

*Outline and Sample Chapter*

**Earning Their Way Out of Poverty**

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## *Sample Chapter*

### *Chapter One. A Life's Journey.*

#### **A visit to high-tech China**

It is Christmas Day 2008. Three thousand workers are busily building Thinkpad computers at a Lenovo factory in Shenzhen, China. The factory is spotless, as are the workers. The color of their uniforms indicates their responsibilities: light blue for assembly line workers, darker blue for team leaders, green for factory cleaners, and so on. In white lab coats with black pinstripes designating visitors, the manufacturing manager, his assistant, and I follow the assembly line around, starting with workers collecting up the various parts needed for each particular computer (a process called “kitting”) to assembly to testing through software installation through further testing to packaging and finally to shipping.

These young men and women, all between the ages of eighteen and twenty-three, work extremely fast. At kitting, a bin with parts used by all Thinkpads would arrive, a worker would scan the order form indicating which specific additional parts are needed, and within five seconds the parts have been added to the bin. About ten seconds later, another computer would arrive and the task would be repeated. The entire assembly line crew stand at their stations for two hours working non-stop, to be followed by a fifteen-minute break during which they could sit on stools, go to the toilet, or socialize. Three more cycles would follow until the nine-hour work day is completed.

Following the plant tour, I am taken to the dormitory where some of these workers live. Leading me are the labor supplier who recruits workers for the factory and two recent university graduates employed in entry-level positions in Lenovo’s human resource function. Groups of young men live on the fourth floor of the concrete dormitory building, young women on the fifth floor. (It is strictly prohibited for men to enter the women’s rooms or women the men’s rooms.) Each dormitory room is long and narrow with two-story bunk beds placed adjacent to one another on each side. The first room I see sleeps sixteen young women in a space that is said to be 500 square feet but looks smaller than that to me. Other rooms sleep ten, twelve, or fourteen workers. At the end of each room are two cold-water taps and a toilet as well as some small windows. Limited cross-ventilation could be gotten by propping open the door opposite the windows, but this is a manifestly unsafe thing to do given the possibility of thefts of the residents’ meager possessions.

My hosts and I then have the opportunity to sit down with the workers for a discussion. Dressed in blue jeans, tee shirts, and sneakers - quite like the more casual outfits worn by young Americans who attend my university lectures - the workers tell us their stories. They regard their work as demanding but also desirable. Nearly all are migrants from other provinces of China. What attracted them to this work, they told us, was the prospect

of steady employment, enabling them to earn more than they could have at home. One could have been a secretary at home, she says, but she has a desire for a better life and hopes to be promoted. Another dropped out of school and came to work in the factory because her family needs the income. Another says she left school because she was not good at study. A young man said he left the rural area because all the other guys at home had already left before him.

These workers are paid 5.7 Chinese yuan per hour which, at the prevailing exchange rate, is about U.S. \$0.80 per hour or about U.S. \$7 per nine-hour day. Each resident is charged an amount equal to 15% of his/her pay for dormitory rent. Much of the rest of their salary goes for food. Many send money home to their families.

It is helpful to put these workers' earnings in perspective. Compared to the U.S. minimum wage, which at the time of this writing is \$7.25 per hour, the Chinese workers are paid very little. But compared to Indian workers, the pay is very good: Kalavati, whom we will meet in Chapter Three, and hundreds of millions of others like her in India can earn no more than U.S. \$0.80 per day.

This is how some of the other half work.

### **Getting to today**

For me, the story of this book began with a phone call in 1970. My Ph.D. advisor at the University of Michigan, George Johnson, was going to spend a year in Africa as a visiting professor. When George called that night, it happened that my wife, Vivian, answered the phone. "I'll work on him," I heard her say. She then told me that George had said that money was available for a graduate student to accompany him to Kenya. Did we want to go along? We talked briefly, accepted the offer, then went in search of a world atlas (which one had to do before there was an internet) to see where in Africa Kenya was.

The change in me didn't take long. After spending a few weeks in Africa and seeing what was around me, I realized that the issues facing people there were far more urgent than the ones I had been examining back home. I started then to work on employment and poverty in the developing world, which I continue to do today.

I had never experienced mass poverty before. At first, what I saw were some of the millions of Kenyans who eked out a living from one day to the next. One of them was Joseph Waweru who, with his family, farmed a plot of land in the beautiful Kikuyu highlands. An exchange of visits to each other's homes highlighted the enormous differences in our standards of living and, incidentally, in our food tastes. (Vivian and I did not find a meal of six hard-boiled eggs and a slice of white bread to be a treat, nor did the Wawerus appreciate Vivian's delicious (to me) spaghetti with meat sauce and garlic bread.)

