobs) and intensive (adding more hours and activities to current livelihood) margins, and how in rural areas there may be more interest on intensive margins. **George** interpreted this in the context of SME development,

highlighting the issue of 'how to be efficient in targeting assistance to potential entrepreneurs on the one hand and potential employees on the other when they superficially appear to be part of a homogeneous group?'

Steve O'Connell of USAID reflected on the worry around out-migration from rural to urban, noting that cities continue to fill up because economic life is more productive there. He highlighted that one option for tightening labour markets in rural areas would be to reduce constraints to temporary external migration, but he acknowledged that such policy could discourage investment using domestic labour.

Deborah noted that the risk of migration across borders can create labour reservoirs, like Lesotho, if there is no structural transformation inside the country. **Louise Fox** pointed out Bangladesh and the Philippines as positive examples where labour has migrated to other countries but ended up strengthening human capital at home through policies and remittances.

Jennifer emphasised that when male workers migrate for work, women are often left behind to head up the farm, but with significant constraints such as having to defer to husbands on key decisions. They may also be restricted in their ability to hire male labour, travel to markets, or even access finance. All of this has significant implications on their farming options, and limited farm management flexibility is 'rarely associated with higher incomes'.

Steve reinforced **Jennifer's** point, recognising that 'economists can tend to start and end with remittances, when the bigger issues at play are family structure, female empowerment, and domestic labour costs'. **Deborah** cited learning from Ethiopia where younger women migrated for work, while older women were confined to local wage markets.

Structural transformation and agricultural productivity

Stuart Tibbs of DFID introduced the [2008 Growth Commission Report](#), which highlights structural transformation, diversification and upgrading as three key aspects of 'high quality growth'. **Lucho** noted that market facilitators could expose market actors to new technologies, production methods and organisational innovations. Specific labour-aware approaches include in-job training, improved vocational training, and better information flow.

Stuart picked up on the need to connect the micro and macro levels of market systems - from interventions up to macroeconomic policy. He positioned market development as more focused on labour-intensive opportunities than policy approaches, but more aware of structural transformations than other sector approaches.

"Sectors' and 'products' don't decide to evolve. They're inert. Farms and firms on the other hand, do decide. So how far can this macro view take us? What's going on at the micro level? And if we understand this can it make choices over policies and projects 'smarter', more specific? Does this take us into the territory of picking winners? How can M4P programming be 'transformative'?" *Stuart Tibbs*

Multiple participants commented on the way that many African economies are shifting from agriculture into services, rather than into manufacturing as other countries have historically done. Participants expressed the importance of understanding what drives growth in service sectors, as these will become the source of non-farm jobs. **Ranil Dissanayake of DFID** expanded on the notion of service sector productivity, but pointed out how the way productivity

is measured can exaggerate service sector growth, with the lay example of ‘the price of a plumber in Silicon Valley’. **Jerome** emphasised the importance of disaggregating ‘services’ to be able to understand which have the best prospects for absorbing wage work at different levels of education and skill.

Ranil highlighted the importance of knowing the source of finance for structural transformation (through rents from agriculture or from resource extraction), as well as a need to promote ‘safe failure’ environments for firms to experiment enough to reach export markets without being constantly bailed out. **Thom** questioned whether resource-rich countries’ primary exports make imports more competitive than local production due to exchange rate pressures, to which **Steve** and **Louise** both countered saying that severe governance and corruption problems are among the core issues discouraging private investment.

Ranil reinforced the point that few economies in history have structurally transformed without a productivity revolution, whether through low productivity workers leaving the sector or through significant changes in production practices. **Thom** questioned whether urban income growth in Africa could be explained as the result of an economic multiplier effect of agricultural productivity growth. **Jeremy** explored the influence of this increasing urban income, noting that higher-valued food such as meat is being consumed more often in both rural and urban areas even by those on the poverty line. **Louise** emphasised the high potential for agro-processing and facilitation of connections with supermarkets and farmers as ways to connect rural agriculture to structural transformation. **Thom** shared the surprising insight from recent research in Zambia, Kenya and Malawi that 2-3 per cent of the urban population controlled 20 per cent of farmland under cultivation. This implies that despite agriculture happening rurally, the additional income was being accrued in urban areas, generating employment there.

‘I’ve seen criteria in M4P projects for ranking potential sectors that, on reflection, risk taking a static look at where opportunities are now for income growth. Maybe better VFM investments lie away from what currently seem easy wins for increasing incomes marginally amongst large numbers of people?’ *Stuart Tibbs*

Differentiating subgroups in rural communities

Thom proposed unpacking the heterogeneous group of smallholder farmers to anticipate how four types or groups would respond in different ways to structural transformation in Sub-Saharan Africa (see Box 3).

