

Reducing Poverty through Employment

Aneel Karnani

Stephen M. Ross School of Business  
University of Michigan

Ross School of Business Working Paper  
Working Paper No. 1132  
September 2009

This work cannot be used without the author's permission.  
This paper can be downloaded without charge from the  
Social Sciences Research Network Electronic Paper Collection:  
<http://ssrn.com/abstract=1476953>

# Reducing Poverty through Employment

## **Abstract**

Widespread poverty is an urgent challenge for the world. Creating opportunities for steady employment at reasonable wages is the best way to take people out of poverty. Reducing poverty through employment requires two major thrusts: 1) generate employment, and 2) increase employability. To increase employment, I argue for focusing on small and medium sized enterprises, which are the main engine of job creation. To increase employability, a good starting place to focus on is the youth. This paper describes in detail two organizations, TechnoServe and Employment Generation & Marketing Mission, which are implementing these ideas and effectively helping to reduce poverty.

Keywords: Poverty reduction; youth employment; job creation; facilitate employment; public-private partnership.

Acknowledgement: I would like to thank Meera Shenoy (Executive Director, Employment Generation & Marketing Mission), and Bruce McNamer (CEO, TechnoServe) and Simon Winter (Senior Vice President, TechnoServe) for much help and access to their organizations.

*Give a man a fish, you feed him for a day; teach him how to fish, and he will not be hungry for life. That is an old cliché, and like all clichés, has an element of wisdom. But, it does not go far enough. A fisherman with a simple rod and a canoe will not be hungry, but he will still be poor. For him to rise above poverty, he needs steady employment at reasonable wages in a commercial fishing company. Now, his daughter might go on to become an engineer and move up the development ladder.*

## **Introduction**

Widespread poverty is an urgent challenge for the world. The starting point for addressing this challenge is the simple and obvious observation that the primary problem of the poor is that they have a low income. The only way to alleviate poverty is to increase the income of the poor; to do that we need to view the poor as producers, and emphasize buying from them, not selling to them.<sup>1</sup> Many of the current approaches to poverty alleviation miss this simple point and hence are not as effective. The advocates of foreign aid often see the poor as passive recipients of charity;<sup>2</sup> for a critique of this approach, see books by economists Easterly and Dichter.<sup>3</sup> The advocates of market liberalization see the poor as automatic beneficiaries of a ‘trickle down’ effect;<sup>4</sup> for a critique of this approach, see books by economists Stiglitz and Chang.<sup>5</sup> The ‘bottom of the pyramid’ proposition, popularized by CK Prahalad, views the poor primarily as consumers, as an attractive market for multinational companies;<sup>6</sup> for a critique of this approach, see research by Karnani.<sup>7</sup> None of these approaches emphasize directly increasing the productive capacity of the poor.<sup>8</sup>

To escape from poverty, the poor need a productive job that leads to higher income. At the Millennium Summit in 2000, the international community, under the leadership of the United Nations, adopted the Millennium Development Goals (MDGs). The first MDG

focuses on the eradication of poverty and hunger. Following the widespread conviction that poverty can only be reduced if people have a decent and productive job, a new target was added under MDG 1 in 2006: *Reaching full and productive employment and decent work for all, including women and young people*. The United Nations Conference on Trade and Development argues that poverty reduction in the least developed countries requires a “paradigm shift” so that national and international policies focus on developing productive capacities and creating productive jobs.<sup>9</sup>

There are essentially two ways for a person to be a member of the labor force: as an employee or self-employed. The microcredit movement aims to help the poor become self-employed. However, most studies suggest that microcredit is beneficial but only to a limited extent. The reality is less attractive than the promise.<sup>10</sup> A recent World Bank study based on interviews with 60,000 poor or formerly poor people in 15 countries concludes “tiny loans usually provided under microcredit schemes do not seem to lift large numbers of people out of poverty.”<sup>11</sup> Creating opportunities for steady employment at reasonable wages is the best way to take people out of poverty. The International Labor Organization states “nothing is more fundamental to poverty reduction than employment,” and then goes further and argues vigorously for “decent employment” – work that offers a worker a good income, security, flexibility, protection and a voice at work.<sup>12</sup> Employment is not only the key source of income, it also enhances other dimensions of well-being including skills, physical abilities and self-respect.

