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# Enhancing rural labour productivity: reaching the rural poor<sup>2</sup>

Donors are increasingly interested in agricultural growth and economic development. The persistence of poverty in rural areas and the role of agriculture in climate change and food security, has renewed interest in smallholder and family farming for development solutions (DFID, 2004; FAO, 2014; IFAD 2011). However, there is little empirical evidence that agricultural development interventions have had a sustainable impact on the poorest rural households.

## Who are the rural poor?

'The rural poor' are not a stable group of people easily captured by a generic categorization (OECD, 2006); poverty can be inherited, or vulnerable people can move in and out of poverty several times during their lives. Moreover, whilst many studies define poverty solely by levels of income or assets, resilience, agency and political influence are equally important. Few studies seek to understand the pathways out of, or into poverty and all the factors and mechanisms that come into play (e.g. Christiansen et al. 2013 on rural non-farm economy; de Weerd, 2009 on diversification).

So whilst many donors are committed to support those affected by poverty in rural areas (Pinder and Wood, 2003; IFAD, 2009), the most vulnerable still remain beyond the reach of most agricultural interventions. Some argue that humanitarian support or overall social protection programmes implemented by government would be more beneficial for the poorest households (IFAD, 2009; FAO, 2015). We propose that rural development and agriculture interventions can

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<sup>2</sup> This paper is based on a systematic literature review and an analysis of six SNV, KIT and VECO case studies.



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have a significant impact as long as we understand the contexts affecting the livelihoods of the rural poor and their relations with better-off households.

For instance, the highest rates of rural poverty are found in remote and economically marginal areas (IFAD 2011). These are generally landlocked territories and are typically characterized by: harsh natural conditions and an unfavourable natural resource base; limited public investment; poor infrastructure; weak state and market institutions - or institutions and policies that exclude women and groups such as pastoralists, forest people; groups which also face political isolation. All these factors result in higher risks relating to income security and employment for poor rural people.

## Key messages

- ▶ **'Smallholders' are not a uniform, static category.** Understanding the strategies of the rural poor and the contexts that result in chronic poverty, or escaping it, has to precede the design of agricultural interventions.
- ▶ **Conventional agronomic interventions**, which focus on raising land productivity through intensification, **often exclude the poorest households** in rural areas.
- ▶ **Diversification** (income from multiple sources on farm and off-farm) is key to reducing vulnerability and supporting upward mobility.
- ▶ Risk reduction is essential in household strategies and is complementary to diversification.
- ▶ Rural poor depend economically on the demand for their labour.
- ▶ Optimizing labour productivity can help the poorest households move out of poverty. This is achieved through several interventions:
  - **Agronomy for the poor** promotes food and nutrition security through diversification of nutritious food crops for household consumption while minimizing farming labour input.
  - **Stimulate non-farm economies** in rural areas to increase regional labour demand and income opportunities.
  - **Promote vocational training to enhance skills** (linked to the demand of the non-farm sector).
  - Advocate for better **wage and labour conditions** for the rural poor.

Poorer rural households also generally have few work opportunities, lower levels of education, and less access to land, running water and electricity compared with better-off ones (IFAD, 2011). Poor rural households also derive the largest proportion of their incomes from subsistence farming and low wage agricultural labour. Access to non-agricultural labour and higher wages is largely dependent on higher levels of education and social networks.

In addition, it is fundamental to understand the roles of men and women within and between households and communities: in terms of workloads and the share of reproductive activities, responsibility and risk sharing between men and women, old and young, or in utilization of revenues or food, and where the needs of women may come last in priority in household management.

For the poorest segments of smallholder households, labour often provides the main productive asset that smallholder households can mobilize for generating income besides land. However, as demand for labour is often seasonal, income generation is highly volatile and uncertain. Food production also remains marginal due to low input use and as a result of off-farm labour competing with the required investment in food crops and livestock for the household.

## Why have conventional agricultural interventions failed to reduce rural poverty?

Even targeted agricultural interventions have had little direct effects on improving livelihoods of the rural poor and have failed to enable households to escape poverty. Some of the reasons we have identified include:

### Too focused on increasing productivity

Increasing agricultural productivity using improved technologies and practices does not impact on the poorest rural households. Although new crop varieties and plant and soil fertility management, for example, can result in higher yields, these often require capital investment, labour input and land, which are assets that are unequally divided amongst farming households.

### Failure to consider beneficiary demographics

Technological innovations may not be discriminative with the regard to the scale of farming but they are rarely resource-neutral and presume at least a minimal access to productive assets. Studies show that relatively better-off smallholder households benefit more as they are more able, and therefore more likely to adopt new technologies and practices and make productive use of them.

