DIVERSITY IN RURAL INCOMES

ISSUES AFFECTING ACCESS AT HOUSEHOLD LEVEL
This presentation covers

- How/why poor rural people diversify incomes
- Factors affecting poor people’s access to non-farm employment
- Implications for policy, direct intervention and research
ACCESS to NFR employment

- Past initiatives have focused largely on creating the conditions for the generation of employment opportunities
- Here, we look at what conditions people’s access to those opportunities
- Especially important for the poor who are disadvantaged in *access* to employment (eg education, contacts, ability to pay bribes)
Reasons to diversify incomes

- Smooth income/consumption patterns
- Increase incomes
- Reduce risk

- To improve long-run income prospects (invest in skills or assets)
Non-farm rural employment

• DISTRESS-PUSH - inadequate incomes in agriculture push workers into poorly paid non-farm sector employment

• DEMAND-PULL - agricultural workers able to seize more remunerative employment opportunities in non-farm sector
Rural income source egs

- agriculture (own farm, tenant, wage labour)
- migration and remittances (domestic/overseas; temporary/permanent; regular/irregular)
- daily travel to urban employment
- local wage labour
- self-employment (trade, services etc)
The rural poor

• LANDLESS or SMALL FARMERS
• Distress-push is important
• Income smoothing/increasing, reduce risk
• Self-employment and unskilled wage labour
• Poorly paid non-farm employment - where barriers to entry are low and numbers high
• Need to diversify: long-term or temporary
Rural women

• Feature prominently among the poor

• Access to employment outside the home or the farm more constrained than for men?

• Non-farm sector expansion may EMPOWER or further MARGINALISE them
Factors affecting access to NFR employment by poor households

- Health and nutrition
- Education
- Finance
- Land ownership
- Social networks
- Household composition
- Infrastructure
Health and nutrition

• Health indicators closely correlated with Y
• Good health: *sine qua non*
• Rural areas: poor access to health services
• Poor health services compounded by poverty and lower literacy levels
• Rural women even more disadvantaged (child birth, child care, literacy, traditions)
Education

• Growth and higher incomes in the non-farm sector associated with more educated work force (in contrast with farm incomes?)
• Greater emphasis on credentials - not skills?
• Educated people make their own opportunities?
• Poor people constrained by other factors too
• What sort of education is most beneficial?
• Improve poor people’s access to education
Rural finance

• Critical constraint to business development
• Access more constrained in rural areas, especially for the POOR and for WOMEN
• Finance provides
  – direct investment or down-payment for loan
  – buffer against risk
  – ability to pay bribe
Rural finance: formal/informal

- Few FFIs in rural areas
- Mixed record on lending to the poor - badly targeted, unsustainable
- Lending to the poor - inherently high cost
- Legal constraints for women?

- Poor depend on informal sector
- Friends/relatives are also poor so can’t lend
- Local moneylenders - high interest and don’t lend for investment?
- ROSCAs - also exclude the poorest
Land ownership

- Land ownership important determinant of rural income
- Land title important in access to finance
- Larger land owners diversify into higher paid NFRE sectors
- Less landlessness in Africa - but land title, size of holding and land quality important
- Customary rights common in Africa (no title)
Useful social networks provide

• Information/advice on NFR opportunities
• Introductions/references
• Accommodation in unfamiliar place
• Straddle networks - thus expanding information, networks, opportunities
• Loans
Social networks of the poor

• Tend to link them to other poor households

• Extended family important

• Geographically limited?

• Limited access to useful info/contacts/loans
Household composition

- Household size - surplus labour
- Dependency ratio - elderly, sick, children
- Female-headed?
- Gender balance
- Need to send children out to work
- Decision-making - by whom?
Rural infrastructure

- Roads, electricity, telecommunications
- Attracts investors
- Facilitates SME development
- Poor have less access to infrastructure?
Implications?

- Policy
- Direct intervention
- Research
Policy, intervention, research

• Heterogeneity
• Infrastructure
• Pro-poor focus
• Enabling environment
• Social networks
• Financial services
• Decentralisation of government
• Education