

**Rural wage employment in Rwanda and Ethiopia:
A review of the current policy neglect
and a framework to begin addressing it**

Working Paper No. 103

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International Labour Office
Geneva**

May 2011

Working papers are preliminary documents circulated
to stimulate discussion and obtain comments

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I would like to thank Malte Luebker, Tite Habiyakare, and Carlos Oya for their constructive criticisms to earlier drafts of this report, Malte Luebker also provided outstanding editorial support. The first draft of this report was presented at a workshop on “Labour markets and inequality”, organized by the ILO (Policy Integration Department) and held in Geneva in May 2009, I thank its participants for their stimulating comments. Jennifer Yablonski provided invaluable support to this project, as my team leader whilst working as a policy adviser at Save the Children UK (London). Marco Azzalini also provided very useful background support as an intern at the same organization. Nicolas Petit, as a consultant for SC UK, was also crucial to the project on which this paper is based. He contributed to fieldwork in Ethiopia and Rwanda, he was co-author of the Ethiopia country report and sole author of the Rwanda country report. I remain responsible for any error and omission.

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First published 2011

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Rizzo, Matteo

Rural wage employment in Rwanda and Ethiopia : a review of the current policy neglect and a framework to begin addressing it / Matteo Rizzo ; International Labour Office, Policy Integration Department. - Geneva: ILO, 2011

1 v. (Working paper ; No.103)

ISBN: 9789221250524;9789221250531 (web pdf)

International Labour Office; Policy Integration Dept

rural employment / rural women / women workers / poverty / employment policy / rural public works / Ethiopia / Rwanda

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Abstract: This paper critically assess the belief, widely shared by policy-makers, that the rural poor in developing countries are small-scale subsistence farmers, supposedly making a living by working their own land with the help of family members. Such belief has profound policy implications, as it results in the focus by poverty reduction strategies on “making the market work for the poor” (who are understood to be exclusively producers). This paper shows that such a policy focus is highly problematic as it excludes millions of poor people in developing countries for whom working for other people is *the main source* of livelihood. The paper takes two African countries, Ethiopia and Rwanda, to show how official statistics suggests the insignificance of rural wage labour and the centrality of small-scale farming to the livelihoods of the poor. Such picture is then contrasted with the findings of primary research conducted in both countries, which shows the centrality of rural wage labour to the poorest. Having discussed the reasons for such a striking account of rural poverty and employment, the reports documents the policy neglect of rural labour markets by policy-makers in both countries. The paper concludes by stressing the urgency of making the rural labour market work for the poor a policy priority and by outlining key areas for intervention by policy makers.

JEL classification: J43; J31; Q12.

Resumé: Ce document examine de manière critique l'opinion, largement partagée par les décideurs politiques, selon laquelle les pauvres des régions rurales dans les pays en développement sont des petits exploitants agricoles, supposés gagner leur vie en pratiquant une agriculture vivrière sur leurs propres terres avec l'aide des membres de leurs familles. Une telle opinion a de profondes incidences sur le plan des politiques, car elle amène les stratégies de réduction de la pauvreté à se concentrer sur le fait de “faire fonctionner le marché pour les pauvres” (considérés comme étant exclusivement des producteurs). Ce document montre qu'une telle orientation politique pose d'importants problèmes, dans la mesure où elle exclut des millions de personnes pauvres dans les pays en développement, pour lesquelles travailler pour d'autres constitue la principale source de subsistance. Deux pays africains, l'Éthiopie et le Rwanda, sont pris pour exemple, afin de montrer comment les statistiques officielles suggèrent l'insignifiance du travail salarié en milieu rural et le rôle central de la petite agriculture pour la subsistance des pauvres. Ce tableau est ensuite contrasté par les résultats de la recherche fondamentale menée dans les deux pays, qui montrent le rôle central du travail salarié chez les plus pauvres des régions rurales. Après avoir examiné les raisons d'une telle description de la pauvreté et de l'emploi en milieu rural, le rapport montre le peu d'intérêt pour le marché du travail en zone rurale, dont font preuve les décideurs politiques des deux pays. En conclusion, le document souligne l'urgence de faire fonctionner le marché du travail pour les pauvres en milieu rural et décrit brièvement les principaux domaines d'actions à l'intention des décideurs politiques.

Classification JEL: J43; J31; Q12.

Resumen: Este documento examina de forma crítica la creencia, ampliamente compartida por los responsables políticos, de que las personas pobres de las zonas rurales de los países en desarrollo son pequeños agricultores de subsistencia, que supuestamente se ganan la vida trabajando su propia tierra con la ayuda de los miembros de su familia. Esta creencia tiene profundas implicaciones políticas, pues lleva a que las estrategias de reducción de la pobreza se concentren en “hacer que el mercado funcione para los pobres” (de quienes se asume que son exclusivamente productores). El documento muestra que tal enfoque de las políticas resulta muy problemático, pues excluye a millones de personas pobres en los países en desarrollo cuyo principal medio de vida es trabajar para otros. El documento toma dos países africanos, Etiopía y Ruanda, para demostrar cómo las estadísticas oficiales tienden a restar importancia al trabajo asalariado rural y a dar más peso a la pequeña agricultura en los medios de vida de los pobres. Más adelante, dicha imagen se contrasta con los hallazgos de la investigación primaria realizada en ambos países, que demuestran la importancia del trabajo asalariado para los más pobres. Tras discutir las razones para tan sorprendente descripción de la pobreza rural y el empleo, el informe documenta el abandono político de los mercados de trabajo rurales por parte de los responsables políticos en ambos países. El documento concluye enfatizando la urgencia de convertir en una prioridad política el hacer que los mercados de trabajo rurales funcionen para los pobres, y haciendo un resumen de las áreas principales en las que deben intervenir los responsables políticos.

Clasificación JEL: J43; J31; Q12.

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Contents

	<i>Page</i>
1. Introduction.....	1
2. Who are the poorest? Conflicting evidence on rural poverty	3
2.1. Ethiopia.....	3
2.1.1. Official Statistics	3
2.1.2. A different picture of rural poverty	5
2.2. Rwanda	7
2.2.1. Official Statistics	7
2.2.2. A different picture of rural poverty	8
2.3. Why this difference in results?	11
2.3.1. Behind the data: what questions do we ask to generate data on rural poverty?	11
3. People working for other people: Key characteristics and sources of vulnerability... ..	14
3.1. The increasing reliance of the poor on casual labour.....	15
3.2. Women losing out.....	16
3.3. Casual work: too little for too many	16
4. The policy neglect of rural labour markets	17
4.1. Policy priorities on rural development: Evidence from two countries	17
4.1.1. Ethiopia	18
4.1.2. Rwanda.....	19
5. The policy neglect of rural labour markets: concluding remarks	21
5.1. Making the rural labour market work for the poor: priority areas for policy action.	22
5.2. Increasing labour demand and promoting labour-intensive agriculture	22
5.3. Improving the long-term impact of public work schemes such as PSNP in Ethiopia and HIMO in Rwanda and addressing women's disadvantages in the labour market.	23
5.4. Stabilize food price as way or reducing distress labour supply	24
5.5. Reform the inadequate questionnaires that lie behind statistics on rural poverty and invest more in labour force surveys	24
5.6. Fund policy-relevant research on the functioning of rural labour markets.....	24
5.7. Actively promote the involvement of rural casual workers in designing pro-poor growth policies.....	25
References	27

Rural wage employment in Rwanda and Ethiopia: A review of the current policy neglect and a framework to begin addressing it

1. Introduction

In the public eye, today poverty is perhaps best associated with the recent dramatic rise in the price of food and energy (von Braun, 2007). The image of food riots in developing countries in 2007-08 has captured the attention of the media and forced policy makers to respond. The food crisis severely hit millions of poor people in developing countries because food purchases represent the single most important item of expenditure for them. In the last months of 2010 food prices worryingly surpassed the 2007-08 levels (FAO, 2011). Understandably, the international community and governments of developing countries have been focusing their energy and resources on addressing the food crisis. This involves a mixture of short and long-term measures, aiming at tackling the problem in two ways: reducing the cost of food and increasing the income of the poorest populations. Amongst the latter a focus on revamping agriculture as the central pillar of poverty reduction efforts is often included, and rightly so, as agriculture is central to the livelihoods of the poorest rural dwellers.

In calling for a renewed investment in agriculture, most donors systematically focus on identifying measures to “make the market work for the poor”, whom they understand to be small-scale subsistence farmers, supposedly making a living by working their own land with the help of family members. Consider, for example, the United Nations High Level Task Force on the Global Food Crisis, which was set up in 2008. Its Comprehensive Framework for Action states that “excluding the minority of larger farms and landless rural workers, smallholder farmers and their families represent some 2 billion people, [...] and are central to any solution to today’s global food crisis and the long term problems of hunger and poverty” (United Nations, 2008, p. 9). The agricultural solution to the crisis focuses on boosting smallholder farmers’ production.

This working paper will show that such a policy focus on small own-account farmers is highly problematic on two grounds. First, it excludes millions of poor people in developing countries for whom working for other people – in most cases for very low pay – casually and in appalling conditions, is *the only source* of livelihood. Interestingly, the United Nations High Level Task Force, whilst aware of their existence, identifies no solution for those very poor people who are “landless farm workers [and] net buyers of food and live on less than US\$2 a day” (United Nations, 2008, p. 9). Second and most crucially, it misrepresents what the most vulnerable small farmers do for a living. *Small farmers* have to be understood as a highly heterogeneous group, characterized by significant socio-economic stratification. For the most vulnerable amongst them, survival depends on – together with meagre harvests for own consumption or for sale to the market – *working for other people*. Given the above, if we are to succeed in promoting the livelihoods of the poorest, as a way to respond to the food crisis but more broadly to eradicate hunger and poverty, the creation of decent jobs, or making the rural labour market work for the poor should be a central objective of poverty reduction strategies. This is currently not the case.

