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How can we help extremely poor people earn more money?

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Abstract

How much money do you think you'd need to cover the essentials for one day? It is difficult to imagine how a family lives on less than $1.25 a day, but one-fifth of the world's population does exactly that. How does your daily living cost compare? It's likely to be a lot more than $1.25! We conducted a study in six different countries to find out if providing extremely poor people with *livelihoods* (sources of income), training and food support could enable them to escape extreme poverty. We tested if such an intervention had made *sustainable* (long-lasting) improvements in the lives of these people by collecting results after the support had ended and comparing their results to others who did not receive the intervention. We found that on average households had indeed improved. This shows that giving the poorest of the poor a way to make a living, as well as the support to keep that going, is an effective way to reduce extreme poverty.

Introduction

Extremely poor people have very little money to spend, even on essential things like food. 1.2 billion poor people consume only 1% of the world's resources, while the billion richest people consume 72% of everything (Figure 1).

We set out to test whether providing the poorest people in the world with a way to make their own money, and lots of training to do so, would help them escape extreme poverty. And, could this improvement last? The program is called the 'ultra-poor graduation program,' because it targets those in ultra-poverty, and hopes to help them leave poverty behind.

The United Nations hopes to end extreme poverty forever by the year 2030. This is going to take a lot of work and there won't be just one solution. We believe this method could be one of the approaches used to make lasting change for the poorest of the poor all across the world, until better approaches are found.

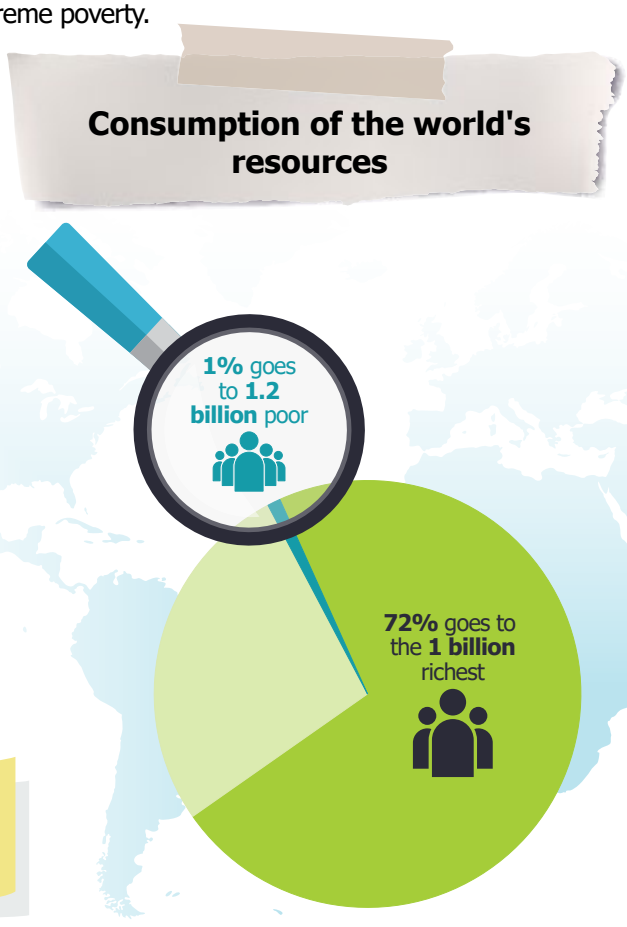

Figure 1: Global Inequality
United Nations, Sustainable Development Knowledge Platform: A New Global Partnership, Eradicate Poverty and Transform Economies through Sustainable Development.
https://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=893&menu=1561

We undertook a study in villages in six countries (Ethiopia, Ghana, Honduras, India, Pakistan and Peru) to see if the same program could have positive impacts in different places and cultures (Figure 2). We identified the poorest villages and in most places we asked the villagers themselves to choose the poorest households.

Figure 2: Countries where the 'ultra-poor graduation program' took place

1. We set up a *randomized control trial* involving a total of 10,495 households randomly split into a *treatment* group (the households that would receive our intervention) and a *control group* (the households that would not receive any intervention) so we could compare the two groups and get a good estimate of the impact of the program. We conducted a *baseline* survey on all the households to assess their wealth and wellbeing before the program, and then two follow-up surveys, one after two years and another after three years.

2. As part of the 'ultra-poor graduation program' the households were given the following types of support over a two year period (Figure 3):

We adjusted these forms of support in each country depending on the local context. For example, the majority of people in India chose to raise a herd of goats. In Peru, most people chose to raise guinea pigs that they could sell as food.