Reducing poverty through employment requires two major thrusts: 1) generate employment, and 2) increase employability. The first thrust works on the demand side of the labor market by creating job opportunities appropriate to the skills of the poor. The second thrust works on the supply side of the labor market by increasing the employability of the poor and reducing friction in the labor markets. Increasing employment opportunities and employability are, of course, complex challenges and there is no magic solution for achieving these goals. It is too ambitious and perhaps futile to try to develop a holistic theoretical framework or a comprehensive action program to increase employment. It is better to make well-targeted and pragmatic interventions supported by conceptual logic and empirical evidence.

A whole variety of public policies and private strategies are needed to generate employment. Even though the private sector is primarily responsible for job creation, governments, international organizations and NGOs can and should facilitate this process. Generating employment requires regulatory policies that facilitate the creation and growth of private businesses; the World Bank's *Doing Business* project provides an objective basis for understanding and improving the regulatory environment for business.<sup>13</sup> Other factors that influence job creation include access to capital, pool of entrepreneurial talent, macroeconomic stability, infrastructure and public services – and this is not an exhaustive list. Unfortunately, many poor countries have not generated adequate employment, and as a result have not made much progress on reducing poverty. Some combination of inappropriate government policies and market failures leads to inadequate job creation.

Rather than discussing all the things that need to be done to generate employment, I argue for choosing a ‘good enough’ starting point and taking some action. I do not suggest that this is the best or the only starting point, just that it is an effective and feasible place to start. In this paper I sacrifice breadth for focus, comprehensive theory for pragmatic action. I will argue that it is a good idea to focus on the small and medium sized enterprise (SME) sector to be the major driver of job creation. I then supplement the conceptual argument with a case study to illustrate that this is a feasible proposal. I describe an innovative and effective approach by TechnoServe, a mid-sized NGO based in Washington DC, to help generate jobs by facilitating the growth of SMEs in many poor countries, especially in Africa and Latin America. In particular, I describe TechnoServe’s success at revitalizing the cashew nut industry in Mozambique.

Increasing the employability of the poor is also a complex challenge requiring a variety of public policies and private strategies. The central issue in increasing employability is, of course, education. Other factors that influence employability include vocational training and re-training programs, infrastructure, public services, public health, and labor mobility – and this too is not an exhaustive list. One reason that job creation does not keep pace with economic growth, and may even hamper economic growth is that labor markets (especially in developing countries) have much friction. I will argue that it is a good idea to focus on increasing the employability of the rural youth. Again, the rural youth are neither the only nor necessarily the best target group for increasing employability; but, it is an effective, ‘good enough’ place to start. I then supplement the

conceptual argument with a case study to illustrate its feasibility. I describe an innovative program, Employment Generation & Marketing Mission (EGMM), organized by the government of Andhra Pradesh state in India to identify, train and link unemployed rural youth to jobs in the private sector. EGGM facilitates employment of poor rural youth by increasing their employability and reducing the friction in the labor markets.

The paper is organized as follows. I first argue for the critical role of employment in poverty reduction and discuss the role of the SME sector in this process. I then describe the approach adopted by TechnoServe and provide a case study of their success in revitalizing the cashew industry in Mozambique. In the next section I discuss why it is useful to focus on youth employment and the friction in labor markets. I then present the case study of EGMM and their effective approach to increasing employability and reducing friction in labor markets for the young. I conclude with some comments about generalizability from these two case studies.

## **Employment**

In development economics there is much theoretical and empirical support for the increasing preponderance of wage labor in a developing economy. The International Labor Organization divides the labor force into four categories: 1) ‘employees’ are paid wages or salaries based on an explicit or implicit contract, 2) ‘employers’ are self-employed and have engaged one or more employees, 3) ‘own-account workers’, alone or with one or more partners, are self-employed and have not engaged employees, and 4)

‘contributing family workers’ are employed on an informal basis in an establishment operated by a relative living in the same household. Own-account workers in developing economies are associated with subsistence agriculture and other low value-added activities (such as petty trade), often providing low and irregular income. Contributing family work is often unpaid, though compensation comes indirectly in the form of family income; it is particularly common among women in developing countries. The share of ‘vulnerable’ employment is defined as the sum of contributing family workers and own-account workers divided by total employment. A high proportion of vulnerable workers is an indication of a large subsistence agricultural sector, lack of growth in the formal economy, and widespread poverty. Empirical research by the International Labor Organization confirms a positive relationship between incidence of poverty and vulnerable employment.<sup>14</sup> Poverty reduction is linked to an increase in employment and a reduction in vulnerable employment; the entire December 2008 issue of *Poverty in Focus*, the regular publication of the International Poverty Center in Brasilia is devoted to these two issues.