Although we are far from any clear commitment by governments and key donors to make rural labour markets work for the poor, it is possible to observe that the existence of rural labour markets and their importance to poverty reduction have begun to be recognized in policy circles. DFID’s agricultural growth strategy for example, whilst mostly concerned with ways to increase the productivity of small-scale producers, acknowledges that “poor labour standards hamper productivity and affect the rights of workers” (DFID, 2005, p. 9), that “accelerating growth in labour-intensive agriculture is fundamental to reducing

poverty and allowing countries to achieve economic transformation” (DFID, 2005, p. 17). However, no policy guidance on how to make this happen is provided by DFID, whose policy focus is on making the market work for small farmers. Similarly, the 2008 World Development Report (WDR), which focused on agriculture, shows the World Bank’s awareness of the existence of rural labour markets, but gives no strategic direction as to the kind of policy remedies that would make these markets work for the poor. In 2008 WDR, the World Bank – for decades exclusively concerned with small self-employed farmers – stated that

“with labour as the main asset of the poor, landless and near-landless households have to sell their labour in farm and nonfarm activities or leave rural areas. Making the rural labour market a more effective pathway out of poverty is thus a major policy challenge that remains poorly understood and sorely neglected in policy making” (World Bank, 2008, p. 202).

The World Bank has also implicitly recognized the urgency of addressing such policy neglect as “increasing wages for agricultural workers” is an area with “the greatest potential to lift millions out of poverty, particularly in Africa” (World Bank, 2008, p. 211)¹.

How do we move towards effective policy making on rural labour markets? The World Bank is less clear on this subject, and mentions measures as wide-ranging as boosting labour demand by improving the investment climate, skilling up workers through training, labour regulations that protect but do not discourage employment, facilitating migration, and safety nets (World Bank, 2008, p. 221). Such an unclear guidance derives from the need to strengthen our understanding on “how to improve rural labour markets” (World Bank, 2008, p. 221). This in turn requires reverting the “stunningly little policy attention” so far given to their “structure, conduct, and performance” (World Bank, 2008, p. 221).

Taking Rwanda and Ethiopia as case studies, this working paper documents the way in which creating more and better jobs in rural areas lies at the margins – if featuring at all – of policy-making on rural poverty in developing countries. The paper therefore draws on the analysis presented in a parallel paper by Carlos Oya (2010) and complements it by showing the disconnect with policy priorities in two countries. The paper starts by reviewing the literature and official statistics on rural poverty in the two countries, and the stark contrast between official statistics and micro-studies on rural poverty. While the former do not detect the significance of wage labour in rural areas, the latter show its centrality to the strategies of survival by poorest households. The analysis then focuses on the reasons that lie behind such a discrepancy. The paper then reviews the priorities on rural development of key policy makers in the two countries, highlights the limitations of the priority goals. In conclusion, key steps to redress the policy neglect of rural labour markets are suggested. The paper draws extensively on joint research between Save the

¹ The WDR 2008 acknowledges that the exact number of rural workers is not known due to the inadequacy of Labour Force Surveys and Population Censuses to capture the significance of rural wage employment in developing countries (*ibid.*, p. 205). The inadequacy stems from a biased survey design that typically classifies workers by their main activity. Due to this fault, statistics do not capture the fact that small farmers rely on casual work to complement (and often exceed) earnings from their land. Many activities are also difficult to classify in terms of own-account/self employment versus wage employment (for example, charcoal production or collection of firewood is often considered as self-employment although in many cases it is part of a contract agreement with someone else). There are also cultural and political biases against reporting many forms of employment as wage-employment (due to biases from respondents, enumerators or analysts). See Oya (2006) and Sender, Cramer and Oya (2005) for a full discussion of standard surveys’ shortcomings in recording wage labour. The other issue is that employment statistics are very low in countries’ statistical agenda and rarely funded by government and donor agencies.

2. Who are the poorest? Conflicting evidence on rural poverty

Official statistics do not tend to support the idea that it is common in developing countries for poor people to work for other people on a casual basis. Standard Labour Force Surveys, Household Income and Expenditure Surveys, and Population Censuses – with variations between individual country contexts – normally underestimate the significance of wage employment.³ This, as the World Bank has recently acknowledged, stems from the fact that “data that classify workers by their main activity typically miss large numbers of casual wage earners” (World Bank, 2008, p. 205). Let us look at the different country contexts of Ethiopia and Rwanda. A glance at their statistics on population, size, density, and various indicators of socio-economic development vividly shows the existence of significant differences between the two. However, by comparing the results of official statistics with those of other (often micro) studies on rural poverty, a similar story emerges from the two case studies: it is possible to notice two contrasting pictures of rural poverty. The official one puts forward small farmers as the poor. Micro-studies suggest that the very poor, whilst they might retain access to a small piece of land, critically rely on casual earnings in the labour market for their livelihoods.

2.1. Ethiopia

2.1.1. Official Statistics

Consider for example Ethiopia (see Table 1). The results of the latest National Labour Force Survey (NLFS) carried out by the Ethiopian Central Statistical Agency (CSA) in 2005 showed that overall, agriculture employs 80.2 per cent of the total labour force at country level (88.5 per cent in rural areas). In terms of employment status, 91.2 per cent of the workforce in the country was self-employed (40.9 per cent own-account workers and 50.3 per cent contributing family workers, respectively).⁴ The total number of paid employees represented only 7.9 per cent of the total working population. In rural areas, the significance of wage employment was even lower, at 3.6 per cent while the percentage of

² The research teams for the country studies were composed as follows: in Ethiopia, Dr Matteo Rizzo (Save the Children UK, London), Solomom Demeke (Save the Children UK, Ethiopia) and Nicolas Petit (independent consultant); in Rwanda, Nicolas Petit (consultant) and Jacqueline Uwumukiza (Save the Children UK, Rwanda); in Kyrgyzstan (which for reasons of space does not feature as a case study in this chapter), Nicolas Petit (consultant), Svetlana Boincean (IUF), Dedo W. Nortey (Save the Children – Kyrgyzstan Office), Jeenbek Osmonaliev (Eliminating Child Labour in Tobacco project). Sue Longley (Agricultural Coordinator IUF – Geneva Office) and Matteo Rizzo (Livelihoods Adviser – Policy Department, Save the Children UK) initiated and oversaw the development of the joint initiative. The findings and opinions presented in this chapter represent exclusively the authors' view and not that of either Save the Children UK or IUF.

³ India is a notable exception to this trend.

⁴ The percentage refers to the population aged 10 years and above.

own-account work occupied 95.6 per cent of the labour force (with contributing family workers at 54.6 per cent and own-account workers at 41 per cent) (FDRE, 2006).⁵

Table 1. Official statistics on status-in-employment in Ethiopia (%)

	Total			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
NLFS 2004 (1)									
Self-employed (without employees),									
of which:	91.2	89.4	93.3	55.3	51.1	60.1	95.6	94.0	97.4
<i>Own-account workers</i>	40.9	54.8	24.8	40.3	38.9	42.0	41.0	56.7	22.7
<i>Contributing family workers</i>	50.3	34.6	68.5	15.0	12.2	18.1	54.6	37.3	74.7
Employers	0.6	0.9	0.2	0.6	0.9	0.4	0.6	0.9	0.2
Paid employees	7.9	9.3	6.2	42.8	46.3	38.8	3.6	4.8	2.2
Others / not stated	0.9	1.3	0.5	1.9	2.6	1.1	0.8	1.2	0.4
Total	100	100	100	100	100	100	100	100	100
De Gobbi, based on CSA 1999 (2)									
Self-employed (without employees),									
of which:	..	..	..	57.7	..	..	95.4	93.9	97.5
<i>Own-account workers</i>	..	..	..	42.2	..	..	44.0	56.6	27.4
<i>Contributing family workers</i>	..	..	..	15.5	..	..	51.4	37.3	70.1
Employers	..	..	..	1.0	..	..	0.8	1.2	0.2
Paid employees	..	..	..	39.5	..	..	3.5	4.6	1.8
Others / not stated	..	..	..	1.9	..	..	0.3	0.3	0.4
Total	..	..	..	100	..	..	100	100	100
HICES 2004-05 (3)									
Self-employed (without employees),									
of which:	86.6	..	..	56.8	..	..	91.3	..	..
<i>Own-account workers</i>	85.8	..	..	56.4	..	..	90.4	..	..
<i>Contributing family workers</i>	0.8	..	..	0.4	..	..	0.9	..	..
Employers	4.9	..	..	2.3	..	..	5.3	..	..
Paid employees	8.2	..	..	39.8	..	..	3.1	..	..
Others / not stated	0.3	..	..	1.1	..	..	0.3	..	..
Total	100	..	..	100	..	..	100	..	..

Sources: Adapted from: (1) FDRE (2006, p. 40); (2) De Gobbi (2006, pp. 13-14); (3) FDRE (2007, p. 38). (..) data not available.

Along the same lines De Gobbi (2006), drawing on CSA data from 1994 and 1999 (see Table 1), stated that “[t]he bulk of jobs in rural Ethiopia are in agriculture and in self-employment on small holdings”.⁶ The paper further added that women are largely employed as contributing family workers (70 per cent in 1999). The paper indicated that

⁵ It is interesting to note that according to the 1999 National Labour Force Survey paid employees, whilst a minority of the total work-force, were mostly employed on a casual basis, that is with no clear contractual arrangement and paid on a daily or weekly basis (77.9 per cent). Temporary jobs in rural areas constituted about 90 per cent of total rural wage employment (see De Gobbi, 2006).

⁶ The report, in its introductory conceptual remarks that ‘in developing countries, especially in low-income economies, the labour market is characterized by large proportions of unpaid family work and self-employment and a very low share of waged employment. Since regulation does not affect much employment with similar features, labour markets tend to be rather flexible and workers’ protection is often neglected. Hence, the notion of “flexicurity” needs to be adapted from the one used for advanced economies which mainly focuses on regulated waged employment (De Gobbi, 2006).

“waged employment exists, but in small proportions, and reached only 3.5 per cent of total rural employment in 1999” (ibid.).

The report of the latest Household Income Consumption and Expenditure Survey (HICES),⁷ conducted in 2004-05, takes the same line, although it should be remembered that the data therein presented refer to head of households. As such HICES’ figures are not directly comparable to the figures so far presented. According to HICES, 86.6 per cent of household heads in Ethiopia are self-employed. In rural areas, 91.3 per cent of household heads are involved in self-employment activities without employees, 5.3 per cent are employers, and only 3.1 per cent are employees (in private formal/informal, public enterprise, public service or NGOs), 0.9 per cent of household heads are contributing family workers and 0.3 per cent are engaged in ‘other’ economic activities.