### Not addressing land constraints and land rights

Whilst land is a key asset for rural households, insecure or unclear land rights constrain investment in land, and the ability to use it as collateral for loans. The importance of land ownership goes far beyond financial value: land tenure secures household income in imperfect labour markets and acts as a safety net (World Bank, 2010; Carter, 2003). Whether securing land rights and land reforms are effective in reducing poverty depends on local contexts, the enforcement of institutional decisions and supporting policies. Even if rural smallholders have the resources, there are associated risks of investing in agriculture, for instance fluctuations in climatic conditions, pest and disease outbreaks, and market volatility.



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### **Promoting mechanisms to escape poverty**

Based on our extensive literature research and case studies, we conclude that the following factors play a key role in allowing the rural poor to escape poverty:

#### ***Agronomy for the poor***

- Agronomic interventions for the rural poor should focus on household consumption and contribute to improving food resilience and household nutrition (e.g. more diverse cropping and year-round food supply by home production). This could be achieved through the selection of crop varieties, livestock species and of crop-livestock associations that support these production and food security goals and are capable of producing well under unfavourable conditions, whilst reducing labour input. As a consequence, in the case of poor households, their consumption needs and resource constraints define the agronomic interventions, not market demands. In addition, by increasing the nutritional output per unit of labour, household labour can be freed up and reallocated to other income generating activities.

#### ***Opportunities for diversification***

- Diversification is a key livelihood strategy for smallholder households: people engage in multiple kinds of work and 80-90% of rural households are engaged in off-farm activities (Mueller and Chan, 2015).
- Whilst agriculture is a critical factor in supporting upward mobility, non-farm activities including accumulation of assets (for example, housing, land and livestock), salaried employment and marrying into wealthier families are most effective at moving people out of poverty (Higgins, 2011).
- Diversification can be triggered by either need or opportunity. Poor households are typically 'pushed' into cash crops without analyzing the opportunity costs or into low-return labour migration due to land pressures, tenure insecurity, low productivity and food shortages or other shocks, while others, normally with higher skill and educational levels, are 'pulled' by the better paid employment opportunities in the non-farm economy (Jayne et al., 2010; Lay et al., 2008). Developing rural economies, diversifying income activities (at household as well as local level), and increasing connections with regional hubs seem to be key processes that successfully allow people to move out of poverty. The rural poor benefit most from opportunities in non-farm activities when these are created within their localities rather than in urban centres.

#### ***Local economic development***

- Promoting off-farm employment, which includes in nearby towns and economic hubs, is a more sound option to address poverty than promoting a 'green revolution' in the liberalized agricultural market context of sub-Saharan Africa (Ellis, 2009). Drawing together the results of discussions with 60,000 rural people in 15 countries across the developing world, the World Bank-sponsored "Moving out of Poverty" study highlights the importance of economic growth to create opportunities for people to move out of poverty, but notes that access to those opportunities is far from equal, and there are wide differences among localities (Narayan et al, 2009). This study also stresses the importance of local economic opportunities and the quality of decisions and enforcement by local governments.
- Other evidence indicates that connectedness in terms of infrastructure, is an important driver out of poverty, where better-connected villages have more opportunities. This suggests that regional urbanization is more effective in alleviating rural poverty than development of existing urban areas. Additionally, road investments are important to connect rural households to agricultural markets as well as to income opportunities within the rural non-farm sector.





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### **Labour availability and employment**

- As poorer households face imperfect working conditions (limited access to capital, equipment, formal education, and variable cash flows), seizing various labour opportunities offered by direct but also distant markets remains the most viable strategy for gaining revenues. This can include: providing seasonal labour within the farm community; non-farm employment; temporal migration to labour-intensive industries; and farm production, predominantly for home consumption.
- Interventions should be more aware of poor households' capacity to realize consumption and income targets. Labour investment in crops and/or livestock is a function of the wider labour force planning and work division, of men and women, young and old, and of opportunities, on- and off-farm.
- Spatial mobility (e.g. young men seeking temporary employment in mining activities elsewhere) and seasonality, such as livestock herders or young people seeking temporal employment in mining, plantations or urban households, are both important factors to take into account.
- Secondary and vocational education is considered by many as the key to better paid employment – which can be a route out of poverty. Finding ways to increase access to secondary and vocational education – through bursaries, lowered fees and more schools (which would lower transport and accommodation costs) would, in the short-term, increase access to post-primary education.

