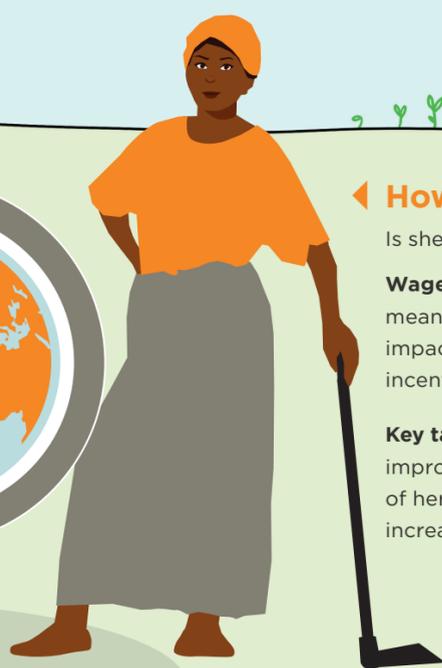


RURAL WAGE LABOR

WHY IT MATTERS FOR REDUCING EXTREME POVERTY

Up to
40%
of the world's
agricultural
labor force is
employed as
wage workers*



How does she earn a living?

Is she a seasonal migrant worker? Farming her own field? Does it matter?

Wage labor, unlike **self-employment**, means a worker does not own her means of production (e.g., assets, capital, etc.). This can have a significant impact on the types of interventions that will impact a person's life and the incentives to which she will respond.

Key takeaway: A person who owns land may be willing to invest in it, purchase improved inputs, and more. However, a person who derives the majority of her income through wage labor may have other priorities: higher wages, increased work opportunities, safer conditions, and improved stability.

80%–90% of households engage in non-farm activities

Wage labor is the most important form of income for the extreme poor

In Tanzania, a specialized rural labor market survey found that the poorest relied on casual wage work for **65% of their annual income.**



Even for the comparatively “less poor,” who derive significant income as smallholders, wage labor is an important share of income portfolios

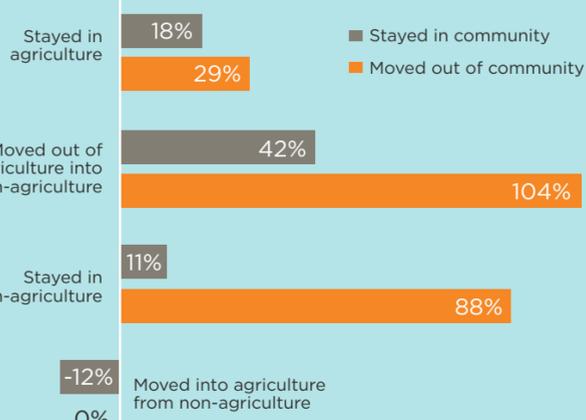
In Malawi, national statistics confirm that wage labor is the **second largest contributor to household income (at 23%)** for smallholders.



As agricultural economies evolve, wage labor will become even more important

Pathways out of poverty will increasingly be labor market based, as **structural transformation** reshapes markets as well as the opportunities available to smallholders.

Changes in consumption expenditure from 1991-2004, Tanzania



This longitudinal survey found that individuals who moved out of agriculture saw the highest increase in spending of any group—especially if they migrated out of their community.

A 2014 World Bank report in Nigeria found that **non-farm activities** (pursued by about half of rural farm households) had a **larger effect on poverty reduction** than agricultural productivity, decreasing the likelihood of being poor from **8% to 17%**.

National statistics are labor-blind

Official national labor statistics

Specialized labor market surveys and case studies

ETHIOPIA



8% of the total labor force is wage employed (urban and rural).



48% of all sampled adults participate in agricultural wage labor (rural only).

NIGERIA



4% of households participate in rural wage employment.



44% of households participate in agricultural wage labor.

Why the difference? Most survey designs and questionnaires do not adequately capture nuanced employment categories and incur significant sociocultural response bias.

Implications for programming:

1 Look beyond smallholders and entrepreneurs: wage working women and men should be key beneficiary groups.

2 Improving both the **quantity and quality** of work is important. Quality is key to sustained poverty reduction, but even low-quality jobs can be important coping strategies for the extreme poor.

3 In the value chain/sector selection process, **consider wage employment potential and impact.**

4 Be aware of the **systematic underreporting of wage labor statistics**—use quantitative and qualitative analytical tools to **inform evidence-based design.**

For more, see an extensive evidence review at www.microlinks.org/LEOwagelabor

The information presented in this infographic draws from the report “Wage Labor, Agriculture-Based Economies, and Pathways out of Poverty” (Mueller and Chan 2015). See the full report for all data sources, additional findings, and analyses.

This infographic has been produced in partnership between USAID’s Leveraging Economic Opportunities (LEO) project and the Feed the Future Knowledge-Driven Agricultural Development (KDAD) project.

*This is a global estimate. As examples: In Ghana, 59% of cocoa workers are wage workers, and in Malawi, 39% of rural households participate in casual wage labor.