### **Growing Employment**

The best antidote to poverty is economic growth.<sup>15</sup> There is much evidence linking poverty reduction to economic growth – the so-called ‘trickle down’ effect. It is assumed that economic growth will automatically lead to job creation that in turn will lead to poverty reduction. Contemporary history clearly shows that it is the private sector that is the best engine of job creation. For example, China has made the single largest contribution to global poverty reduction in the last three decades. Since the beginning of



reforms in 1978, more than 250 million people have been lifted out of poverty in China. The private sector has been the fastest growing segment of the economy, growing at 20% per year for the last 25 years, more than double the economy's average. Since 1992, the private sector has created three quarters of all jobs created, according to the International Finance Corporation.<sup>16</sup> There is, of course, no simple answer to how to stimulate the growth of the private sector. The World Bank measures the ease of doing business in 183 countries by focusing on indicators in ten different areas ranging from 'starting a business' to 'protecting investors' to 'closing a business'.<sup>17</sup> This helps understanding of how various policies, laws and regulations can facilitate the growth of the private sector, especially the SME sector.

It is true that no country has significantly reduced poverty without experiencing economic growth. But, economic growth has had widely different impact on poverty reduction across countries. A 1 per cent increase in per capita GDP can reduce income poverty by as much as 4 per cent or as little as 1 per cent.<sup>18</sup> The link between economic growth and poverty reduction is mediated by job creation. It is possible to have economic development without significant job creation, which then leads to lesser impact on poverty reduction. In recent years, many least developed countries have achieved higher rates of economic growth than in the past and even higher growth of exports. But there is a widespread sense that this is not translating effectively into poverty reduction and improved human well-being.<sup>19</sup> Analyzing the recent economic history of Mexico, Zepeda concludes, "mainstream policies managed to generate growth that proved neither

pro-poor nor sustainable. The Mexican experience shows the need to leave behind the blind faith in market forces and embrace employment-based policies.”<sup>20</sup>

For example, the Indian economy has experienced rapid economic growth for several years, especially since the process of economic reforms was initiated in 1991. In spite of this growth, unemployment and underemployment remains a major problem. Open unemployment – about 8% in 2007 -- is not a true indicator of the gravity of the unemployment problem in an economy such as India, characterized as it is by large-scale underemployment and poor employment quality in the unorganized sector. Sixty per cent of India's workforce is self-employed, many of whom remain very poor. Nearly 30 per cent are casual workers (i.e. they work only when they are able to get jobs and remain unpaid for the rest of the days). Only about 10 per cent are regular employees, of which two-fifths are employed by the public sector. India's jobless growth is the result of a distorted emphasis on capital intensive and skill intensive development path.<sup>21</sup> Capital intensive sectors, such as heavy manufacturing, and skill intensive sectors, such as information technology, will not solve India's poverty problem.

There is growing concern to ensure 'pro-poor' growth. The last decade has witnessed a decline in the share of the world's working-age population (aged 15 years and older) that is in work. It stood at 61.4 per cent in 2006, 1.2 percentage points lower than ten years earlier. The decrease was larger among young people (aged 15 to 24); within this group, the ratio decreased from 51 percent in 1996 to 46.8 percent in 2006.<sup>22</sup>

The trickle down effects of general economic growth are too little and too slow. There is a need to target programs specifically at poverty reduction rather than just wait for the general growth effect to kick in. The recent political changes – disillusionment with market liberalization and a drift to the populist left -- in several South American countries (such as Venezuela, Bolivia, Ecuador and Nicaragua) support such a direct emphasis on poverty reduction. Developing countries need to emphasize growth in labor intensive, low-skill sectors such as agriculture, light manufacturing, garments and tourism. Reducing poverty requires a major thrust on generating employment targeted at the poor.