Box 3: Distinguishing four groups of rural farmers

1. Larger than five hectares, dynamic and able to leverage opportunities of urban markets.
2. Between one and five hectares, struggling and vulnerable to shocks but making a decent living from agriculture.
3. Chronically food insecure, less than one hectare of land, heavily reliant on poorly paid labour
4. Landless people who depend entirely on wage labour (migrants, footloose labour)

Bernd questioned how we might shift to a differentiated typology of farmers, pointing to structural changes already in motion and the likelihood that groups 1 and 2 will grow and

employ people from groups 3 and 4. **Thom** emphasised the pressures and limited choices faced by people in groups 3 or 4 that limit their ability to pull themselves out of poverty given small land plots with degrading conditions. **Jeremy** proposed a possible model of development where groups 1 and 2 move more substantially into agribusiness, while groups 3 and 4 move into the non-farm economy with some having wage labour roles in agribusinesses.

George's comment provoked an interesting debate and participants challenged the notion that agriculture alone creates many long-term stable jobs. **Ruth** reflected that a 'worrying number of projects don't calculate what it takes to escape poverty' as they are mired in targets that focus on percentage increases in yields and incomes as part of annual work plans.

Richard suggested that those engaged in farming are underfed and overworked, and stuck in a cycle of low productivity that could potentially be broken through strategic mechanization to decrease basic drudgery and energy consumption. **Bernd** looked at multiplier effects of the wage employed driving demand for agriculture

'I suspect that some (many?) development programmes with an agricultural focus are in fact more safety nets. Subsidies and grants designed to 'kick start' adoption of improved technologies are simply staving off destitution while we wait for the economy to develop the capacity to employ people more productively/profitably than they could achieve through their own means.' *George Gray*

produce, as they use their extra income to purchase food they would have otherwise grown themselves, and thus increase demand for agricultural produce.

Simon challenged Richard's notion that subsistence farmers have to become food secure first before they can engage with markets by referencing [Sendhil Mullainathan's research](#) on scarcity. This research concludes that the predictable income flows of wage work would be worth more than just their monetary value because of the mental or psychological security created. **Bernd** agreed that the notion of 'subsistence farming' is flawed and that all farmers engage in markets, selling produce for income and buying a variety of things.

Steve questioned whether participants were giving up on an agricultural productivity revolution in Africa. He pointed out the presumption being made that donors are currently failing to distinguish between high and low potential agricultural areas. **Ruth** emphasised the point that we need to better differentiate rural populations because not all people will escape poverty through farming.

Supply and demand for wage labour

Sam mentioned evidence from Uganda which shows that despite significant skills development training, many young people are still not getting jobs. **Bernd** agreed that more effort is needed on job creation rather than skills development, citing anecdotal trends from Tanzania, where – for example – the media blames lack of skills for youth unemployment. He suggested that the most important aspect of the debate regarding reaching the extreme poor may be how to promote lower skilled, manual labour jobs for the majority of youth who cannot afford vocational or higher-skills training.

Sam supported the point made in **Louise's** [recent book on youth employment in Africa](#) about the need for immediate job creation, but questioned the viability of very small businesses to do so. He cited examples from Kampala where hundreds of retailers sell the same products in the same areas. **Bernard Conilh de Beyssac of SNV** stated his belief in the resilience of family

and micro businesses, as well as his scepticism that formal businesses can be relied on to create enough safe jobs to meet demand. He thought that programmes tend to ignore or are unaware of the numerous small and informal job opportunities – a point **Bernd** saw as consistent with the invisibility of wage labour.

Gender and wage work

Anna shared [a blog post](#) from Bama Athreya, which highlights two major market failures that kept women from participating in labour markets: gender-based violence and asymmetric information. Gender-based violence leads to a fear of harassment on the way to and from work and school, and has led to decreased enrolment at agricultural technical schools.

Asymmetric information refers to poor information flow through a network of informal labour brokers who hold significant power over women entering labour markets. **Anna** highlighted the critical role these brokers play in the case of migrant labour, noting the opportunity to apply market systems principles to improve this function.

