BRAC’s Ultra-Poor Program

Results from a long-run evaluation in Bangladesh

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Introduction

• First target of SDGs to eradicate extreme poverty for all people everywhere by 2030
• Critical to achieving this is encouraging occupational change amongst unskilled, assetless workers whose only endowment is labor
• Big global question: can mass of population still working in unskilled, insecure, itinerant, unremunerative occupations (which have not changed much over time) be brought into more regular, higher return employment?
Introduction

• Labor is the main (and often only) endowment of the poor, e.g. agricultural workers
• Labor markets and poverty are tightly linked
• Transforming the economic lives of the poor requires us to think about occupational change
• Occupational change will typically not be achieved by transfers
• A key challenge therefore is to think about how to increase the returns to labor for casual laborers
Context

• Huge mass of people for whom nature of work has not changed much over time
  – Even today 67% of rural landless workers in India rely on casual employment (Kaur 2015)
  – 46% of female labor workforce have agricultural wage labor as main occupation (Kaur 2015)
  – 98% of agricultural wage employment is through casual wage contracts (Kaur 2015)
• Those at the bottom of the employment ladder left behind by modern economic growth
• These are a difficult to reach group – demonstrate limited demand for capital or human capital
The employment ladder

1. Formal salaried employment (private and public) – services, manufacturing, government
2. Informal manufacturing and services
3. Self-employment (e.g. livestock rearing, cultivation, subsistence entrepreneurs, family enterprises) – K-intensive
4. Casual laborers (e.g. agricultural laborers) – L-intensive

- Female workers tend to be particularly disadvantaged
- As you move up the ladder need for human capital tends to increase
- Want to get people into formal, salaried employment but this will take time
Focus on bottom end of the employment ladder

• Why?
  – casual labor (and basic self-employment) dominant sources of employment
  – w/p - vulnerable group
  – unskilled and assetless
  – misallocation of talent

• Occupational change → key to transforming the economic lives of the poor?
Impact of daily temperature on all-age mortality in India and USA

Estimated Impact of a Day in 7 Daily Temperature Bins on Log Annual Mortality Rate, Relative to a Day in the 70-74 Farenheit Bin

- **India Estimate**
- **India 95% C.I.**
- **US Estimate**
- **US 95% C.I.**
Context of this study

• Based on work by Bandiera, Burgess, Das, Gulesci, Rasul, Sulaiman (2015)

• Female labor markets in Bangladeshi villages where BRAC TUP operates
  – 1309 poor villages
  – 23,000 HHs from different wealth classes
Women only do 3 jobs

- Casual Wage Labor: Domestic Maid
- Casual Wage Labor: Agriculture
- Livestock rearing (cows/goats)

[Graph showing share of hours by branch for each category]
Hourly earnings are lower in casual jobs

- Casual Wage Labor: Agriculture
- Casual Wage Labor: Domestic Maid
- Livestock rearing (cows/goats)
Only the poor do casual jobs

![Bar chart showing the share of hours spent on different types of casual work for ultra poor, near poor, middle class, and upper class individuals. The chart includes categories such as livestock rearing (cows/goats), casual wage labor: domestic maid, and casual wage labor: agriculture.](image-url)
why?
Poverty trap?

- No productive assets
- Can’t afford assets
- Can only do casual jobs
- Low pay, low demand
- Low income
BRAC’s TUP aims to break the trap

• Eligible: poor women, identified by the communities, verified by BRAC employees
  – On avg, 6 women per community (7% of HHs) eligible
  – Poorest women targeted: 93% illiterate, assetless, not receiving any assistance from government or microfinance organizations, median age ~40, almost all have kids

• Big push program to transfer capital and skills to poorest in treatment villages to see if occupational change can be engendered
A multi-faceted program

• Productive asset transfer
  – Asset menu: livestock, small crafts, small retail...
  – Almost all choose a livestock combination
  – Value of transfer 140USD: 1X yearly PCE; 2X yearly earnings; 9X savings
  – Commit to retain asset for 2 years, free to sell after that
• Asset specific training also valued at 140USD – initial classroom training followed by regular assistance
• Consumption support: subsistence allowance for first 40 weeks after asset transfer to help smooth any short-run earnings fluctuation due to adjustments
• Health support and training on legal, social and political rights
• Savings and borrowing from BRAC microfinance encouraged, but neither is a pre-condition to obtain the program
Evaluation strategy

• Randomise the programme roll-out across 40 BRAC branch offices (1309 communities) in the poorest areas of the country
• Beneficiaries + all other poor + a sample of other wealth classes surveyed in 07,09, 11,14
• Final sample: 6732 eligible beneficiaries & 16,297 HHs from other classes
• One of the largest evaluations done to date
TUP transforms job choice...

Programme impacts after 4 years

- Hours devoted to livestock rearing
- Hours devoted to agricultural labour
- Hours devoted to maid work
- Total hours worked

Earnings (USD)
this increases consumption & savings

Programme impacts after 4 years (USD -PPP)

- Expenditure on durables
- Expenditure on non-durables per adult equivalent
- Household cash savings
and leads to further asset accumulation

Programme impacts after 4 years (USD PPP)

Value of cows
Value of land
Value of other business assets
Key findings

1. Poor women were unable, rather than unwilling or unfit, to engage in same occupations as wealthier counterparts
2. The program relaxes the constraints that were preventing them from doing so
3. Their baseline labor allocation was suboptimal
4. Program can be successfully implemented in wide variety of contexts (Banerjee et al, 2015)
BRAC TUP breaks the poverty trap

- productive assets
  - accumulate more assets
  - engage in livestock rearing

- higher income
- higher hourly pay, regular employment