In developing countries the problem is not only unemployment, but also the conditions of work of those who are employed. In 2006 there were 1.3 billion people who worked but were still unable to lift themselves and their families above the \$2 a day poverty line. In addition, account must be taken of the unemployed people looking for work but unable to find it, and people so discouraged that they had given up looking for work. That is a very large deficit of decent employment.

### **Small and Medium Sized Enterprises**

The next issue is which sector of the economy is likely to be a good target for job creation. The non-government economy can be divided into three sectors: informal sector, small and medium enterprises (SMEs), and large enterprises. The informal sector covers all economic activities whose income is not reported for tax purposes, and which are not covered, or insufficiently covered, by formal arrangements, and generally operate outside the formal reach of the law. Different countries adopt different criteria for

defining SMEs. Despite this variance, most sources define SMEs in terms of employment and there is rough agreement about the cut-off points: micro-enterprises have less than 10 employees, small enterprises less than 50 employees, and medium enterprises less than 250 employees. SMEs are defined as formal enterprises. Most micro-enterprises in developing countries operate in the informal economy and are not recorded in the SME data. Virtually all the ‘vulnerable’ employment discussed above takes place in the informal sector.

Ayyagari *et al* provide a new database containing comprehensive statistics on the contribution of SMEs and the informal sector to the total GDP across a broad spectrum of countries, summarized in Table 1.<sup>23</sup> The SME sector generates a higher fraction of GDP in high-income countries compared to low-income countries. The share of the informal sector has a negative relationship with the country’s income level. Interestingly, the joint contribution of the informal and SME sectors to GDP remains approximately constant across income groups at around 65-70 percent. As income increases however, there is a marked shift from the informal to the SME sector.

**Table 1. Contribution of different sectors to total GDP**

Share of GDP:	Low-income countries	Middle-income countries	High-income countries
Informal sector	47.2%	30.0%	13.0%
SME sector	15.6%	39.0%	51.5%
Large enterprises	37.2%	31.0%	35.5%

The economic structure in low-income is polarized with the informal and large enterprises playing a large role, with the SME sector being too small – the so-called

“missing middle.” The path to development is clearly associated with a growing role of the SME sector.<sup>24</sup>

It is interesting to compare China and India in this dimension. In the last two decades, China has reduced poverty significantly more than India, because China has created a large number of jobs that pay enough to lift people out of poverty. One reason for this is the much faster growth of low skill employment in the manufacturing sector in China.<sup>25</sup> The industry structure in manufacturing in China is dramatically different from India. In India, about 87% of manufacturing employment is in micro-enterprises of less than 10 employees, a smallness of scale that is unmatched in any emerging country.<sup>26</sup> The corresponding number in China is less than 5%. About 5% of manufacturing employment in India is in the SME sector, compared to 40% in China.

The International Labor Organization argues that SMEs are the major creators of employment opportunities and therefore hold an important key to employment and poverty reduction.<sup>27</sup> SME expansion boosts employment more than large firms because SMEs are more labor intensive, less skill intensive and less capital intensive – creating jobs better suited to the poor. This is also appropriate for developing countries with an abundance of labor and relative shortage of capital. SMEs contribute to a more equitable income distribution because they tend to be more widely dispersed geographically than larger enterprises, thus helping to reduce economic disparities between urban and rural areas. The presence of SMEs in the economy tends to increase competition, which promotes greater economic dynamism. SMEs are often the source of economic growth

and innovation, and support the development and diffusion of skills and entrepreneurial talent in the economy.

### **Vulnerable Employment**

To eliminate poverty, it is not enough to increase employment; it is also necessary to reduce vulnerable employment. It is instructive to consider (see Tables 2 and 3) the pattern of poverty and vulnerable employment over time in East Asia, South Asia and Sub-Saharan Africa, three regions which together account for about three-quarters of the poor in the world.<sup>28</sup>

**Table 2. Working poor as fraction of total employment**

	<b>\$2/day working poor<sup>1</sup> 1996</b>	<b>\$2/day working poor 2006</b>
<b>East Asia</b>	63.7%	37.6%
<b>South Asia</b>	92.0%	80.5%
<b>Sub-Saharan Africa</b>	87.7%	86.2%

**Table 3. Vulnerable employment as fraction of total employment**

	<b>Vulnerable Employment 1996</b>	<b>Vulnerable Employment 2006</b>
<b>East Asia</b>	64.8%	56.2%
<b>South Asia</b>	81.4%	78.2%
<b>Sub-Saharan Africa</b>	76.3%	74.1%
<b>Developed Economies</b>	11.2%	9.4%

---

<sup>1</sup> A 'working poor' person does not earn enough to lift himself or herself and his/her family above the poverty threshold.