'One problem that practitioners face is that many donors do focus on smallholder farming, and yet want us to include the very poor. If we can start to consider more and better wage labour as a measure of success (rather than just yields, sales and hectares under improved technologies, etc.), we will be better positioned to respond to that request.' *Ruth Campbell*

Jennifer suggested that women-only businesses and workplaces are critical for creating employment for women in highly conservative areas or cultures. This takes some of the reputational risk away from young female workers, and in some areas enables women to wear more comfortable clothing when doing manual labour in stifling conditions.

Louise emphasised some of the major strides taken by organisations like BRAC and C-Gap in helping structural transformation translate to more opportunities for women.

4. Week 3: Results measurement and theories of change

Key questions:

- Defining wage work and work creation: What do we mean by work, jobs or employment? How do these concepts differ between urban and rural areas?
- Measuring wage work: What approaches and tools are available to capture the creation of more and/or better work? How are these applied at a programme level?
- Building wage work into theories of change: How do we envision market development programmes creating more and better work? How would a focus on wage workers fit with an existing focus on self-employed (including farmers) and businesses?

Facilitator: Ben Fowler, Principal Consultant at MarketShare Associates who specialises in measurement and evaluation of market development. He has written a number of papers on results measurement, including one of the first efforts to catalogue approaches to measuring job creation at a programme level.

Expert panellists:

- Carlos Oya, London University School of African and Oriental Studies
- Melissa Patsalides, USAID Learning Evaluation and Research
- Anastasia de Santos, USAID/E3
- Merten Sievers, ILO Small Enterprise Unit
- Patrick Sommerville, LINC
- Tatiana Pulido, USAID Bureau for Food Security

Key takeaways

- The number of full-time equivalent (FTE) jobs created is widely agreed to be the most useful existing indicator for how much work has been created. However, there is still much work to be done in educating implementers on how FTE work is calculated and how the numbers should be analysed – along with the limitations of this analysis.
- A wide variety of indicators for better quality work exist, but only a small subset relevant to the intervention at hand should be tested to keep the task manageable.
- Indicators for the number of jobs need to be kept in check by qualitative indicators so they don't dominate decision making and block learning within a programme. Systems indicators can provide balance by looking at the precursors to employment such as the quality of networks that help match supply and demand of labour.
- Labour market surveys are much more accurate when closely tailored to local realities by using local words for wage work and making sure wage categories make sense in the local context.

Core themes

1. Definitions for work, jobs and employment are critical to results measurement of rural wage labour.

Donor and implementer methodologies for defining and measuring jobs can vary significantly and, in the process, cause angst and skewed incentives for programmes. Going above and beyond the universal indicator for 'number of jobs' is critical to a more nuanced understanding of labour markets, especially when it comes to wage labour which tends to be informal, seasonal and harder to measure. Granular definitions of work, reflecting number of days worked, or expressed as full-time equivalent (FTE), are more helpful in understanding wage labour than employment rates. The FTE measure can help clarify whether additional work is being added at the intensive (more work, same job) or extensive (switching jobs) margins. Participants asked to what extent donor requirements for specific outcomes for wage workers might hinder the ability of programmes to focus on systemic interventions.

2. Assumptions about the relationship between wage labour, productivity and returns to labour in the context of employer-labourer power dynamics should be tested.

FTE measures alone fail to explain productivity and returns to labour. This is where the difference between someone having the means of production (self-employed) rather than being a wage worker becomes crucial, as factors like power dynamics play a significant role in determining whether productivity increases translate into any improvements in wages or working conditions. Power also plays a role in accurately learning about worker experiences, as sometimes workers do not have adequate enabling conditions to speak up about issues. Programmes need to learn about the specific factors (wage rate, stability of income) that are most important to workers in a given context, and how can they be achieved without negatively impacting business competitiveness or the number of jobs available.

3. Broadening the results measurement framework can bring depth and rigour to market systems programmes.

Combinations of measures and indicators at both the wider labour market system and the specific wage worker level can together provide a fuller picture of both the drivers of employment and its current status. Some systemic indicators proposed during the discussion included: improved generation and use of labour market information; improved practices of training institutions; modification of social norms. People wondered which of the new indicators proposed are cost effective to measure annually by an implementing partner on a limited M&E budget.

The week at a glance: Highlights from week 2

Defining wage work: How do you define work, jobs or employment?

Matt Ripley of ILO noted that FTE job metrics (240 work-days per year equals one job) enable comparison of work across contexts. However, these metrics alone do not tell us much about the type of job, its quality, remuneration, etc. He compared this to employment metrics (doing at least some work in a given period) which reveal little about changes in the amount of work an individual does.