Later, when the numbers came out, they showed the enormity of the world's poverty problem. According to the initial figures,<sup>1</sup> 1.3 billion people lived on less than one U.S. dollar per person per day (adjusted for differences in purchasing power between their countries and ours). Another 1.7 billion people lived on between one and two U.S. dollars per person per day. Almost half of the world's people – ten times the population of the United States – were absolutely poor by this definition.<sup>2</sup>

In both the professional and the policy work being carried out in the field of economic development at the time of my first visit to Kenya, much was being done about some important topics – chief among them, economic growth, international trade, and agricultural development – but little was being done about labor markets. As a labor-economist-in-training, I found the possibility of working on employment and poverty issues in the developing world to be first an opportunity, later an interest, and for the last decades a passion and a calling. I have been privileged to have been able to teach and do research on these issues, mostly at Cornell University, and to have been able to engage actively in the policy world through the World Bank, the regional development banks, the International Labour Organisation, and other governmental agencies and institutions.

Even now, labor markets receive relatively little attention in accounts of global poverty. Wonderful books on ending world poverty go into depth on many important aspects of economic development but have little to say about employment. The present volume fills in where these others leave off.

According to the latest figures, today an estimated 3.1 billion people still live in absolute poverty, essentially all of them in the low- and middle-income countries of Asia, Latin America, and Africa and none of them in what are traditionally called the “developed economies” of North America (excluding Mexico), Western Europe, and selected parts of Asia and Oceania.. This book is about how the poor live and work and what actions the world community could take to improve poor people's earning opportunities as a central component of a multifaceted program aimed at ending the scourge of absolute economic misery.

### **Putting ourselves in their shoes**

Suppose you are one of these more than three billion poor people. You are trying to do the best you can for yourself and your family. The best you can afford is to live in a one-room shack without electricity, running water, or sanitation. You have all you can do to put very basic food on the table two or three times a day. Leisure is of little value to you – you want work and the money that comes with it so that you can buy the things you need.

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<sup>1</sup> **According to the initial figures . . . :** United Nations (1997, p. 3) and World Bank, <http://www.worldbank.org/poverty/data/trends/income.htm>, 1999.

<sup>2</sup> **... absolutely poor . . . :** To learn more about the technical differences between absolute poverty and relative poverty and between poverty, inequality, and other aspects of economic well-being, see Fields (2001).

You consider working for a daily wage. The best available jobs in your community pay your country's equivalent of one or at most a few U.S. dollars per day. On a good day, you can get work; on a bad day, there is no work to be gotten. The country in which you live is too poor to have established an unemployment insurance system. Assistance from other family members is available, but the amounts they are able to give are minimal, because they are as poor as you are.

You consider farming. Your parents and those before them were farmers, you grew up on a farm and worked there as a child, and so you too are knowledgeable about farming. You yourself have no land, because the family land was inherited by your older brother. You try to find an unused plot of land which you could cultivate, enabling you to earn a subsistence livelihood. However, the great majority of others around you are landless as well, and so no land is unused.

You consider setting up your own business. This would be difficult, because the authorities hassle street vendors and craftspeople who don't have licenses, confiscating their merchandise, arresting them, throwing them into jail, and making them pay impossibly heavy fines. Because you are so poor, you find it impossible to save enough money to stock a small shop nor enough working capital to operate it.

You consider moving to a far-away city where jobs are more plentiful and the pay is better. However, many others like you wish to do the same, so that each time a job vacancy arises, tens or even hundreds of other workers try to get the same job that you are trying to get.

You even consider moving to a distant country in which people like you earn more in a day than you could earn at home in a month. Sadly for you, the rich countries try hard to control their borders and keep people like you out. Some people you know have drowned or suffocated trying to make their way to other countries. Others you know saved for years to pay a fee to a "helper," only to have their money stolen and be left penniless.

So what do you do? You make the best of a bad situation, eke out an existence, and do all that you can to earn your way out of poverty.

And what should we do? Blame you for your poverty, because if only you tried hard enough, you wouldn't be in poverty in the first place? Ignore your poverty, because you are one of "them" and not one of "us"? Exploit your poverty, pitting you against others who are as desperate for jobs as you are?

The premise of this book is that none of these is the answer. I firmly believe that we citizens of the richer countries of the world have a moral obligation to help the less fortunate global citizens earn their way out of poverty. The United States and many other countries pledged in the so-called Monterrey Consensus of 2002 to contribute 0.7% of our Gross Domestic Product to help improve the lives of people in the poorest countries of the world. But what the developed countries have delivered – 0.15-0.20% - falls woefully short of what we have promised. It is time to deliver on those promises.

Those of us who are policy-makers, businesspeople, and researchers know a great deal about how the other half works and what has improved conditions for them. We know what it takes for the private sector to want to set up operations in a developing country, thereby creating jobs and paying the taxes that can be used to build roads and schools and fund social programs. We know how poor-country governments can stimulate economic growth and make that growth more inclusive of the poor. And we know how the development banks, the rich-country governments, and other development organizations can help poor-country governments and other organizations do what they do not have the means to do on their own: create more good jobs, improve earnings levels in the poorer jobs, and enhance the skills and productivity of their working people.

This book shares those lessons with you.