In East Asia (which is largely China) where the incidence of poverty has declined significantly (see Table 2), the share of vulnerable employment is small and shrinking rapidly (see Table 3). In South Asia (which is largely India) and Sub-Saharan Africa, where the incidence of poverty has declined much more slowly, the share of vulnerable employment is significantly larger and shrinking only slowly. By way of comparison, the share of vulnerable employment in developed economies is dramatically smaller.

Vulnerable employment, most of which takes place in micro-enterprises, is not effective at reducing poverty.

### **Economies of Scale**

There is much research that confirms a positive relationship between firm size and labor productivity. This should not be surprising: economies of scale do exist. Evidence from India shows that total factor productivity is about twice as high in firms with more than 250 employees than in those with only up to 10 employees, with progressive increases in scale yielding considerable gains in productivity (see Table 4).<sup>29</sup>

**Table 4. Gains in productivity from larger firm size in India**

Total factor productivity in a given firm size relative to a firm with 1 to 10 employees

Firm size: Number of employees	Productivity multiple
1-10	1.0
10-20	1.25
20-50	1.5
50-100	1.7
100-250	1.8
250+	2.1

This problem is particularly acute for micro-enterprises. The vast majority of micro-enterprises are caught in subsistence activities with no prospect of competitive advantage. The self-employed poor usually have no specialized skills and often practice multiple occupations.<sup>30</sup> Many of these businesses operate at too small a scale. The median business operated by the poor has no paid staff; most of these businesses have very few assets as well. With low skills, little capital and no scale economies, these businesses operate in arenas with low entry barriers and too much competition; they have low productivity and lead to meager earnings that cannot lift their owners out of poverty.<sup>31</sup> Daniels in his study of micro-enterprises in Kenya found that only 26% of these owners earned an income above the minimum wage.<sup>32</sup>

The productivity of SMEs lies somewhere between the micro-enterprises and large firms.<sup>33</sup> Then how do SMEs survive and even thrive, especially in developed economies? SMEs concentrate on activities where the scale economies are not so significant and their relative disadvantage compared to large firms is minimal, for example labor intensive industries, such as light manufacturing, and service industries such as restaurants and vehicle repair. Another strategy is to avoid direct competition with large firms by focusing in specialized and niche markets. Small firms also have an advantage in greater flexibility and agility.<sup>34</sup> Small firms can also try to gain economies of scale through strategic alliances and outsourcing. SMEs in developing countries need to better practice these strategies in order to achieve growth – this is exactly how TechnoServe helps small enterprises in developing countries to thrive and grow bigger.



## TechnoServe

I now describe an innovative and effective approach by TechnoServe, a mid-sized (annual budget of about \$50 million) NGO based in Washington DC, to help generate jobs by facilitating the growth of SMEs in many poor countries, especially in Africa and Latin America. Its mission is to help entrepreneurial men and women in poor areas of the developing world to build businesses that create income and employment. Adopting a market-oriented approach, TechnoServe identifies high potential but underperforming economic sub-sectors, and seeks to resolve the identified market failures that constrain their development. In 2008, TechnoServe helped 1,348 businesses to achieve total sales of \$149 million and profits of \$16 million; these businesses paid \$9 million in wages to 32,600 employees. TechnoServe's approach is based on a few basic principles:

- Reduce poverty by emphasizing job creation. Focus on SMEs as the engine of job creation.
- Private businesses are at the center of economic growth and job creation. Emphasize a market-oriented approach. Also need to involve multiple players including government and trade organizations. TechnoServe's role is that of a facilitator.
- Emphasize appropriate technology to balance labor intensity with productivity. Competitive advantages of SMEs include an appropriate balance between labor and capita intensity, flexibility, speed and 'localization'.
- Local entrepreneurs play a critical role in this process. The business has to succeed in a competitive environment by emphasizing cost competitiveness and being responsive to customer needs.

It is best to explain TechnoServe's approach by describing in depth one of their success stories: the revitalization of the cashew industry in Mozambique.