Types of support offered through the ultra-poor graduation program

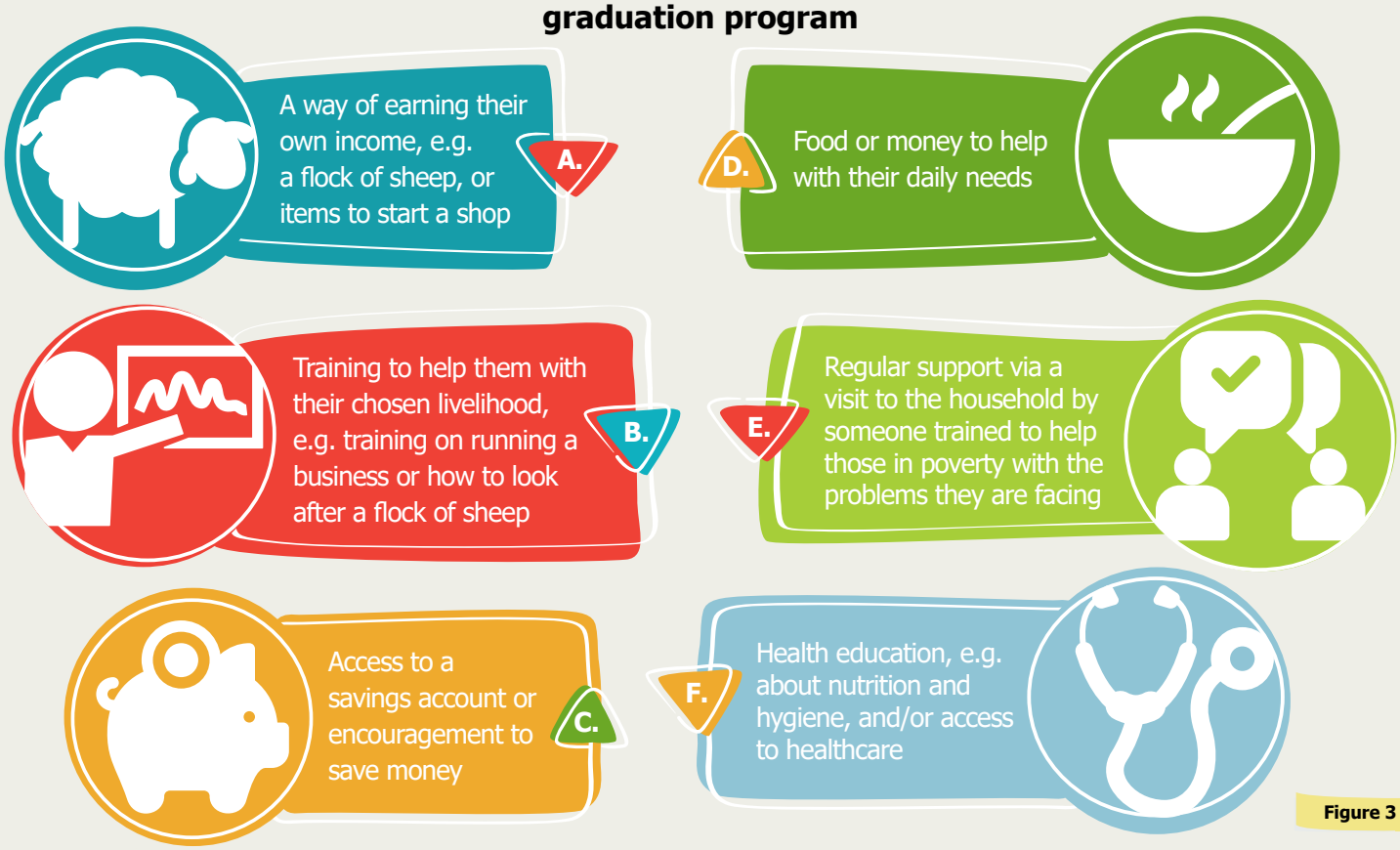

Figure 3

Results

In order to see if the impacts of the 'graduation program' were sustainable, we measured the results twice:

- 2 years after the start of the program, usually just as the period of household visits ended
- 1 year after this point, i.e. 3 years after the start of the program

We collected *qualitative* data: we asked individuals about their mental health and how much power they had in their communities and households. The more *quantitative* questions included how much they earned, how much they spent, and the value of what they owned.