### **Better labour conditions of the rural poor**

- Most jobs that poorer people can access do not offer agreeable working conditions, and development programs can and should contribute greatly to improving them.
- Other important areas for interventions are the reduction of health and safety risks, and general improvements in work-related social protection coverage (e.g. maternity benefits, severance pay, company pensions and health insurance schemes).
- Sectors where product quality is important, or that target high-end market segments, have potential for better working conditions and higher productivity. Also, sectors dominated by larger employers, who can take on fixed costs of investing in better working conditions have a greater potential to create more and better jobs (LEO, 2015)

## Evidence from SNV, KIT and VECO case studies

We have identified the following seven lessons from successful SNV, KIT and VECO interventions on labour productivity:

- 1 Understanding poor households should be our starting point – not enhancing agricultural production, nor promoting commodity trade.** Any intervention targeting the rural poor should be preceded by comprehensive inter- and intra-household analyses of labour “What is the need for labour and for whom, now and in the future?” with all options included (family and wage labour in agriculture, off-farm labour, petty trade and temporary employment).
- 2 Consider different options of risk reducing interventions, such as establishing temporal safety nets, enhancing labour demand throughout the year, and diversifying sources of income,** including dimensions of (spatial) mobility and seasonality. Market and public institutions co-shape (sustain or obstruct) these strategies and opportunities, and it should be assessed what is politically feasible in imperfect conditions where interests can be conflicting – don’t externalize interventions to opaque terms such as “policymaking” or “enabling environment”.
- 3 Quality and remuneration of labour are important areas for intervention,** which can be achieved through enhancing the capacity and organization of the poorest. It should be noted that self-employed, off-farm activities through micro-enterprises are less likely to create feasible options for the poor, as the rural poor often do not have access to the required capital, social network and skills.
- 4 Enhance daily or seasonal revenue generation of the poor.** This can be achieved through introducing technologies or equipment that increase the financial return from labour or by developing skills that are better remunerated.
- 5 Developing youths’ skills and competencies is needed** in order to enable youth to seize labour market opportunities.
- 6 Take into account structural interdependency between households and gender.** Poor people often sell their labour to wealthier households, or offer it to them in exchange for goods or inputs for their own farms or herds. The richer households succeed in farming by their access to temporary, often seasonal labour forces in key periods of production, storage or processing. If labour is a limiting factor (especially for weeding, or harvest), a new practice and technology will only be adopted when they do not increase workload and/or labour can be procured elsewhere.
- 7 Interventions and design should not only be oriented towards heads of households,** whose potential depend on the availability and division of labour (men/women, elders/youth) within the household. Interventions should also take into account the needs of young men and women within households.

## Concluding remarks

Whilst effectively reaching the rural poor remains challenging, addressing the neglect of the rural non-farm economy in many countries is critical, feasible and within the reach of policymakers.

Agricultural interventions still have an important role to play in poverty alleviation. However, in addition to raising productivity through intensification, more attention needs to be given to research and development of agronomy for the poor, which means more attention to nutritious food production that provides a high nutritional return from labour for households with limited resources. This approach requires a shift from land productivity of single products, to labour productivity of a household, and from staple crops to a combination of diverse food crops and livestock products that contribute to nutritious diets.



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In addition, potential for labour-intensive production and employment adapted to labour availability and skills in poor households that increases employment opportunities should guide the selection process of any target industry, sector or intervention. Labour-intensive subsectors which create manual jobs within agriculture, such as horticulture and export crops, and agro-processing or -tourism, and subsectors that require very specific skills, such as pastoralism or manufacturing, are particularly favourable niches for the rural poor. Interventions which recognize and promote linkages between sectors ensure greater labour impact for the economy as a whole. For instance, increased wage incomes in one sector can lead to increased remittances and investments in other sectors (such as agriculture), and thus a more profitable labour market effect in the wider economy (LEO, 2015). It is crucial to recognize inter-dependency: as much as the poor have to sell their labour, wealthier farming households need temporary labour forces for the survival of their farms and herds.

The growing non-farm economy is also a particularly vital source of opportunities for today's rural youth. However, this sector is often neglected by policymakers because of urban bias, institutional fragmentation, and the weak 'voice' of rural labourers and small entrepreneurs. While all these factors continue to hinder greater attention to the development of comprehensive agendas around the rural non-farm economy, addressing them is feasible. For instance, urban bias can be harnessed by extending the reach of urban services, such as business development services, to small towns and their hinterlands. Institutional fragmentation can be managed by setting up lead agencies to focus on the rural non-farm economy.

Finally, the collective capabilities of the rural poor can be developed through policies and institutions that contribute to their organization, which can enhance their access to services, and improve work standards.

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