Kristin shared past experience of USAID letting project implementers define jobs for themselves, which caused consistency problems and at times created ‘angst between implementers who felt they were unfairly having their results compared’. She thought that focusing on ‘work’ could help the definition become more granular but also harder to measure. **Eileen Hoffman of Chemonics** reflected on the challenges with differentiating labour categories or job types, and whether new work displaced other work for beneficiaries. **Tatiana Pulido of USAID** noted that USAID Feed the Future currently uses FTE to measure ‘number of jobs created’ but distinguishing between gender and duration (new and continuing work) to avoid double counting. She shared resources on household level breakdown of workload done using the [Women’s Empowerment in Agriculture Index](#). **Richard** shared a few other tricky considerations for defining jobs: in-kind payments for work; opportunity costs for farmers working on other people’s farms; and duration of a working day.

Ben Fowler shared [a DCED report](#) on job and employment definitions across agencies. He highlighted a few other aspects to consider when defining jobs: (1) Is the job sustainable or temporary? (2) Is the job for target beneficiaries or anyone else? **Tara Noronha of MercyCorps** shared MercyCorps’ definition for employment, chosen to fit the highly informal labour networks present in fragile contexts where they work:

Box 4: Mercy Corps definitions of employment

- **Employability:** set of skills that increase a worker’s ability to secure and retain a job.
- **Employment:** labour arrangements that generate income in exchange for a service.
- **Full-Time Employment:** ongoing employment with a minimum number of hours.
- **Part-Time Employment:** ongoing but less than typical/average/normal for context.
- **Seasonal Employment:** timing/duration affected significantly by seasonal factors.
- **Not Employment:** cash-for-work (provided by NGOs); provision of tools and inputs.

Anastasia de Santos of USAID supported the MercyCorps definition’s emphasis on employment (over jobs) for acknowledging the complexity of multiple streams of income to emerge, while **Louise** challenged the definition’s explicit use of ‘labour arrangements’ because it excludes self-employment and risks missing out on household dynamics around non-economic activities. She shared an alternative definition of employment as ‘activities that generate actual or imputed income, monetary or in kind, formal or informal’ taken from the [2013 World Development Report on Jobs](#). **Dan White of ACDI/VOCA** emphasised the important reality of multiple streams of income by sharing a case study from Zambia where 82 per cent of smallholders surveyed over a 10-year period say they used multiple forms of income to purchase agricultural inputs.

Lucho proposed caveats for when jobs created can be a ‘good enough’ indicator of structural changes in market systems: (1) when it doesn’t alienate team members because of computational complexity; (2) when it doesn’t emphasise box-ticking, data entering and number crunching at the expense of critical thinking, adaptive management and intuition; (3) when it is used alongside other indicators that detect deeper structural changes in such systems.

Ben noted that defining jobs in terms of FTE still fails to capture changes in productivity. He proposed two approaches to get around this: (1) adding complementary measures/indicators; and, (2) combining multiple factors into a single measure such as ‘living wage’ with its various definitions. **Anastasia** cautioned that increased worker productivity may not translate into increased income; this depends on power dynamics with employers.

Carlos and **Louise** made the point that unemployment is a very ineffective measure in low income rural contexts without functioning social protection systems, as the poor are always earning some amount of income, even if it is in kind and very low.

Measuring wage work: Approaches to capture the creation of more or better work

Carlos and **Bernd** cautioned some self-employed jobs are actually disguised forms of wage labour, giving the example of street vendors who do not have the capital to buy their own stock of goods, so they end up selling on behalf of a larger business, making sales commission on a per-item basis. The discussion turned to statistical problems with labour-market data which can hide or distort the reality of rural wage employment. **Jerome, Jeremy** and **Carlos** weighed the strength of evidence in a [recent World Bank report](#), and warned about the tendency of household data to underreport wage labour.

Carlos argued that rural employment data collection problems stem from a lack of detailed employment modules at a household level, and high-frequency collection requirements which bind data collectors to focus on formally registered enterprises. **Sam** claimed that the problem was underpaid data collectors with low levels of motivation and technical capacity. He also emphasised the challenge of converting some in kind forms of payment for wage work into monetary units.

Deborah shared [a paper on urban informal employment in Tanzania](#) that showed the country had more wage employment than predicted by official statistics, particularly in the transport sector. The paper gave concrete suggestions on improving data collection, such as paying particular attention to local words used to describe wage work and identifying labour categories that make sense to respondents, rather than sticking to pre-defined categories.