We found that the program had a significant positive impact on the wealth of most of the households.

Improvements were seen by the end of the program, and for almost all categories this was still the case 1 year later. This shows that a lasting change had taken place for these people. Will it last even longer? That can only be answered by continuing to follow the households.

On average, the improvements were not huge (there is no magic solution!), but they were important and persistent.
That said, there was also a lot of variation in how well it worked. Ethiopia and India had the best success, Peru only a small effect, and in Honduras it unfortunately did not work due to implementation challenges.

Discussion

The positive impact on the target households suggests that the program unlocked a *poverty trap* (where the consequences of poverty make it hard for anyone to then get out of poverty). However, it is not the case that *all* households escaped poverty, or that many households increased their income enough to be out of any trouble. Why is this? A few reasons come to mind:

- Maybe the improvements were long-lasting but the kinds of changes needed to escape poverty require a lot more in resources, such as money to send a child to college
- Maybe larger problems about access to markets, for both working and making investments, limit the upside potential.
- Although the program was good on average, some were helped much more than others. Maybe something else should be tested for how to help those who were not helped as much by this program.

How long will the positive effects of the program last? More data would need to be collected to assess this as time goes on, but there were three good signs of lasting change:

1. The increase in household consumption (how much each household buys or uses) does not decline over time. If the positive effect was wearing off, we would expect to see household consumption decline, but it does not.
2. 1 year after the end of the program, households had also made other improvements. They were making more money out of their chosen livelihoods and some households had started new businesses or livelihoods in addition to the first one
3. Households in a similar study in Pakistan were followed for 4 additional years after the program ended (so a total of 7 years) and the improvements in consumption continued. Households in India have also now been followed for an additional 4 years, and the improvements continued to occur.

The fact that the program offered so many different types of support meant that it was expensive compared to programs that offer only one type of support. However, all but one of the programs increased household consumption to a higher value than they cost to run. (Honduras did not.)

Conclusion

The next step may be to extend the 'ultra-poor graduation program' to more people across more countries. This is one way we might help reach the target of ending extreme poverty by 2030.

How might you be able to support change for the world's poorest people? Perhaps you can raise money for organisations that fight poverty, or speak up for the extremely poor by signing petitions and discussing global poverty with others.

Glossary of Key Terms

Baseline survey - Analysis of a current situation to identify the starting points for individuals, e.g. the household conditions before the program started.

Control [group] - one of the tested groups in a scientific experiment, which does not receive the primary "treatment" being tested. They may receive something else (perhaps an alternative treatment) or nothing (often called a "pure" control group), depending on the design of the study. This helps the scientists establish that the treatment caused a change to happen, because the control group helps learn what would have happened had individuals not received the treatment. In this case, the control group are households that were randomly assigned to not receive the 'graduation program'.

Livelihood - activities that generate income; what people do to earn money

Poverty trap - a self-reinforcing situation which causes poverty to persist. E.g. Although a person undertakes work, they only earn enough for the absolute minimum of their daily needs. Therefore they can never save money in order to start their own business in order to earn more money. They are trapped in poverty.

Qualitative data - descriptive information; for example, information about perceptions, attitudes and opinions; more specifically, qualitative data could be generated (and then quantified) by asking a person how they feel about the future and then recording their answer within a range from 'very hopeful' to 'very fearful'.

Quantitative data - countable information; e.g. how much a household earns each month.

Randomized control trial - a study that randomly puts the people taking part in the trial into either the treatment group (those who received the 'ultra-poor graduation program') or the control group (those who did not receive the program).

Sustainable - able to be maintained or upheld; e.g. The villagers are able to continue the activities that helped them escape extreme poverty and these activities continue to keep them out of extreme poverty

Treatment [group] - the group of things/people/animals that will receive the study's intervention; e.g. the households which will receive the support of the 'ultra-poor graduation program'.

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Check your understanding

1 What advantages or disadvantages do you think there are to providing the extremely poor with a livelihood, rather than offering aid (e.g. donations of food or money for short-term needs)?

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2 Why do you think the 'ultra-poor graduation program' offered six types of support rather than just one (e.g. only giving the householders the means of making a living)?

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3 Why did researchers run the program and collect data in six different countries?

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4 At what points did the researchers collect results and why?

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5 Countries like Ethiopia and Pakistan may seem far away and the poverty people live in may seem hard to imagine. Are there any actions that you could take to help address the problems these people face?