



BRIEFING NOTE

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SKILLS DEVELOPMENT AND POVERTY REDUCTION

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1. INTRODUCTION

Skills development can play an important role in reducing poverty. Skills, from basic skills such as literacy and numeracy, to vocational skills which equip individuals for practical work, to high level research and development skills, can all contribute to lifting individuals out of poverty by improving access to work and productivity and fostering national economic growth. However, ensuring that skills development opportunities are accessible to the poor and can be translated into livelihood improvements remains challenging. This briefing note considers the impact training can have on poverty, the challenges of reaching the poor, and the broader environment required for training to be put into practice.

2. EDUCATION, SKILLS AND POVERTY REDUCTION

Definition of poverty

Poverty is widely understood as the condition of living on an income below a certain minimum threshold. The World Bank defines those living on under US\$2 a day as living in poverty, and those living on under US\$1.25 as living in extreme poverty internationally.¹ Individual countries generally have their own poverty lines, based on a basket of 'essential' goods, including the cost in that country of obtaining 2100 calories, a minimum for healthy functioning.

Poverty also relates, however, to other deprivations such as poor health, lack of education, vulnerability, exposure to risk and powerlessness.² While each contributes independently to low well-being, they often go hand-in-hand with a lack of income, and reinforce it, making poverty difficult to escape, persistent across generations and deeply disadvantageous in terms of full participation in society. Recognition of this fact has led to the development of poverty definitions and indicators which explicitly recognise dimensions of poverty other than income poverty.³

The City & Guilds Centre for Skills Development is an independent, not for profit research and development body which is committed to improving the policy and practice of work related education and training internationally. We work with organisations around the world - principally with policy makers, employers, practitioners and learners - to share knowledge and help to lead the debate on policy and practice, aiming to achieve our vision of a world in which all people have access to the skills they need for economic and individual prosperity. We are part of the City & Guilds Group.

¹Shaohua Chen & Martin Ravallion (2003) *The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty* World Bank Development Research Group. Washington, DC.

²Kenneth King & Robert Palmer (2007) *Skills Development and Poverty Reduction: A State of the Art Review*. European Training Foundation, Torino.

³See for instance Ian Scoones (1998) *Sustainable rural livelihoods: A framework for analysis*. IDS Working Paper 72. Sussex: Institute of Development Studies.



Poverty reduction

Reducing the number of people living below the poverty line is often seen as the primary aim of poverty reduction. Even amongst the poor, however, there are large differences between those who are just below the poverty line and the very poorest, and improving livelihoods among the poor is also an important focus. The European Training Foundation (2006) sets out three dimensions of poverty reduction:

Poverty alleviation – *alleviating the symptoms of poverty and/or reducing the severity of poverty without transforming people from ‘poor’ to ‘non-poor’;*

Lifting people out of poverty – *‘poverty reduction’ in the true sense; reducing the numbers of poor people and/or transforming poor people into non-poor people;*

Poverty prevention – *enabling people to avoid falling into poverty by reducing their vulnerability.*⁴

The challenge of reducing poverty is different in different areas of the world. In developing countries, where the majority of the poor live, ‘[i]t is widely accepted that sustained economic growth is critical for sustained poverty reduction, but that economic growth is an insufficient condition for poverty reduction. Full and productive employment and decent work are regarded as one link between economic growth and poverty reduction’ (King and Palmer, 2008).

In developed countries, income inequality is a major reason that poverty persists despite the strong and consistent growth of the past decades. Worklessness is a significant contributor to this inequality: In Britain, just over 20% of the population lives below the national poverty line, and over half of these individuals live in households where none of the members works.⁵

Skills and poverty reduction

In this note, we follow King and Palmer (2006) in defining skills development broadly: *“[s]kills development is not equated with formal technical, vocational and agricultural education and training alone, but is used more generally to refer also to the productive capacities acquired through all levels of education and training, occurring in formal, non-formal and on-the-job settings, which enable individuals in all areas of the economy to become fully and productively engaged in livelihoods and to have the opportunity to adapt these capacities to meet the changing demands and opportunities of the economy and labour market”.*⁶

Skills development has a key role to play in both economic growth and individual incomes and access to jobs. Using new OECD data, Cohen and Soto (2007) show that human capital increases have a positive and significant effect on economic growth across a range of different economic models.⁷ Psacharopoulos and Patrinos (2002) review data from 98 countries, and show that education has a significant and positive effect on individual earnings.⁸

Conversely, poverty and a lack of education and skills development opportunities are closely linked across the developed and developing world, on both an individual and social level. Poverty often leads to limited access to quality education, and poor educational outcomes such as high levels of illiteracy and innumeracy. These poor outcomes then contribute to constraining individual opportunities and national economic growth, reinforcing patterns of poverty.

Providing skills development opportunities that are accessible to those living in poverty should therefore be a key part of international poverty reduction strategies.