Matt talked about two approaches to measurement: (1) Thresholds: defining what makes a 'decent' job in a given context and then measuring whether jobs created meet the threshold; and, (2) Exclusions: leaving out from your count jobs that are clearly not decent work (e.g. unsafe conditions). Both approaches set the bar too high, resulting in very low numbers for 'decent jobs'.

'If an intervention is focusing on the quality of jobs, it should select a few indicators for some aspects of decent work, and track and measure these. It won't constitute a 'decent' job, per se, but will give a sense of an incremental improvement in the 'decency' of work.'
Matt Ripley on ILO's VCD guidance on practice decent work measurement

Anna proposed a set of indicators for changes in labour market systems, which was later added to by **Ben** and **Lucho**, and is displayed in Box 5.

Box 5: Indicators of labour market systems change

1. Job creation
2. Improved access by vulnerable groups
3. Improved market information
4. Institutional capacity
5. Policies that influence investment
6. Expanded networks
7. Changes in labour supply-demand gap
8. Worker ability to find new work opportunities when desired
9. Improved generation and use of labour market information
10. Improved practices and curricula of training institutions
11. Changing social norms around women's work

Lucho shared two examples of Practical Action which progress is measured using some of the indicators presented in the box above: (1) a programme in Nepal called Rojgari which started a job information portal targeting the rural population, helping unemployed youth learn about openings, and helping employers find information about skilled workers; and (2) a programme in Peru called Estamos Listos that promoted legislation changes around land transfer and worked with training institutions to certify young people as technical service providers for farmers.

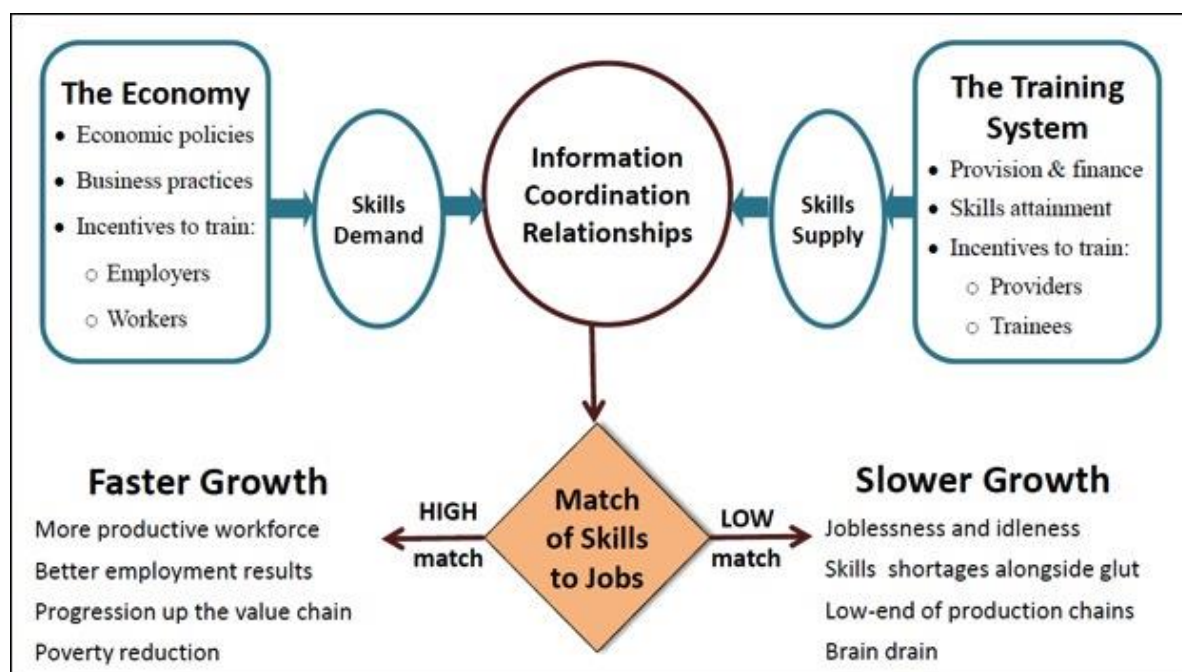
For indicators of change at the wage worker level, **Kristin** proposed to let the workers contribute to the definition of decent work according to their perceptions and reality. **Eileen** applauded the USAID introduction of exactly this type of indicator for better employment that includes the participant's perception in this measurement. **Bama Athreya of USAID** referenced ILO's [Giving a Voice to Rural Workers](#) conference, to point out the problems associated with asking workers about the decency of their work if they are in contexts that hamper their ability to speak up, which can be particularly relevant in the case of migrant workers.