### **Cashew Industry in Mozambique**

The cashew nut industry in East Africa was once a driving economic force. Mozambique was the leading producer in the world, achieving its peak in 1973, accounting for 240,000 tons of raw cashew nuts, of which 210,000 tons were processed in Mozambique.

After Mozambique's independence in 1975, the government planners ignored cashew nut production and it started to decline. This trend was aggravated by years of disruption in agricultural marketing, initially stemming from the interventionist approach to national resource allocation (centrally planned economy) and later by the devastating and prolonged civil war. Unable to pay attention to their trees, the farmers left them untreated for years, causing the spread of pests and diseases. Uncontrolled forest fires affected important parts of cashew orchards. Processing capacity too deteriorated, both physically and in terms of managerial expertise. Total production dropped to as little as 22,000 tons in 1990, and had recovered to only 50,000 tons in the year 2002, of which none were processed locally. In 1998 the government lifted an export ban on raw cashew nuts. Exporters could offer higher prices than the struggling domestic factories, and most raw nuts were diverted to India. The factories shut down, eliminating many jobs and reducing the domestic demand for raw nuts. By the year 2000, instead of feeding a

vibrant domestic industry serving the global market, Mozambique's raw nuts were being sold to Indian processors, effectively exporting a major agro-industrial opportunity.

### **TechnoServe in Mozambique**

TechnoServe's involvement in the Mozambique cashew industry began in 1998 and has been instrumental in its revitalization. In 2005, Mozambique produced 82,000 tons of raw nuts, of which 9,000 tons were processed locally, with strong potential for further growth. In 2008, exports reached \$10 million and creation of over 6,200 formal sector jobs. The incomes of about 120,000 small-scale farmers have increased significantly based on a combination of yield improvement and better prices. For 2007 and 2008, the incremental incomes due to price increases attributable to the domestic processing industry were calculated at just under \$2.5 million. The ultimate size of the industry could be many times larger, based on gradual replanting and expansion of the nation's over-mature cashew orchards.

TechnoServe began by identifying the opportunity and making a business case for the cashew industry in Mozambique. The fact that Mozambique had a progressive government was an important positive factor. TechnoServe wants to work in countries where entrepreneurs can flourish, where regulations are not onerous. Donors to TechnoServe are skeptical of centrally planned economies. The TechnoServe regional director then wrote an unsolicited proposal to USAID, which was funded.

The TechnoServe director for Mozambique and a volunteer from the Netherlands office of McKinsey & Company, the management consulting firm, then analyzed the cashew industry to decide on a competitive strategy. Working with key stakeholders, an extensive industry analysis was done to identify key drivers of commercial success. The chosen strategic approach involved three major inter-related elements: small to medium enterprises, hand shelling, and locating factories near farms. The analysis revealed that smaller factories in prime production areas had advantages in purchasing raw materials and transportation costs, and that using labor-intensive shelling technologies was superior to mechanical options when workers are properly trained and motivated. The lower investment and operating costs of these smaller plants made them more feasible for local entrepreneurs.

Historically, large-scale processors dominated the Mozambican cashew industry. The old large-scale plants in Mozambique had a capacity of 10,000 tons, and used mechanical shelling technology; the capital cost was \$600 per ton, and the operating cost was \$1.30 per kilogram of output. TechnoServe proposed small-scale plants with a capacity of 1,000 tons, and using manual shelling technology; the capital cost was \$140 per ton, and the operating cost was \$0.56 per kilogram of output. Even the output quality (measured by percent whole nut yield) was better for the small plants. Large-scale plants required sophisticated managers to run successfully that were not readily available in Mozambique. The smaller plants are much more likely to achieve better capacity utilization. Small, geographically dispersed plants located close to raw nut sources reduce transportation costs and increase supplier loyalty and commitment

Each small plant would employ 200 workers for a monthly wage bill of \$15,000; the employees would enjoy an official minimum wage salary, one month paid vacation, all insurance, health and pension entitlements, one meal a day and child care. Each plant would provide a reliable market for raw cashew nuts of about 10,000 small-scale farmer families and pay a premium price for quality. Another advantage of locating plants near farms is that the plant could promote improved production and husbandry by providing better variety seedlings, extension training and other inputs. While to date this is only happening on a limited basis, there are signs that it will expand.