A survey conducted by the Ministry of Labour and Social Affairs (MOLSA) in 1996 stands out for its focus on gathering national ‘representative’ information on agricultural wage employment and the non-farm economy in Ethiopia. The survey covered 5,699 households from five regions (Tigray, the sedentary farming areas of Afar, Amhara, Oromia and SNNPR). It found that a fairly large percentage of households had members who had been involved in agricultural wage employment and/or rural non-farm (self) employment within the year prior to the study: 43.9 per cent for all five regions. Of this 43.9 per cent, self-employment took the lion-share as only 15.4 per cent of surveyed households had members who had been involved in agricultural wage labour in the year prior to the study (local wage labour, sharecropping and/or migratory labour); local wage labour being the most common kind of wage labour observed (FDRE, 1997, quoted in Sørensen, 2001). In a similar fashion, a recent review of the non-farm sector in rural Ethiopia (Günther, Olapade and Loening, 2007) indicates that “a landmark of Ethiopia’s rural economy is the often perceived absence of rural non-farm activities, estimated to be amongst the least diversified countries in Sub-Saharan Africa”. The report further argues that “due to the fact that labor markets are underdeveloped in rural Ethiopia, rural labor demand, be it agricultural or non-agricultural, is rather rare” (Günther, Olapade and Loening, 2007, p. 11). Along the same lines Demeke suggests that “the largest concentration of vulnerable or poor people in rural areas is in farming activities and most are contributing family workers” (Demeke, Guta and Ferede, 2006, p. xiv).

In sum, data available from official statistics in Ethiopia consistently suggest that the large majority of rural people are own-account workers or contributing family workers. Working for wages is a source of livelihood for a small fraction of the population and mostly takes place in agriculture and on a casual basis.

2.1.2. *A different picture of rural poverty*

Contrast the above picture with the findings of a number of livelihoods assessments recently carried out by Save the Children and USAID in four regions of Ethiopia (see Table 2). The methodological differences between these assessments and national surveys will be discussed later on in the report. At this stage it is worth noting that whilst there are significant differences between the four regions under analysis, it is clear that in three of the four regions working for other people is the single largest source of income (in cash or in kind) for very poor people, far exceeding the importance of own-account farming. As they have little or no access to land, and low human capital, the very poor tend to mostly rely on unskilled labour for survival.

⁷ HICES is conducted every five years by the CSA.

Table 2. Overview of the importance of wage employment in four regions of Ethiopia, by poverty status (2000s)

	Per cent of households	Characteristics	Wage (% of Income)	Source of Income	Crop and livestock sales (% of income)
AFAR (c2005-06)					
Very Poor	5-15	Less than 1 ha land or landless; 1-4 cattle, 1-3 goats, 0-5 sheep; mining and firewood sale.	50-70	Gift; casual labour.	25-35
Poor	30-40	0-1 camels, 1-2 cattle, 10-20 shoats*; less than 1 ha land; monogamous; mining and firewood sale.	45-60	Gift; casual labour; own crop sale.	50-60
Middle	30-40	9 camels, 10-15 cattle, 25-30 shoats, 1 donkey; 1-1.75 ha land; often polygamous; palm or salt trading; camel rent.	15-20	Livestock sale; casual labour; trading.	75-85
Better-off	20-30	25 camels, 25 cattle, 30-50 shoats, 3 donkeys; 1-3.5 ha land; larger household and often polygamous; palm or salt trading; camel rent.	5-10	Livestock sale; casual labour; trading.	80-90
SOMALI (2005)					
Poor	30-35	30-40 shoats; 0-6 cattle; 5-10 camels; 1 donkey; smaller household (4-6 persons); small landholdings (less than 1 ha); diversification of income: bush products sales, remittances, caravans assisting, selling of crop sales (soon after harvest despite low prices).	5-15	Livestock sales; seasonal labour.	75-85
Middle	45-50	60-80 shoats; 0-20 cattle; 20-30 camels; 2 donkeys; production of milk and cash crops.	0-5	Livestock sales; trade; migration.	85-95
Better-off	20-25	100-150 shoats; 0-40 cattle; 45-55 camels; 2-3 donkeys; larger household (15-17 persons); larger landholdings (3-4 ha); production of milk; selling of cereals; cash crops.	0-5	Livestock sales; trade; migration.	80-90
SNNPR (2006)					
Very poor	5-15	No livestock; less than 0.5 ha or landless; very small household (up to 4 persons); often migrate to coffee producing areas for coffee picking.	45-55	Look after others' livestock or waged labour; migration.	20-35
Poor	25-35	Smaller household (6-7 persons); 0.5-1 ha; 0-5 cattle; 3-7 shoats; 1 donkey; diversification of income: firewood sales, casual agricultural employment, butter sales.	25-35	Local and migratory waged labour.	50-70
Middle	30-45	1-1.5 ha; 1 ox; 10-20 cattle; 4-8 shoats; 1-2 donkey; 0-1 horse.	0-15	Crops, livestock and livestock products sell.	75-95
Better-off	20-25	Larger household (7-8 persons); 1.5-2.5 ha; 2 oxen; 30-70 cattle; 20-30 shoats; 2-3 donkey; 1-2 horses.	0-5	Crops, livestock and livestock products sell.	95-100
TIGRAY (c2005-06)					
Very poor	20-25	Smaller household (4-6 persons); small landholders or landless; 5-7 hens; 6-8 shoats; construction labour; agriculture labour for middle and better-off group (sesame); migration to mining and salt areas.	40-50	Safety-net programmes; migration; waged labour.	25-30
Poor	30-35	0-2 oxen; 2-3 cattle; 8-10 shoats; 0-2 donkeys; 6-8 hens; agriculture labour for sesame harvesting.	30-40	Crop sales; safety-net programmes; waged labour and migration.	40-45

	Per cent of households	Characteristics	Wage (% of Income)	Source of Income	Crop and livestock sales (% of income)
Middle	30-35	1-3 oxen; 8-10 cattle; 25-35 shoats; 0-2 donkeys; 8-10 hens; livestock products sales.	10-15	Livestock and crops sales;	75-80
Better-off	10-15	Larger household (up to 8); 3-5 oxen; 19-23 cattle; up to 50 shoats; 1-2 donkeys; 8-10 hens; higher cereals sales; livestock products sales.	0-5	Livestock and crops sales.	85-90

* By "shoats" this report means mixed herds of sheep and goats.
Sources: Adapted from Save the Children UK (2000a); Save the Children UK (2001a); Save the Children UK (2005); USAID (2006).

2.2. Rwanda

2.2.1. Official Statistics

Official statistics in Rwanda, the summary of which are presented in Table 3, tell a very similar story to Ethiopia: rural poverty is about small farmers working with their families. The 1996 Demographic and Health Survey indicates that the large majority of the population in Rwanda (92.6 per cent) are self-employed (without employees). Such a figure comes from the sum of own-account workers (61.4 per cent) and contributing family labour represents 31.2 per cent. Paid employees are rare in Rwanda as they represent only 6 per cent of the total working population. Along the same lines the latest National Labour Force Survey, tellingly carried out twenty years ago (1988) indicates that agriculture is the first source of employment in the country with 90.1 per cent of the labour force while the industrial sector employs 2.9 per cent and the tertiary sector 6.7 per cent of the labour force (0.3 per cent are unspecified). Within agriculture, "the precarious activity of growing subsistence crops which yield a very weak output predominates" (ILO, 2005, p. 27).

Table 3. Official statistics on status-in-employment in Rwanda (1996 and 2005-06) (%)

	Total		
	Total	Male	Female
ILO 2005, based on DHS 1996			
Self-employed (without employees), of which:	92.6	88.9	95.5
<i>Own-account workers</i>	61.4	56.2	65.5
<i>Contributing family workers</i>	31.2	32.7	30.0
Employers	0.1	0.1	0.0
Paid employees	6.0	9.4	3.3
Others / unclassifiable	1.4	1.6	1.2
Total	100	100	100
EICV-2 2005/06			
Self-employed,	80.9	72.4	87.9
of which:			
<i>Own-account worker, farm</i>	31.6	41.6	23.4
<i>Contributing family worker, farm</i>	39.7	19.5	56.2
<i>Own-account worker, non-farm</i>	8.0	10.4	6.0
<i>Contributing family worker, non-farm</i>	1.6	0.9	2.3
Paid employees, of which:	19.1	27.6	12.2
<i>Paid employees, farm</i>	8.2	10.2	6.6
<i>Paid employees, non-farm</i>	10.9	17.4	5.6
Total	100.0	100.0	100.0

Source: Adapted from ILO (2005, p. 13) and Republic of Rwanda (2007b, Table 3.3). (..) data not available.

The second Household Living Conditions Survey, carried out in 2005-06 (Enquête Intégrale sur les Conditions de Vie des Ménages – EICV2) tells a remarkably similar story. The survey suggests that self-employment (39.6 per cent), family labour and apprentices (41.3 per cent), mostly employment in farming, together form the bulk of the workforce (80.9 per cent). Interestingly, EICV2 shows a significant number of workers in paid employment (19.1 per cent of the employed population), both in the farm (8.2 per cent) and non-farm (10.9) economy. Thus this survey suggests that working for other people is more central as a source of income of the employed population than the great majority of surveys on poverty and employment (Republic of Rwanda, 2007a).

In short, even in the Rwandan case large-scale surveys present a picture of the working population in rural Rwanda as mostly made up of people working on their own-account. The vast majority of the labour force are engaged in self-employment and/or contributing family labour. Labour markets are therefore considered rather limited in rural Rwanda and rural households are considered primarily as a homogenous group of ‘small-scale subsistence farmers’. However, another set of sources show a different picture of rural poverty, and of the importance of informal and casual wage employment to the poorest people in rural Rwanda.

2.2.2. *A different picture of rural poverty*

Consider, for example, the nationwide Participatory Poverty Assessment (PPA) conducted in 2001 before the formulation of the first PRSP in Rwanda.⁸ As part of the PPA process, respondents had to identify and define different social categories of households in Rwanda. These, as summarized in the Rwanda first Poverty Reduction Strategy Paper (PRSP-I), are presented in Table 4.