Bama shared a research project which focuses on quality and quantity of jobs called the [JustJobs Index](#). The indicators for quality of work include appropriate social protection, protection of the right to organise and bargain collectively, access to health care, and presence of government institutions that help workers adjust to labour market changes. **Bama** flagged India as a place to look for ideas on social protection for casual workers, such as attempts to formalise street vendors to provide better support.

Box 6: Organisational network analysis in Nicaragua

Patrick Sommerville of LINC shared [a robust example](#) on the use of organisational network analysis in Nicaragua to understand the structure of workforce development networks. The programme used a set of 10 'functional roles' in a workforce development system using a typology developed by RTI International, which enables assessment of which core functions are being fulfilled and the degree to which they are efficiently matching labour supply and demand. He shared [a World Bank resource](#) on systems approaches for better educational results, pictured below. Patrick shared a hypothetical before and after scenario for the work in Nicaragua which to date has only involved the baseline 'snapshot' network analysis:

- Baseline: diffuse network relations, presence of cliques and weak reciprocity.
- Programme strategies: engaging business associations to diversify services and promoting balanced relations across the network, especially for central actors.
- Hypothetical changes to network: increased density, greater number of ties and decreased distance between ties in the network.



World Bank Framework: Systems Approaches for Better Education Results (SABER)

Merten Sievers of ILO shared [a brief update](#) from the ILO's International Labour Conference on the issue of measuring jobs and their decency, noting the key finding that there is not enough data about the quality of workers in SMEs overall, and the situation is worse in rural areas. Louise and Carlos both called for better and more systematic data on rural wages, recognising that smaller-scale focused surveys may be a good start, but that significant changes to national data collection efforts were needed: Carlos argued the need for data on three dimensions: (1) number of effective work-days in a 12-month period, (2) returns (income) for those days, and (3) conditions of those jobs (decent work indicators, etc.). He proposed that any pro-poor strategy must do two things: (1) reduce irregularity and uncertainty over access to work, (2) improve returns to labour. Anna suggested location specific

work/crop calendars as one tangible tool for visualising periods of irregularity and thinking beyond agriculture and understanding crop inlay/outlays and wage inlays/outlays.

Box 7: Example of Katalyst in Bangladesh

Mohammad Muaz Jalil of Swisscontact shared experiences measuring indirect impact on jobs in Bangladesh as part of the Katalyst programme which focused on FTE as the indicator of jobs created. He described the bottom-up approach to understanding how many jobs were created (secondary sources plus household surveys for triangulation) as well as the top-down estimates using GDP multipliers. He noted that although no changes in wages were observed, they did find that in the Char areas poor wage workers were electing to stay and work on maize farms on remote islands rather than migrating to the mainland, which they took to signal a perceived value of the wage work. Muaz also noted an interesting result that as land under cultivation increased, so did the productivity of labour up until a key threshold, beyond which productivity stabilised and more labour was required.

Lucho acknowledged the data challenges mentioned previously, and suggested that we must strike a balance between costs of information gathering and processing, technical complexity, and the programme team's knowledge, experience and time availability. **Tatiana** emphasised the need to clarify the use and benefit of casual labour data for programming.

Theories of change and donor influences

Bernd addressed the misconception that focusing on decent work will cause a reduction in the number of jobs. He cited the findings of the [LEO stocktaking paper](#) that showed the relationship is complicated: improving many different forms of working conditions (safety, stability, number of hours, etc.) were in many contexts correlated with higher productivity, especially when multiple forms of working conditions were improved simultaneously. While increasing wages necessarily increases labour costs, there are many ways to combine wage increases with improving management practices in ways that balance out the bottom-line impact for firms. Bernd noted that job security and stability were most important to workers, but were the most likely factor to hinder business competitiveness.

Anastasia shared the World Bank's [Jobs Diagnostic](#) as an overarching results measurement framework, but emphasised that the causal logic would differ by country and context. **Ben** reflected on how donors can inadvertently push market development programmes to adopt less systemic heavy-handed intervention and systemic approaches. He advocated for carefully designed programme interventions by demanding to see results against specific targets, such as vulnerable groups gaining employment. Since programmes lack control over that outcome, they can end up undertaking more targeted activities which reach the desired beneficiaries but compromise the systemic nature of interventions. **Scott** challenged the implied 'either-or' proposition between with separate interventions, using the example of a programme in Afghanistan which had two separate teams, one training farmers and the other facilitating more systemic interventions.

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