TechnoServe then recruited a Business Advisor, who is a local industry expert, to establish a one-stop shop for all services to entrepreneurs. In 2001, TechnoServe partnered with a progressive Mozambican entrepreneur, Antonio Miranda, to launch the new enterprise Miranda Caju. In the early phase, the Business Advisor provided intensive support for Miranda Caju: recruiting supervisors, selecting workers, advising on the compensation system, training workers, purchasing equipment, designing plant layout, and designing locally fabricated equipment such as the boiler. After some start-up glitches, the firm was soon profitable. Miranda Caju opened a second 1000 ton plant in 2004; revenues that year were \$1 million.

TechnoServe used Miranda Caju's first plant as a working laboratory to refine the business model, and to train other interested entrepreneurs. By 2006, TechnoServe was working with 9 start-up enterprises with a total capacity of 11,700 tons. TechnoServe

offers a wide range of resources including strategic planning, marketing, technical advice, quality control, supply chain management, and facilitating access to investment and working capital. Volunteer consultants, many with McKinsey & Company or other global company backgrounds, supplement TechnoServe skills in Mozambique. Miranda Caju, the initial processing plant paid TechnoServe \$5,000 per year for consulting services, a mechanism that ensured TechnoServe was really adding value. For later industry entrants that fee was waived, in favor of them supporting industry trade associations AIA and AICAJU (see below).

### **Marketing Cashew Nuts**

Though the small-scale plants are efficient in processing, they are inefficient in marketing individually. These small rural enterprises do not have the scale to develop and maintain effective communications and commercial relationships with foreign buyers, let alone develop proprietary brands. The logistics of export markets require container size shipments of uniformly graded and sorted cashew nuts, which favors much larger scale. TechnoServe took the lead to create the Association of Agribusiness Industries (AIA), a private service company owned by some of the cashew processing companies. Located in the northern port of Nacala, AIA is the primary marketer of processed cashew nuts of its owners, as well as for some non-owners. It acts as a final quality control agent and exporter, organizes bulk purchases of equipment and consumables, and offers some limited training and technical assistance to its members. With pro bono assistance from Young & Rubican (an advertising agency), AIA has developed a brand, Zambique, to communicate the superior qualities of AIA-branded cashew nuts and to control product

quality. AIA is also assuming from TechnoServe the leading role in negotiating with the government policies that affect the industry. AIA has begun to provide on a for-profit basis many of the services that TechnoServe provided in the first several years.

TechnoServe functions in a holistic manner and brings together various players to support the cashew industry. TechnoServe worked with the industry to resuscitate AICAJU as a broad industry advocate. It released a key staff member to work as a private consultant to assist the government of Mozambique in strategic planning for INCAJU, the government agency responsible for promoting the cashew nut industry. With TechnoServe's guidance, AIA is working with the government to design and implement policies favorable to the cashew industry, for example by advocating a gradual reduction of the protective export tax on raw nuts – it penalizes the farmers and undermines real long-term industry competitiveness. The processors needed working capital to purchase their year's supply of raw material during the brief harvest season. TechnoServe initially worked with INCAJU to design a loan guarantee program supported by the government. Needs rapidly expanded beyond INCAJU's resources. USAID then supported a loan guarantee program offered by the Ministry of Industry and Commerce. In 2009, efforts are underway to have a local commercial bank take over the loan program without a guarantee.

TechnoServe, having achieved its original intention of reviving the domestic processing industry in Mozambique, is now ending its program of subsidized assistance. However,

it is just beginning to replicate the approach to work with cashew processors in Benin, Tanzania, Kenya, Ghana and South Africa.

### **Employability**

Reducing poverty through employment requires two major thrusts: 1) generate employment, and 2) increase employability. I now turn to the second of these issues. The best way, of course, to increase employability of the poor is to increase education. But, education alone is not the solution to unemployment. In developing countries, the supply of educated people has often outpaced the supply of jobs to accommodate them; unemployment tends to increase more among better-educated young people. “There is a widening chasm between students' qualifications and employability. It sweeps the country [India], particularly its non-metropolitan regions”.<sup>35</sup> South Asia's labor market is characterized by pervasive unemployment and underemployment, especially among the youth and the educated.<sup>36</sup> Data from EGMM indicates that there is a significant problem of unemployment among the educated in the state of Andhra Pradesh in India (see Table 4). Educated people who cannot find employment are probably even more frustrated than the less educated people.