⁴ ETF Yearbook 2006 - Skills Development for Poverty Reduction. ETF. Turin.

⁵ Nickell, S. (2004) Poverty and Worklessness in Britain. *The Economic Journal*, 14, C1-C25.

⁶ Cited in African Economic Outlook 2008, African Development Bank.

⁷ Cohen, D & Soto, M. (2007) Growth and human capital: good data, good results, *J Econ Growth* 12:51–76.

⁸ Psacharopoulos, G. & Patrinos, H. (2002) Returns to Investment in Education: A Further Update. World Bank Policy Research Working Paper 2881.



3. HOW CAN SKILLS DEVELOPMENT CONTRIBUTE TO POVERTY REDUCTION?

Although low levels of education and skills unambiguously contribute to the persistence of poverty, the relationship between skills development and poverty reduction is complex. Basic skills and more advanced education and training can both make an important contribution to poverty reduction, but only if they are delivered in the right way.

Basic education – skills for life

At an individual level, skills development through education and training can equip an individual with the capabilities and knowledge which help them improve their life situations in a range of ways.

- Education and training can enable individuals to find a job, as well as equipping them for more highly paid work.
- Education and training can lead to the adoption of more productive farming practices, targeting poverty in rural areas where around 75% of the poor live globally.⁹
- There is also evidence that education can directly affect other dimensions of poverty such as health. Higher levels of education reduce infant mortality and improve women's control over their fertility, for example.¹⁰

Basic education can yield many of these poverty reducing benefits. International development attention has consequently focused heavily on expanding **access** to basic education, in line with Millennium Development Goal 2 – 'Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling'. For education at this level to have a poverty-reducing impact, however, it must be a reasonable **quality**, and it must take place in a broader **enabling environment** which allows those with basic education to put their skills to use, to raise their standard of living (Palmer, Wedgwood & Hayman, 2007).

Post-basic education and training – skills for work

Ensuring that all poor individuals can acquire basic skills is therefore important for poverty reduction. There are also, however, strong arguments for focusing more broadly on skills development, including post-basic education and training.

Firstly, the quality of delivery in basic education is dependent on the existence of a strong post-basic education system, in order to deliver teaching, administrative, policy and planning capacity. Unbalanced and rapid expansion of a sub-sector within education can, therefore, lead to a crisis of quality.¹¹

Secondly, there is evidence that changing circumstances in the developing world may be reducing the potential for basic education alone to have significant development impacts:

'Circumstances have changed, particularly in Africa, where labour market conditions (with at best slowly growing formal employment and greatly increased outflows of primary leavers from quality-constrained school systems) suggest that economic returns at primary level have fallen relative to higher levels of education.

*Primary schooling alone may, then, no longer deliver the full benefits previously associated with it.'*¹²

Skills development beyond the basic level is therefore also important.

As Palmer et al. (2007) point out, post-basic education and training does not necessarily need to reach every member of a poor community in order to have a poverty reducing effect:

*'If individuals learn skills beyond the level of that of their family/immediate neighbours, they can confer benefits on their local community indirectly through starting enterprises that create employment, sending home remittances, introducing farming techniques that are imitated by neighbouring farmers, providing local services (e.g. teachers), providing positive female role models that challenge local perceptions, etc.'*¹³

⁹ Chen & Ravallion (2007) Absolute poverty measures for the developing world, 1981–2004, PNAS.

¹⁰ Bloom (2007) Education, Health and Development.

¹¹ Palmer, R., Wedgwood, R. & Hayman, R. (2007) Educating out of Poverty? A Synthesis Report on Ghana, India, Kenya, Rwanda, Tanzania and South Africa. DfID, UK.

¹² Colclough, C. (2006). *Research consortium on educational outcomes and poverty: recoup*. In *Norrag News* 37:24.

¹³ Palmer et al. *ibid*.



Individual members within a community who have higher levels of education can contribute to poverty reduction, provided they stay linked to their home community, either living and working there or sending back money. The broader environment also needs to enable those who receive post-basic education and training to put it to use. For example, the conditions need to be favourable for entrepreneurs to set up businesses.

In order for skills development beyond the primary level to make a difference, it also needs to be of adequate quality, and provide skills that are valuable in the local economy. In developing countries, where the majority of the poor earn their income from agriculture or the informal sector, skills development designed to prepare learners exclusively for formal employment is often poorly aligned with the local labour market. There is an increasing awareness that equipping people with skills for work in poor countries involves improving their options within the informal and agricultural sector.