Table 4. Poverty Categories in the Rwanda PPA

Population group	Livelihood
Umutindi nyakujya (those in abject poverty)	Destitute, beg for their livelihood. They have no land or livestock and lack shelter, adequate clothing and food. They fall sick often and have no access to medical care. Their children are malnourished and they cannot afford to send them to school. The physically capable live from working on other people's land.
Umutindi (the very poor)	Live from working on other people's lands, very little land with low harvests, no animals, and no access to health care or schooling.
Umukene (the poor)	These households have some land to produce enough food for their family (even if the food is not very nutritious) but no surplus to sell in the market. Often work for others, have no savings. Their children do not always go to school and they often have no access to health care.
Umukene wifashije (the resourceful poor)	This group shares many of the characteristics of the umukene but, in addition, they have a bit more land, small ruminants and their children go to primary school. Besides subsistence production, they have a small income to satisfy a few other needs (e.g. school fees for children). Employ the very poor in good times.
Umukungu (the food rich)	This group has larger landholdings with fertile soil and enough to eat. They have livestock and can access health care. Employ others on own farms, at times get access to paid employment (higher skilled jobs), have savings.
Umukire (the money rich)	This group has land and livestock, and often has salaried jobs. They have good housing, often own a vehicle, and have enough money to lend and to get credit from the bank. Their prosperity often pushes them to migrate to urban centres.

Source: Republic of Rwanda (2002) and Ansoms (2008).

⁸ As this report will show, the first PRSP regrettably does not seem to have incorporated the findings of PPA in its plan to eradicate poverty in Rwanda.

As Table 4 suggests, “from the poor downwards, we have people who mostly live working on others’ farms” (Republic of Rwanda, 2001, p. 29). The table also highlights how relations between groups can change over time. For example, the resourceful poor employ the very poor in good times but sometimes work for the wealthy when there is a drought. The food rich or the money rich regularly employ workers from poorer households to work on their farms or for other activities. The table shows that people from fairly different classes, i.e. the very poor, the resourceful poor, and the non-poor, might all be involved in wage employment. However, access to better remunerated types of work requires skills and resources which are not available to people from the most deprived socio-economic groups. The table also provides important information on the link between parents’ wealth and children’s well being. The poorest categories working for wealthier households often cannot afford to send their children to school, to pay for their health care and to adequately feed them.

Howe and McKay (2007) similarly argue that there is a group of chronically poor households whose characteristics are different from the poor as a whole. Their characteristics are: their dependence on working for others; cultivating small areas of land; having no or small number of livestock of low value. To these, the authors further add the crucial point that these households are more likely to be female-headed, in most cases by a widow. Erlebach’s research (2006) also stressed the different livelihoods strategies adopted by the poor and the very poor. While the former spend the majority of their working time on their own land, very poor people mostly rely on casual wage employment.

Livelihoods assessments carried out by Save the Children are consistent with the above picture. Table 5 summarizes the findings of five livelihoods studies covering six different regions of Rwanda. Notwithstanding the significance of regional variations, these studies clearly identify two separate groups: (1) a group of ‘rural entrepreneurs’ with often larger landholdings who employ relatively less-wealthy people; (2) a group of ‘agricultural wage labourers’ with insufficient landholdings for the subsistence needs of their families who are forced to seek wage employment outside their own farm (i.e. ‘off-farm’ wage employment). Indeed, the ‘poor’ categories working for better-off households are highly dependent on the rural labour market to cover their food and other needs and they are, therefore, extremely vulnerable to a decrease in demand for labour.

Table 5. Overview of the importance of wage employment in Rwanda, by poverty status (2000s)

	Per cent of households	Characteristics	Wages (% of Income)	Type of wage labour	Crop and livestock sales (% of income)
BUGESERA (2000)					
Very poor	15-25	Often single headed households (male or female). Rely on labour and assistance from local community.	45-55	Waged farm labour.	0-10
Poor	35-45	Work for others. Do some petty trade.	40-50	Waged farm labour.	25-30
Middle	20-30	Small trader with small shop or bicycle. May employ others to work for them. Major source of income from petty trade (65-75%).	10-15	Migration.	15-25
Better-off	10-20	Salary earners, large traders. Employ others to work for them.	..	..	..
GIKONGORO (2001)					
Very poor	10-15	Old people, female or child headed households are frequent in this category. Near landless, no animals. Usually only one able-bodied person. Work for others.	95	Waged farm labour.	0

	Per cent of households	Characteristics	Wages (% of Income)	Type of wage labour	Crop and livestock sales (% of income)
Poor	35-40	Limited land. Often rent land to richer households. Few animals. Work for others.	65-70	Waged farm labour; Herding.	15-25
Middle	25-35	Enough land and more animals. Banana or coffee, depending on location. Trade is an important source of income.	..		35-55
Better-off	5-15	More land and animals. Employ others to work for them.	..		..
KIBUYE (2002)					
Very poor	5-10	No or only one able bodied person. Female and child headed household common in this group. No land or very limited. Depend on assistance.	..		..
Poor near landless	10-20	At least 2 people in the household able to work. Work for others locally or migrate.	80-90	Waged farm labour.	10-20
Poor	30-35	Also at least 2 people able to work. Work for others. More land available.	70-80	Waged farm labour.	20-30
Middle	30-35	Enough land and animals. Employ others.	..		..
Better-off	10-15	More land and animals. Employ others.	0		100
RUHENGERI / GISENYI (2000)					
Destitute	1-10	Depend almost entirely on assistance.			
Landless labour-poor poor	10-20	Only one able-bodied person. Need to balance working for food with childcare. Generally considered to be physically weak. Rely on some assistance from others.	95-100	Local waged farm labour.	
Landless poor	10-20	At least 2 people in the household able to work. Work for local middle and rich households. Limited by lack of food stocks at home.	A: 10-20 B: 80-85	A: Waged farm labour. B: Migration.	
Poor	25-30	At least two able bodied person. Have flexibility to travel a bit further for work.	A: 15-25 B: 55-65	A: Local labour. B: Migration.	
Middle	20-30	Considered to have enough food and land. Only labour for others when in difficulty. Often one person works far from home where they get a better wage.	35-45	Migration.	15-25
Rich	10-15	Salaried or business. Employ others.	..		..
UMUTARA (2000)					
Destitute	1-5	Rely on community and church assistance	..		..
Very poor	15-20	Mostly single or child headed households. Work for others.	A: 70-75 B: 10-20	A: Waged farm labour. B: Herding.	0-10
Poor	35-45	Petty traders. Work for others.	A: 45-50 B: 15-25	A: Waged farm labour. B: Herding.	0-25
Middle	20-30	Smaller trader. Employ others on land.	0		80-100
Rich	10-20	Big trader, salary earner. Employ others.	..		..

Source: Adapted from Save the Children UK (2000b); Save the Children UK (2000c); Save the Children UK (2000d); Save the Children UK (2001b); Save the Children UK (2002). (..) data not available.

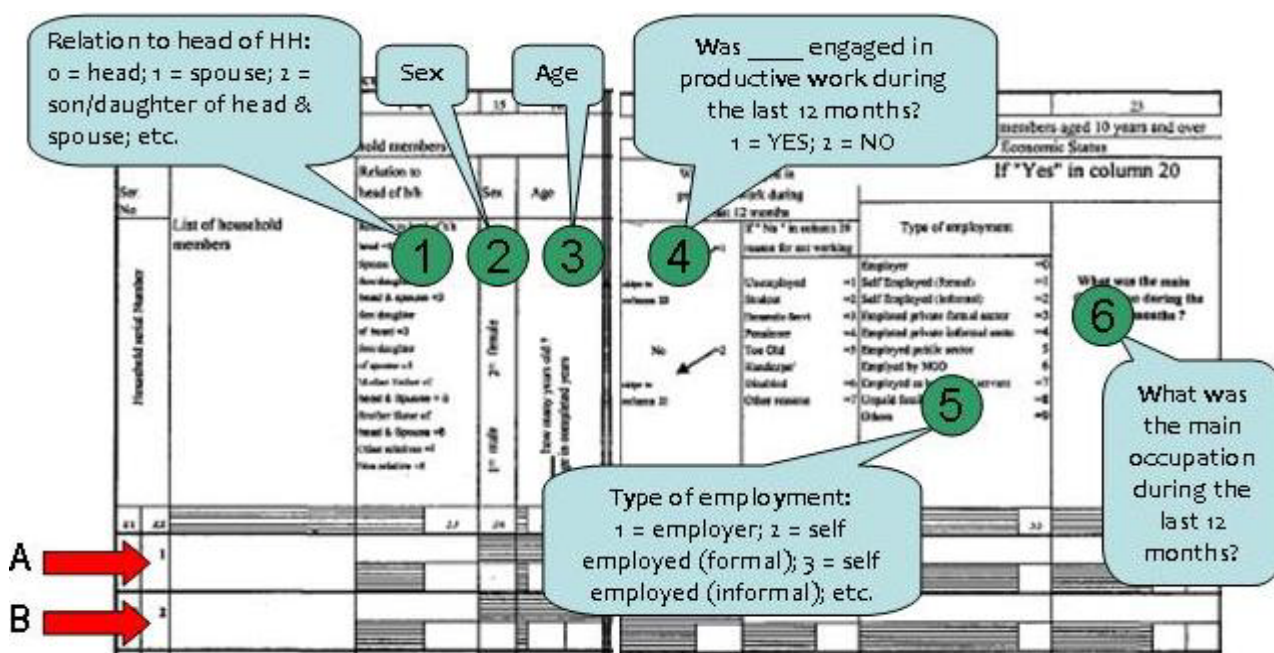
2.3. Why this difference in results?

Official statistics and livelihoods assessments across the two countries therefore consistently yield remarkably different results on the employment status of rural dwellers in Ethiopia and Rwanda. As Figure 1 below will show, such a difference stems from conceptual differences and the radically different set of questions that are asked to generate the results. Of crucial importance is the different time frame, or reference period, underpinning the two data collection efforts. Whereas the first type of data record the status in employment on the basis of a very narrowly defined current employment (often the past seven days), the second type of data record information on income and employment over a much longer period of time. It is therefore necessary to critically assess what set of questions are asked to generate such contrasting employment patterns in developing countries.

2.3.1. Behind the data: what questions do we ask to generate data on rural poverty?

Data collection for national surveys on employment, income or expenditure relies on questionnaires which are normally divided in two sections. The first set of questions collects characteristics at the *individual* level (age, sex, relation to household head, etc.), whereas the second part focuses on the *household* as a whole (capturing data on income, expenditure, assets, etc.). Consider, for example, the first section of the Ethiopia Household Income, Consumption, Expenditure Survey (HICES) questionnaire (see Figure 1).

Figure 1. Ethiopian HICES questionnaire: employment-related questions



Source: HICES 1999-2000 questionnaire (available at: <http://www.csa.gov.et>).

Each household member is assigned a row (e.g. rows A and B). Each column records information on key characteristics such as gender, age, relationship to the head of the household, and employment (columns 1 to 6). Concerning employment, interviewers first ask whether a member “was engaged in productive work during the last 12 months” (column 4). If so, the interviewer has to identify the respondent’s status in employment by

choosing one option amongst a pre-set list of ‘types of employment’ (such as ‘employer’, ‘self-employed’, etc.) (column 5) and a ‘main occupations’ (column 6, ranging from 0 to 99, for example: 1 = ‘Armed forces’; 33 = ‘Teacher’; 62 = ‘Subsistence farmer’ etc.). Thus, unconvincingly, only one job holding per individual can be reported on the answer sheet. ‘Country employment profiles’ are then created by processing this information. For example, one can present information on types of employment for household heads, by gender, by age etc. It is interesting to note that Labour Force Surveys (LFS) capture more than the main activity, including the economic significance of earnings from “secondary activities”. Unfortunately, LFS are not carried out often, as international donors prioritize surveys such as HICES.

Once the first section (individual characteristics) has been filled, interviewers proceed to section two (on household characteristics) and ask the household head to estimate family income over a specified reference period (this normally being the last six months). There is no space for capturing fluctuations within the year or between years (see Figure 2). Below one can see how income data are encoded:

Figure 2. HICES questionnaire: income-related questions

SECTION 2 :- CASH INCOME and RECEIPTS RECEIVED BY THE HOUSEHOLD and TYPE OF TENURE												
12											13	
Title of INCOME/RECEIPTS											1	
List of income code											LAST 6 MONTHS INCOME	
											On 1	
											Value	
											0000	
											Birr	
											20	
											21	
											22	
											23	
											24	
											25	
											26	
											27	
											28	
											29	
											30	
A	Sale of Agricultural products	1	0	1								
B	Net income from sale of products of household enterprises/non-agricultural/	1	0	2								Days
C	Net wages & salary, overtime, bonuses and allowance /public & related sector/	1	0	3								From
	Net wages & salary, overtime, bonuses and allowance /private sector/	1	0	4								From
	Income from house rent	1	0	5								From
	Income from other type of rent than house rent (Le machinery, household durable good etc.)	1	0	6								From
	Dividends/Profit share	2	0	1								From
	Sale from free collection (fire wood, maize etc.)	2	0	2								From

Source: HICES 1999-2000 questionnaire (available at: <http://www.csa.gov.et>).

Each row records information on a specific source of family income (e.g. ‘sales of agricultural products’, ‘income from house rental’, etc.). In column 1, interviewers record how much income has been generated from each source, as recalled by the household head. It is crucial to note here the terminology chosen for rows C and D, on wage income. Interviewers are asked to record ‘net wages & salary, overtime, bonuses and allowance’. Such wording is clearly adopted with formal sector employment in mind, and as such is highly unlikely to capture earnings from daily or seasonal work. Furthermore, returns from daily or seasonal work are irregular, with different wage rates and different types of work available almost from day-to-day, making the total calculation of income from that source quite a complex exercise. Finally, data obtained are processed by the Ethiopian Central Statistical Agency (CSA) to create a country employment profile by household income. This relates poverty to the type and/or sector of employment of the household head.

A different set of questions underpins micro-studies showing the significance of earnings in the rural labour market to the lives of the poor. Let us consider, by way of example, the Household Economy Approach (HEA), the qualitative tool developed by Save the Children for livelihoods analysis. The HEA investigates how, in a given agro-economic area, people access food and cash income in a typical year, the choices they make about expenditure, the coping strategies they use in the event of a shock, and other long-term challenges to their food security and livelihoods. Differently from standard surveys on employment and poverty, the HEA is not based on a standard set of questions to be answered by the sample group. HEA starts off by identifying the main wealth groups (e.g. rich, middle, poor and very poor) in a given area. Information on the wealth breakdown within an area is obtained through a combination of secondary data review and semi-

structured interviews.⁹ The review of existing secondary literature and of focus groups is led by people trained in the HEA framework. Typically, a first focus group with people from different socio-economic breakdown provide information on the way in which *different* wealth groups make a living in a given area. Then a more in-depth understanding of the livelihood strategies deployed by individual socio-economic groups is achieved by holding focus groups with members from one category (e.g. the very poor, the better-off).¹⁰ The person who “leads” the focus group must begin by double-checking that individuals who take part in the discussion actually belong, in terms of assets and sources of income, to the group. First of all, participants are asked to answer the following question:

We know that households are not all living in exactly the same way – what is it that makes one household *better or worse off than another* in this area?

Respondents identify the key wealth groups in a given area, such as the very poor (VP), the poor (P), the middle (M) and the better-off (B).

Questions then focus, for the each of the wealth groups identified, on household size and key assets. Below is an indicatory check-list:

Figure 3. HEA template: wealth breakdown

		Very poor	Poor	Middle	Better-off
Household size					
Land owned	Total area				
	Food crops area				
	Cash crops area				
Livestock owned	Cattle				
	Goats				
	Sheep				

Source: FEG Consulting and Save the Children UK (2008).

Participants are then asked to estimate all sources of income and expenditure for each wealth group. Below is an indicatory check-list on income usually provided in order to smooth the data-processing phase.

⁹ For an exhaustive introduction to the Household Economy Approach see FEG and Save the Children UK (2008).

¹⁰ It goes without saying that the most powerful and wealthy individuals in the “community” may exert influence over the composition of, and the resulting directions taken by the focus groups.

Figure 4. HEA template: sources of income

	Very poor	Poor	Middle	Better-off
Main sources of income, ranked	1.	1.	1.	1.
	2.	2.	2.	2.
	3.	3.	3.	3.

	= Agricultural labour	= Remittances	= Crop sales	= Trade (large scale)
= Other casual labour (e.g. construction)	= Firewood collection or charcoal burning	= Vegetable sales	= Small business	
= Paid domestic work	= Collection and sale of wild foods	= Brewing	= Fishing	
= Salaried employment	= Mining	= Petty trade (small-scale trade)	= Transport (e.g. taxi, pick-up)	

Source: FEG and Save the Children UK (2008).

The focus groups throws light on main changes in income and expenditure over the year, and on the way in which different wealth groups tend to experience seasonal fluctuations in income. Thus, the poverty profile for a given area is built by putting together the HEA results for as many livelihoods zones as surveyed. Such a profile, given the way in which it has been built, will be sensitive to socio-economic differences between areas and between different socio-economic groups within the same area.

Thus HEA, and any research tool that investigates the multiplicity of activities on which people rely to make a living, yields a more qualitative, in-depth and differentiated picture on employment patterns and poverty than standard survey techniques that record the main job-holding of respondents based on the problematic premise that people in developing countries have one main job-holding (which is a concept more applicable to developed countries). There are also cultural and political biases against reporting many forms of employment as wage-employment (due to biases from respondents, enumerators or analysts).¹¹

3. People working for other people: Key characteristics and sources of vulnerability

So far, this paper has shown that the focus by poverty reduction strategies on small farmers, exclusively classified by official statistics and surveys as self-employed farmers, crucially overlooks the significance of socio-economic differentiation among the rural population, making them far too diverse a group to be a coherent target for policy. Some of them are poor and mostly farming for own consumption, some are less poor and “commercially oriented”. This report has also shown the centrality of casual work to the livelihoods of the most vulnerable small farmers. Arguably, a more homogenous target for poverty reduction strategies would be the group of poor rural dwellers who rely, entirely or significantly, on earning in the labour markets for their survival. The livelihoods strategies deployed by this group are currently not well understood by policy makers.

¹¹ See Oya (2006) and Sender, Cramer and Oya (2005) for a full discussion of standard surveys’ shortcomings in recording wage labour.

In response to this, the present section draws on existing literature and on fieldwork coordinated by the author to throw light on what it means to rely on casual employment for a living, either entirely or substantially, and on the key sources of vulnerability associated with it. The final section of this paper will then build on this analysis and spell out the main traits of a policy agenda for the working poor.

There are of course crucial differences between rural areas of different countries and between rural areas within an individual country, and these affect casual workers vulnerability in important ways. Consider for instance the remarkable difference in population density between Ethiopia (69 inhabitants per square km) and Rwanda (387). Such difference will have important implications for land pressure and land shortage. Thus, it is crucial to bear in mind that the experience of searching for casual work in one country will vary from that in another country. Nonetheless, some common trends on the key sources of vulnerability of casual workers emerged from our fieldwork and are reported below.

3.1. The increasing reliance of the poor on casual labour

The first one is that the reliance of the poorest people on casual wage employment has been increasing over the years. As populations grow – a recent United Nations estimate suggests an additional 106 million people will have joined the workforce in rural areas of developing countries in the period 2005-15 – there is less and less land available for independent farming (United Nations, 2005, quoted in ODI, 2007a). Such a fact is confirmed by Save the Children fieldwork in Ethiopia, Amhara Region, where poor people attributed their increased reliance on casual work to a number of factors, of which the shortage of land was key. For all those people who either formed their households or returned to their area after 1991, the year of the last land redistribution, there is either no land available at all or only miniscule land holdings as a result of subdivisions of 1991 plots between different household members. This is not to say that land redistribution holds the key for future prosperity. In Amhara Region, and more broadly in developing countries, development strategies centred on land redistribution will confront the fact that population growth contributes to a situation in which “the average farm size is getting smaller” (United Nations, 2008, p. 9). Furthermore, in focus groups ‘larger’ smallholders referred to the high cost and/or unavailability of agricultural inputs, the unreliability of rainfall and declining soil fertility as factors making their own-account farming less and less remunerative over the years, and pushing them into the labour market.