Skills development can assist informal sector operatives in a number of ways, including the following:

- Training can increase the productivity of informal sector activities and lead to better quality products and services, raising the incomes of those employed in the sector. (World Bank cited in Palmer et al. 2007)
- Engaging in training can link informal business people and apprentices with suppliers, customers, and others in their trade, leading to the development of networks which support business (Palmer et al. 2007)
- Training, especially work-based training such as informal apprenticeships, can help develop 'general business and managerial skills, including customer relations skills, crucial to apprentices' future survival as independent entrepreneurs' (Fluitman, 1994).¹⁴

In the agriculture sector, the World Bank (2007) make the case that training designed to improve agriculture and business skills can increase both yields and profits.¹⁵ (See CSD's related briefing note 'Skills for Agricultural Development' for further information).

While the design of relevant training programmes is clearly essential, delivering training effectively is also a key challenge. As Atchoarena (2006) points out,

*When policy-makers are willing to invest in skills development to reduce poverty, an immediate problem for many low-income countries is the capacity of the delivery system, both in size and relevance. Apart from the public training system, often relatively small, other providers are atomized and unable to meet the needs. Implementing a skills development policy to reduce poverty also implies building a system able to meet this specific demand.*¹⁶

4. GROUPS WITH MULTIPLE DISADVANTAGES

Not only are there large differences in the situations of those just below the poverty line and the very poorest, but other characteristics, including gender, religion, physical disability and ethnicity, can also add to the challenges individuals face in overcoming poverty.

Public sector training for the poor has historically not taken women's needs sufficiently into account, for example, and policy-makers, who were often male, seemed 'gender blind'. Failure to explicitly address gender in pro-poor training interventions frequently results in training which is less accessible and useful to women, perpetuating any social disadvantages that they experience. One important way of addressing this is to increase the number of women trainers involved in delivering training for poor communities. As Bennell (1999) puts it, *Women comprise the large majority of the poor in most developing countries. Given deeply engrained social and cultural norms, it is particularly important, therefore, that the overall numbers of female trainers/facilitators should*

¹⁴Palmer et al. *ibid.*

¹⁵ World Bank (2007) Cultivating Knowledge and Skills to Grow African Agriculture.

¹⁶Atchoarena (2006) Building skills for poverty reduction, IEEP Newsletter, 24(3).



be increased significantly. As women, female trainers are much better able to understand the multiple constraints that typically undermine women's efforts to improve their livelihoods and that of their families.¹⁷

Likewise, in India, the issue of caste continues to block access to learning opportunities for many poor individuals. Nambissan (1996) estimates that only 54.69 per cent of Scheduled Caste children were literate in 2001. She also observes that the reaction of higher caste groups to attempts to integrate Scheduled Caste children into the schooling system was one 'of continuous opposition to the education of those who in their eyes were fated to a life of ignorance'.¹⁸

Training programmes directed at the poor therefore need to take into account the different ways in which the intended beneficiaries might be disadvantaged, and tailor their approaches accordingly.

5. SKILLS UTILISATION AND THE BROADER DEVELOPMENT CONTEXT

Even when relevant and accessible training is available to the poor, the environment in which they must use their skills strongly affects the impact that training is able to have upon individuals' incomes. The **availability of financial services**, including capital for the poor, is one factor which constrains the application of training. Korboe (2007), for example, finds that in Ghana, 'Inadequate access to start-up capital is the most consistent barrier in the transition from training to work (typically self-employment)'.¹⁹ The UK Commission for Africa (2005) also emphasises the importance of integrating skills development with the factors which support skills utilisation and economic growth generally. As Palmer et al. (2007) report, "the priority conditions for growth are major investments in **physical, transport, and communication infrastructure**, in a positive **investment climate** for entrepreneurship development, along with political commitment and **good governance**". Unless these are achieved, investments in education (and health) are unlikely to be sustainable.

6. IMPLICATIONS

For policy makers:

Basic and post-basic education are both required for education to be as effective as possible in reducing poverty, and a balanced approach to education sectors, including relevant vocational education and training, is therefore required.

For practitioners:

Enabling poor individuals to access education and training often involves addressing a range of barriers including poor health and social exclusion. Training programmes need to take the specific challenges of the community into account.

For researchers:

DfID's Educating out of Poverty highlights 'the need for more detailed knowledge about links between specific kinds of educational provision (including informal vocational training and formal technical training) and specific kinds of livelihood opportunity, and... the impact on these links of changes in the wider economic environment.'

¹⁷ Bennel, P. (1999) Learning to change: Skills development among the economically vulnerable and socially excluded in developing countries, International Labour Office, Geneva.

¹⁸ G. Nambissan (1996) Equity in Schooling, Economic and Political Weekly.

¹⁹ Korboe, D. (2007) Can skills training help break the cycle of deprivation for the poor? Lessons from Northern Ghana.



5. FURTHER READING

Kenneth King & Robert Palmer (2007) [*Skills Development and Poverty Reduction: A State of the Art Review*](#). European Training Foundation, Torino.

ETF Yearbook 2006 - [*Skills Development for Poverty Reduction*](#). European Training Foundation, Torino.

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