Poor people therefore need to work for other people and they do so in a highly heterogeneous way, with a variety of working arrangements and rates of pay, depending on the type of activities, the gender and the ethnic group of the worker, the season, the location and the employer.¹² Appendix Table 2 presents evidence of the heterogeneity of rural labour markets, as gathered through focus groups discussions in Rwamiko, Rwanda. One can note the range of remuneration for the same type of work (the highest rate paid can be twice as much as the lowest), as well as the variety of work opportunities, in agriculture and in the rural non-farm economy. Although the large majority of jobs in rural labour markets perpetuate the poverty of those who earn a living from them, research tells us that some jobs have played a central role in allowing poor people to escape out of poverty and to

¹² For two outstanding case studies showing evidence on heterogeneity of rates of pay and working conditions in rural labour markets see, on Mozambique, Sender, Oya and Cramer (2006); on Sudan, Kevane (1994).

break the inter-generational cycle of poverty.¹³ For example, research on Mozambique by Oya and Sender (2009) shows that divorced or separated women tended to be more successful in obtaining relatively better paid jobs, and used their increased income to invest in their daughters' education.

The explanation for such a wide range of wage rates has partly to do with economics, as the profitability of a certain activity in a certain area affects employers' capacity to remunerate their workforce. However, different wage rates have also to do with uneven power relationships between employers and casual labourers, with the former exercising their discretion in setting the daily pay for their workers. So, when during a focus group in Amhara Region, Save the Children researchers asked casual workers to explain differences in pay for the same agricultural activity in the same area, informants explained that employers' assessment of the strength of the worker plays an important role. The weaker a worker is, the less he/she is worth. Needless to say, this leaves a significant amount of discretion to employers, whose judgement on the strength of a worker can be driven by other considerations, such as how urgently workers need to find work. This further unbalances the power relationship between employers and potential employees.

3.2. Women losing out

The position of women in the labour market is of particular concern. During focus groups with women in Rwanda and Ethiopia, women were forthcoming about the different (and lower) wage rates paid to them for a given job, as compared to their male counterparts, and the difficulties in accessing better-paid jobs. Women also shared with researchers the problems posed to them by their double role as mothers and breadwinners.

Migration in search of work is a livelihood strategy often adopted by the poorest, but for women mobility is constrained by their duties as mothers. For example, from a focus group with women in Rwanda, we learned that many people cross over the border and go to work in neighbouring Uganda, where the daily wage rate tends to be higher. Working in Uganda entails leaving very early in the morning and returning in the evening. During that time, children are either in school or at home. For those who cannot afford education for their children, a difficult choice is required: either to leave the children at home without custody or to travel with them to the workplace. In the latter case, women receive much lower pay (sometimes less than half of the 'adult only' pay). The drop in pay for women accompanied by children has been reported by participants to focus groups in Ethiopia as well.

3.3. Casual work: too little for too many

Both men and women working for wages are negatively affected by the mismatch between the amount of work that is available to "job seekers" (scarce) and the number of poor people who are seeking it (abundant). Informants consistently highlighted the fact that plenty of time, energy and resources are spent looking for employment. Such employment is often hard to find, even by migrating. Most informants in the focus groups with casual workers shared their experience of migrating and failing to find employment, and suggested that their lack of education/skills tends to confine them to unskilled work, of which there is too little for too many. The oversupply of unskilled workers is crucial to understand the uneven balance of power between those who employ workers and workers

¹³ See Cramer, Oya and Sender (2008) for evidence on the way in which divorced or separated women are successful in obtaining relatively better paid jobs and in investing in their daughters' education.

themselves. In the “bargaining” process, employers can often choose between – and play off against each other – the high number of job seekers in need of work.

Casual workers in every single focus group referred to their vulnerability to the seasonality of existing employment opportunities. Demand for labour is perniciously at its lowest when workers’ need to work is at its highest. So the off-farm season, a time at which “small farmers” rapidly exhaust their own meagre (if not non-existent) food harvest, is also the time in which the demand for agricultural labourers by employers decreases and food prices begin to rise. Given the above, casual employment in the rural non-farm economy (i.e. outside agriculture) in activities such as construction, loading and unloading vehicles, tree cutting and domestic work, can play an important role in supplementing earnings from agricultural casual labour in the off-farm season. However, two considerations need to be made in this respect. First, research has shown that there are barriers to entering the best-remunerated non-farm activities. Very poor people often cannot overcome these barriers. For example, research by Erlebach (2006) has shown that the types of non-farm work available in rural Rwanda include domestic work, transport activities, brick-making and construction. Amongst them, domestic work provides the lowest wage and work on construction the highest earnings. Very poor people are confined to low-paid non-farm jobs due to lack of skills and/or tools, such as a hammer, a metre, and a square.¹⁴

Second, in countries in which agriculture remains the main economic activity, the capacity of the non-farm sector to generate employment on its own should not be overestimated (although it can still play an important role in poverty reduction,). Agricultural growth has significant multiplier effects on the growth of the non-agricultural sector (Christiaensen, Demery and Köhl, 2006), with important implication for labour demand. Increased dynamism in agriculture, and increased earnings from it for both wealthier producers and better-paid workers, will stimulate the demand, and therefore the production and trade of goods and services in the non-farm economy (such as for corrugated iron to improve housing, for building work, and for bicycles to increase mobility). This will trigger further demand for labour. However, without the development of agriculture, and the increased earnings to farmers and workers that come with it, there are no foundations for any substantial and sustainable increase in the demand for construction activities and other service industries.

4. The policy neglect of rural labour markets

4.1. Policy priorities on rural development: Evidence from two countries

In the light of fieldwork findings, results obtained under the Household Economy Approach (HEA) and a number of micro-studies on rural poverty, it is possible to conclude that earnings in the rural labour market – or working for other people – is a key source of livelihood, if not the only one, for the most vulnerable small farmers and for the landless. This fact is not adequately reflected in poverty reduction strategies. The poverty of poor people relying on casual work, and that of their children, has a lot to do with underemployment, or the inadequate volume of work available to them, and with the low quality and remuneration for the work they can find.

¹⁴ On Rwanda, research by Barrett et al. (2005) similarly shows that the poorest segments of the population do not have access to the most remunerative non-farm economic activities.

A key objective for policy makers in developing countries should therefore be to increase labour demand in rural areas, as well as the quality of work in terms of wages and other working conditions. The research team therefore met key policy makers in Ethiopia and Rwanda, and reviewed key policy documents in each country, to look at whether they share such a policy objective, and in what way.

4.1.1. Ethiopia

The Plan for Accelerated and Sustained Development to End Poverty (PASDED) is Ethiopia's second Poverty Reduction Strategy Paper (PRSP), and as such was the country's guiding strategic framework for the five-year period 2005-06/2009-10. It consists of the following eight pillars: (i) Building all-inclusive implementation capacity; (ii) A massive push to accelerate growth; (iii) Creating the balance between economic development and population growth; (iv) Unleashing the potentials of Ethiopia's women; (v) Strengthening the infrastructure backbone of the country; (vi) Strengthening human resource development; (vii) Managing risk and volatility; and finally (viii) Creating employment opportunities (FDRE, 2006).

The 'growth acceleration' initiative (2nd pillar) is founded on two main strategies: (a) accelerating market-based agricultural development and (b) accelerating private sector development. In turn, the aim to accelerate market-based agricultural development is based on a major effort to support the intensification of marketable farm products, both for domestic and export markets, and by both small and large farmers. Elements of the strategy include the shift to higher-value crops; promoting niche high-value export crops; a focus on selected high-potential areas; facilitating the commercialization of agriculture; supporting the development of large-scale commercial agriculture where it is feasible; and better integrating farmers with markets (both local and global markets). Overall, the PASDEP proposes a comprehensive plan for agricultural and rural development, detailing the fundamentals of Ethiopia's agricultural development and food security strategy over 40 pages.¹⁵ Under a food security programme component, the document mentions that income diversification through the promotion of non-agricultural activities is of paramount importance for food insecure households which are resource poor, living in drought-prone and degraded areas.

Finally, the private sector development strategy is based on three main elements: strengthening the institutional framework to enable private initiative; exploiting niche markets opportunities (in tourism, livestock, horticulture/floriculture or mining); and a major push to increase exports (FDRE, 2006).

Within the PASDEP, creating employment and income-earning opportunities occupy a central place in the effort to accelerate growth. The PASDEP indicates that the labour force amounted to 54 per cent of the total population in 2004-05 and was growing by about 1.2 million people per year (induced by the growth rate of the population), putting a lot of pressure on the labour market. The challenges faced by the government in fulfilling the demand for increased employment are thus two-fold: managing the dynamics of population growth and promoting the expansion of labour-intensive productive activities. Accordingly, the PASDEP strategic emphasis is on the growth of the rural, industrial, export, construction, and other labour-intensive sectors (FDRE, 2006).

¹⁵ For example, it provides detailed information on crop production and productivity, coffee, tea and spices, pest management, livestock development and animal health services, natural conservation and management, agricultural research and extension, food security programs and agricultural marketing.

However, as pointed out by researchers at the Overseas Development Institute, although employment promotion occupies a central place in the PASDEP narrative, the ‘policy matrix’ that summarizes the PASDEP programme targets (and thus creates the necessary evidence to measure progress against the PASDEP policies and strategies) does not include indicators such as ‘number of jobs created’ (ODI, 2007b), average number of days worked per person and year and wage rates. This will make it very difficult to assess whether the different proposed policies have a significant effect on labour demand and what their impact on rural employment is.

Furthermore, whilst the creation of jobs is flagged as a key focus of policy-making, the PASDEP overlooks the centrality of wage employment to the livelihoods of many poor people (and related poverty reduction interventions) in current rural Ethiopia. The result is that no mention is made of ‘decent work’ principles or direct intervention in the rural labour market (such as improving wages, working conditions and benefits or improving the bargaining power of the workers) as a key area for achieving significant improvements in the livelihoods of the poorest.

The Productive Safety Net Programme (PSNP) is another initiative whose impact on job creation is worth analysing, given its centrality to the government and the poverty reduction efforts of key donors.¹⁶ The PSNP commenced in February 2005 and is intended to serve the dual purpose of helping to bridge the income gap for chronically food-insecure households, and engaging such households in community asset building efforts to earn income (especially during the lean season and times of drought). The programme has two components: labour-intensive public works and direct support for labour-poor households. The PSNP provided income transfers to nearly 5 million people in 2005 and to 7.2 million in 2006. So what are the short- and long-term impacts of the PSNP on its beneficiaries? The ODI has stressed its achievements in the short term, whilst raising doubts about the long-term impact as “the jobs offered are seasonal and part-time, and do not provide a living income. With very few exceptions they are unskilled physical labour, offering no skills development and no prospect of betterment or further employment opportunities” (ODI, 2007b, p. 7).

Finally, a comment on the World Bank’s current priorities in Ethiopia. It is disappointing that amongst these priorities, there is no evidence of any effort to increase the policy attention to rural labour markets that, albeit inadequately vague in its formulation, is spelt out in the 2008 World Development Report.

4.1.2. Rwanda

The Vision 2020 is key to any review of the Rwandan government’s approach to rural poverty eradication. It contains the framework further elaborated in subsequent policy documents, such as the first and the second Poverty Reduction Strategy Papers (PRSP-I and EDPRS, respectively), the National Agricultural Policy (NAP) and the Strategic Plan for Agricultural Transformation (SPAT). The development of the private sector and entrepreneurship are seen by policy makers as the best avenue for employment creation in Rwanda. The government is to play an “enabling role” to create a favourable business investment climate for the private sector and the development of small and medium enterprises (SMEs).

Concerning agriculture, the Vision 2020 elaborated aims to replace subsistence farming with a fully monetized commercial agriculture sector (Republic of Rwanda, 2000).

¹⁶ Support to PSNP is the single biggest item in USAID 2007 budget, and a key component of DFID and the EC development assistance.

Accordingly, the agricultural sector is considered crucial in all of Rwanda's strategic documents on poverty reduction. Three main themes emerge from the key policy documents on rural development cited above. Firstly, the government's approach to poverty reduction in rural Rwanda focuses primarily on increasing the productivity of 'small-scale subsistence farmers', to be achieved through research, extension services, input development, finance, infrastructure, marketing, livestock development, cash crop development and sector planning. Such a focus reflects the official wisdom that most rural households are engaged in subsistence agriculture. Secondly, the development of non-agricultural employment is also central to poverty reduction. In the long term, agricultural growth is expected to act as a catalyst for growth in other sectors (as agricultural incomes rise, demand is generated for non-agricultural goods and services). In the short term, rural public works are expected to generate non-farm employment. Finally, the government export promotion strategy also deserves particular attention for its impact on rural workers. Each of these themes is briefly discussed below.

Concerning the goal of commercializing the subsistence-oriented agricultural sector, an independent evaluation of the PRSP-I pointed out "the possibility that a strategy of commercialization may not reach all rural households is not fully considered" (Evans et al., 2006, p. 27). For example, Erlebach argues that these policies are not sufficient to help the poorest out of poverty since the poorest categories of the population, who are often highly dependent on insecure agricultural wage labour with low returns, are unlikely to benefit *directly* from these measures (Erlebach, 2006). McKay and Loveridge similarly argue that the strategy of agricultural commercialization pursued by the government in the PRSP is unlikely to derive much (if any) benefit for some of the poorest groups in Rwanda, given that they have withdrawn from the market and cultivate areas that are too small to produce a marketable surplus. On the contrary, the authors argue that commercialization strategies could further increase rural inequality (McKay and Loveridge, 2005). It is worth stressing that the commercialization of farming can play an important role in poverty reduction through increased labour demand. However, a disturbing feature of the current focus on commercialization is the lack of indicators to assess the impact of agricultural commercialization on labour demand and wage rates.

In the different key policy documents concerned with rural development, the government also emphasizes the importance of an export promotion strategy for poverty reduction. This focus, part of the broader effort to commercialize agriculture, seems more promising for poorest sections of the rural population that work for wages, as encouraging the production of labour-intensive crops and the technologies that significantly expand the demand for agricultural wage labour can impact positively on the lives of rural workers. For example, Erlebach indicates that the employment opportunities offered to members of the poorest households by coffee plantations are extremely important for poverty reduction in rural Rwanda (Erlebach, 2006). The different initiatives proposed for the promotion of labour-intensive crops, such as the provision of improved seeds and extension services to coffee and tea plantations and could provide important employment opportunities for some of the poorest households in rural Rwanda. In a similar fashion, the development of the horticulture sector, also labour-intensive, could provide further opportunities. While the sector is slowly emerging, the government sets ambitious targets for horticulture for the future in its Horticulture Strategy for Rwanda (Republic of Rwanda, 2006). Due to the lack of detailed analysis, the impact of the promotion of labour-intensive crops for rural workers in Rwanda is, however, not yet known and deserves further analysis.

A problem with the current focus on export promotion in the Rwandan context is that, similarly to Ethiopia, policy documents make no reference to elements such as improving wages, labour conditions and benefits or improving the bargaining power of the workers as part of a strategy for achieving poverty reduction. This is a remarkable gap, given the systematic reliance by the poorest on earnings in the rural labour markets.

A second central objective of the different policy documents considered is the development of non-farm employment. In the short term, labour-intensive public works programmes have been promoted to resolve the problem of underemployment observed in rural Rwanda. Different types of activities have been suggested, such as the improvement of rural roads, soil conservation and terracing. While this is an important goal, the focus should also be on funding public work schemes with the strongest long-term impact on labour demand (as too often the focus is on creating income for the poorest in the short term only). The potential benefits for some of the poorest categories obviously depend on how such programmes are designed and implemented. The *Haute Intensité de Main d'Oeuvre* (HIMO) programme, launched by the government in 2003, was expected to create a total of 886,000 jobs over a period of five years. However, despite its promise, the evaluation of the PRSP-I points out important shortcomings in the implementation of labour-intensive public works programmes – such as inadequate funding, institutional weaknesses – and expresses concerns about efficiency, quality and sustainability (Evans et al., 2006). In a tree planting project in Bugesera, “local people termed the project *HIMANO* which loosely translated means ‘something that makes life difficult’”. The main criticisms were: favouritism, whereby local leaders recruited their relatives and those who were able to pay to be included; short terms of employment; low wages; the fact that workers would work for about 3-5 days, contrary to the minimum 60 days reported by HIMO officials in Kigali. Women were the most disadvantaged by low pay. Payments were also reported to be irregular, in some cases over two months overdue. (Evans et al., 2006, p. 53).

The Economic Development and Poverty Reduction Strategy programme (2008-12) indicates that guidelines to avoid the weaknesses and abuses that have hindered the *Haute Intensité de Main d'Oeuvre* programme in the past (Republic of Rwanda, 2007b) will be addressed. However it is as yet unclear what the guidelines are to avoid similar problems in the future.

5. The policy neglect of rural labour markets: concluding remarks

The outline of the policy priorities on rural development in Ethiopia and Rwanda presented in this paper demonstrates that improving the functioning of rural labour markets and the quantity and quality of work available to the poorest people is not a priority of policy makers in the two countries. Although there are significant differences between individual contexts, the support to small-scale enterprises and agricultural producers to increase their productivity and incomes is the cornerstone of the development strategies of both countries. ‘Getting prices right’ along with vaguely defined actions to improve the investment climate are expected to drive the process of development. In both Ethiopia and Rwanda, governments play a minimal role in economic development, focusing on addressing market failures, and on enabling private investment.¹⁷

Policy making on agricultural pro-poor growth rests on the erroneous belief that the poorest people in developing countries earn their living mostly from own-account farming, and consequently the goal is to commercialize and intensify their farming. This is to be achieved by enabling the encounter between producers and markets (markets of inputs, outputs or credit) without addressing the employment implications and potential of this strategy.

¹⁷ In Africa, a country in which the state has played a more active role in agricultural development is Malawi, following the 2002 famine and the introduction of agricultural subsidies in 2005-06. See Chinsinga (2010) for an account of these events.

Such an approach to rural poverty reduction is bound to fail as:

1. millions of very poor people mostly make a living from casual work for other people, often for low pay, in agriculture and in the non-farm economy; and
2. there are more workers in search of employment than jobs available and this negatively affects the poorest people's earnings from work in many ways. Firstly, their weak bargaining power negatively affects returns from work. Secondly, the inadequate volume of work obtained negatively affects income (in cash or in kind) over time.

Therefore, a fundamental misunderstanding of poverty and of the characteristics of the poor lies behind the design of 'pro-poor' growth strategies. This will have dire consequences on the capacity of the international community and developing countries' governments to deliver on poverty reduction. Current efforts at tackling the food crisis, and more broadly hunger, as exemplified by the 2008 United Nations High Level Task Force on the Global Food Crisis, are no exception to this dismal trend, as they are misleadingly centred on the exclusive promotion of the livelihoods of small-scale own-account farmers by boosting their agricultural production. Such a focus might benefit the less deprived amongst small farmers, but is unlikely to deliver dramatic change for those small farmers and landless who depend on earnings from casual work for their livelihoods. For them, a dramatic increase in labour demand is the key to better futures.

For policy makers, a direct focus on increasing the quantity and quality of jobs that do exist in rural areas must take centre stage in planning growth strategies that are genuinely pro-poor.

5.1. Making the rural labour market work for the poor: priority areas for policy action

A mix of short-term and long-term measures is needed to promote rural development so that rural poverty can be tackled. Whilst attention to the peculiarities of individual country contexts and to differences within countries will be essential, the increased availability of decent work opportunities will be central to the success of pro-poor growth strategies. Some elements of these are proposed below.

5.2. Increasing labour demand and promoting labour-intensive agriculture

Policy makers must focus on increasing labour demand in agriculture, the main employer in most developing countries, as well as the main driver of employment generation in the non-farm economy. If one considers population pressure on land, and the shortage of land (or, in less densely populated countries/areas, of land of good quality), there is not much room for addressing the employment problem by increasing the areas devoted to agriculture. The key objective must be to increase the labour intensity of agriculture, or the volume of work that a unit of land can generate over a year.

Such an objective can be aimed at in a number of ways.

1. Promote irrigation, as there is compelling evidence that irrigation can dramatically increase the productivity of land and labour-intensity of agriculture. Yet only about 17 per cent of the world's arable land is irrigated by artificial means (FAO, 1999). Most of the irrigated land is now located in Asia (68 per cent), the Americas (17 per cent) and Europe (9 per cent). Despite the fact that Africa is the second most populated

continent, African intensive agriculture barely accounts for 5 per cent of the world's total irrigated surface (Siebert et al., 2006).

Irrigation increases agricultural productivity and labour demand in a number of ways. For example, only about 17 per cent of the world's arable land is irrigated by artificial means, and this land accounts for over 40 per cent of global food production (FAO, 1999). Irrigation allows double-cropping on land, thus creating employment opportunities in periods of the year in which non-irrigated agriculture does not offer employment. This is crucial because, as this paper has argued, the shortage of off-season earnings opportunities is a key source of casual workers' vulnerability. Irrigation allows the expansion of the area of land that can be farmed through water storage and water transport (via canals) (Ferguson, 1992, quoted in Schoengold and Zilberman, 2005).

Increases in returns from agriculture, labour demand and workers' income have been shown to be beneficial to the welfare of the poorest, who rely on wage employment, and to their children. For example in Brazil, child labour diminished thanks to substantial investment in irrigation, which resulted in substantial job creation, and improvements in wages and labour standards (Damiani, 2003; FAO, 1999). Furthermore, agricultural growth generated by irrigation has strong multiplier effects. Research from India shows that in areas of irrigated agriculture the value on non-agricultural output increase was more than double the value of increases in agricultural output (Hazell and Haggblade, 1990).¹⁸

Irrigation has its opponents, who underline its high capital costs, as well as environmental and social side-effects (Schoengold and Zilberman, 2005, pp. 48-58). But given its obvious contribution to the growth of agriculture and to adult and child poverty reduction, serious attention must be given to expand the areas of irrigated land in poor countries, whilst minimizing its potential negative effects.

2. Explore opportunities to promote (through subsidies, fiscal and credit support, and infrastructural investment) the production of labour-intensive crops. In a given country, farmers grow, more or less profitably, a variety of crops. Some crops generate more demand for labour than others. Consider, for example, the fact that vegetable production can be as much as five times more labour intensive than cereal production; in Mexico the cultivation of tomatoes has labour requirements more than four times higher than maize (Weinberger and Lumpkin, 2005; quoted in World Bank, 2008, p. 208). Policy makers who take seriously the urgent need of tackling unemployment and underemployment must seriously consider exploring way to promote labour-intensive crops.

5.3. Improving the long-term impact of public work schemes such as PSNP in Ethiopia and HIMO in Rwanda and addressing women's disadvantages in the labour market

There is growing awareness that the way in which public work schemes are designed, their timing and the remuneration for the work that is carried out through them are crucial in influencing their long-term impact. In particular, the design of public work schemes is often not based on the understanding of the relative cost-effectiveness of different types of public work. Two issues stand out for their relevance to the working poor:

¹⁸ Research on Indian agriculture has also shown the fallacy in the common held belief that irrigation comes with mechanization, which in turn offsets the increases in labour demand (Chattopadhyay, 1984).

First, attention needs to be paid to the relationship between public works and the broader labour market, and more specifically the relationship between the wage rates of public works and wage rates outside them. In India for example, the demand for labour by state sponsored employment schemes increased the bargaining power of unskilled workers outside the scheme. It also tightened the labour market as the daily wage rate for casual work outside the scheme did not fall below the daily wage rate paid by public employment schemes. Therefore employment schemes can act as an effective measure to establish a wage floor, a key outcome as far as poverty reduction is concerned (Sen and Ghosh, 1983; ODI, 2008).

Second, the gender implications of public work design must be factored in. It is not unusual that public works programmes are biased towards male participation so that the women in most need of them have less access to them (see King Dejardin, 1996). The provision of childcare at the workplace would help to begin to address the discrimination experienced by women in the labour market. As this report has shown, the dual role of child-carer and bread winner penalizes women at work, as it either constrains women's search for work or results in lower daily pay for women who are accompanied by their children to work.

5.4. Stabilize food price as way or reducing distress labour supply

Given the fact that food purchases are the single largest expenditure item for very poor rural households, stabilizing food prices will have important effects on their welfare as they tend to sell their meagre (if at all existent) harvests early on in the season to then purchase food later on in the year when food prices typically rise.

5.5. Reform the inadequate questionnaires that lie behind statistics on rural poverty and invest more in labour force surveys

As this report has shown, there is a lack of statistical information on rural labour markets. Such a gap stems from the inadequacy of the employment modules in Living Standards Measurement Surveys and Household Income and Expenditure Surveys funded by the World Bank. This report has stressed how problematic is their focus on the "main occupation", given the concept's inability to capture the reality of multiple sources of income, and daily work that characterize the livelihoods of the poorest people. Good labour market policies need to be based on a good understanding of the functioning of rural labour markets, and this requires good national surveys as a starting point. Increased investment in Labour Force Surveys must be part of the effort to gather more reliable statistics on rural poverty and employment.

5.6. Fund policy-relevant research on the functioning of rural labour markets

Policy makers need to understand the different rates of pay and working conditions that exist in different regions of their country, and why these differences persist. This can then be used to identify the barriers to growth faced by different types of rural employers and potential policy interventions to increase labour demand in rural areas. Of crucial importance is also to understand the link between labour productivity in agriculture and returns from labour for workers, so that low rates of pay and poor working conditions can be explained either as an outcome of employers' arbitrariness and/or as a consequence of employers' lack of dynamism. The characteristics of the worker might also be the cause of

low rates of pay. However, employers' arbitrariness in a context of labour oversupply crucially tilts the balance of power between employers and worker in favour of the former. Last but not least, good poverty surveys at the national level can document the types of employers in the labour market that typically help poor people to graduate from poverty. Measures to step up the support to these employers, so that they can increase their demand for decent jobs, needs to be explored.

5.7. Actively promote the involvement of rural casual workers in designing pro-poor growth policies

As acknowledged by all donors, good governance and the participation of citizens in the policy process is key to development. Agriculture, and more broadly rural development, is no exception to this. For good governance to be a reality in rural areas, the voice of the landless and small farmers who mostly rely on casual labour must be heard by policy makers. In order to do so, the legal and practical impediments to the organization of rural workers need to be addressed. On the legal side, as the ILO put it, the ratification and enforcement of international and labour standards is essential to "close the gap for rural workers" (ILO, 2008, p. 85; see also FAO; ILO and International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations, 2007). As for the practical barriers to rural workers' political voice, free trade unions have a crucial role to play in this, as good governance in rural areas rests on their increased membership base, or in their capacity to create alliances with democratic organizations representing the rights of casual workers. The Self Employed Women Association's experience in India shows that voice can be given to unorganized workforces in the informal economy. As for donors and governments in developing countries, they must commit attention and resources to the active involvement of representatives of the working poor in policy making. Without it, good governance in rural areas will remain a chimera.

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Annex Table 1. Comparing Ethiopia's and Rwanda's development indicators

	Ethiopia	Rwanda
Population (2008 est.) (*)	80 713 000	9 721 186 000
Area (sq Km) (*)	1 104 300	26 338
Density (hab. per sq Km) (*)	73.1	369.1
HDI (2009)	0.414 (171)	0.460 (167)
Life expectancy (2008)	55	50
Fertility rate (births per woman, 2005-10)	5.4	5.4
Under-five mortality rate (per 1,000 live births, 2007)	118.6	180.6
Children under weight for age (% under age 5, 2005)	34.6	18
Children under height for age (% under age 5, 1996-2005)	51	48
Adult literacy rate/15+ year/Male/Females (%, 2004)	50/22.8	71.4/59.8
Net primary enrolment rate (%, 2007)	74.7	97.2
Net secondary enrolment rate (%, 2005)	28	7 (1991)
GDP per capita (current US\$, 2009)	344	5006
Population living below \$1 a day (%,2005)	39	60.3
Population living below \$2 a day (%, 1990-2005)	77.8	87.8
Gini index (0 abs. equality, 100 abs. inequality)	30.0	46.8
Public expenditure on health (% of GDP, 2007)	3.8	10.3
Public expenditure on education (% of GDP, 2002-05)	6.1	3.8

Source: <http://data.worldbank.org/>; <http://data.un.org/>

Annex Table 2. Heterogeneity of rates and modalities of pay in rural labour markets: one example (Rwamiko district, Rwanda, 2007)

Type of Activities	Location	Wage/Payment	Type of payment	Other information
Working for better-off farmers	Mainly in Rwamiko and neighbouring sectors (Bukure, Giti) Eastern Province	400-500 RWF 300 RWF (for women with children) 700 RWF	Daily (or on task basis in Eastern Province)	Payment in kind (food) is also practiced depending on the arrangement.
Coffee plantations	Rwamiko and Bukure mainly	Harvesting 200 RWF Weeding 400 RWF	Per basket daily	In general, people fill two baskets/day
Construction work	In the village, nearby areas or Kigali	Mason 1 000-1 500 RWF Assistant mason 500-700 RWF	Daily (or on task basis)	Informants from poorer categories often indicated different entry barriers for construction work
Brick Making	Gasabo District (and other places)	700 RWF	Daily	
Domestic work	Kigali mainly	6 000 RWF	Monthly	Amount and type of payment depend on the employer
Loading/unloading trucks	In the village	1 RWF	Per kilo	In general, only available to the member of the association
Various transport activities	In the village	-	Per task	Payment depends on the quantity and location
Collecting grass for animals	In the village	4 000-8 000 RWF	Monthly/task basis	Amount and type of payment depends on the employer
Collecting water and helping to make beer	In the village		Daily/monthly/task basis	Amount and type of payment depends on the employer

Source: Save the Children UK, 'Focus groups discussions', Rwamiko district, Rwanda, 2007.

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