**Table 4. Education and Unemployment in Andhra Pradesh.**

<b>Level of Education</b>	<b>Unemployed</b>	<b>Employed</b>
10 <sup>th</sup> grade	300,000	Not available
Intermediate (Equivalent to 12 <sup>th</sup> grade)	170,000	50,000
Vocational training; polytechnic; industrial training institute	20,000	20,000
University graduate	350,000	50,000
Engineering graduate	95,000	20,000

Even when economic growth generates potential employment opportunities, a problem is that these potential jobs might not actually get filled due to friction in labor markets. The educational system sometimes graduates students without all the appropriate skills required by the employers. There is a mismatch between the curricula adopted by the schools and the requirements of the marketplace. Companies have job openings and there are people with the right, or almost right qualifications who need jobs, and yet the jobs and people do not get linked together. The poor might not even be motivated to look for a job. Even if motivated, they often do not know where and how to search for a job. The transition too might be problematic. It could be the poor person's first job, and/or it could be in a geographically, socially and culturally unfamiliar place.

### **Youth Unemployment Crisis**

The transition from school to work, from childhood to adult life, can determine a person's and a family's – and collectively, a community's – chances of escaping poverty. As the

youth reach adulthood and become parents, if they can find good and steady employment that would lead to significant and sustained reduction in poverty. Young people are among the world's greatest assets; youth unemployment is a tremendous waste of opportunity. And yet the global deficit of employment opportunities has resulted in a situation in which one out of every three youth is either seeking but unable to find work, has given up the job search entirely or is working but still living below the US\$2 a day poverty line. Compared to adults, the youth are more than three times as likely to be unemployed. "The world is facing a growing youth employment crisis.... In recent years slowing global employment growth, and increasing unemployment, underemployment and disillusionment have hit young people the hardest" (International Labor Organization, 2006). The world's demographics are such that 89% of the world's youth live in developing economies, where the employment deficit is worse.

There is growing evidence that being unemployed at an early age has a direct and negative impact on future income streams. Research has shown that unemployed youth suffer a permanent decrease in their lifetime earning profile; one study suggests an income penalty from early unemployment in the magnitude of 13–21% at age 42.<sup>37</sup> Youth unemployment results in reduced investment in human capital and deprives the young of labor force experience during that portion of the lifecycle when it yields the highest return, and frequently leads to unsuitable labor behavior patterns that last a lifetime.

Without the proper foothold from which to start out right in the labor market, young people are less able to make choices that improve their own job prospects and those of their future dependents, thus perpetuating the cycle of insufficient education, low productivity and poverty from one generation to the next. Youth unemployment is costly not only in terms of economic development, but also for social development. There is a proven link between youth unemployment and social exclusion.<sup>38</sup> An inability to find employment creates a sense of vulnerability, uselessness and idleness among young people. Youth unemployment is associated with high levels of crime, violence, substance abuse, and the rise of political extremism. In some countries virtually the only paid occupation open to many young men is to join the various armed groups involved in civil conflict. For young women, the dangers of entrapment in the sex industry are widespread.<sup>39</sup>

Christoph Ernst of the International Labor Organization calls for special youth employment programs, besides general growth and investment policies, and argues that strategy for job creation needs to cover both labor demand and supply, combined with well-targeted and structured interventions.<sup>40</sup> I next detail the case study of Employment Generation & Marketing Mission (EGMM), a good example in practice of what Ernst advocates.

### **Employment Generation & Marketing Mission**

EGMM is an innovative and effective organization that addresses the issue of employment among the underprivileged rural youth in Andhra Pradesh (AP) in India.

EGMM does not help create jobs; rather it facilitates employment of rural poor youth by reducing friction in labor markets. It works in a public-private partnership mode involving three main stakeholders: the government, the private sector and rural communities. The program works on a large scale: 45,000 youth were trained in 2006 and 80,000 youth were trained in 2007, with 80% placed in organized-sector jobs.

EGMM first identifies and motivates the poor unemployed youth, and then provides them brief training. It works with companies to match these young people to jobs, and finally helps the youth to make the transition to a job in the urban environment.

### **Andhra Pradesh**

Andhra Pradesh (AP) is the fourth largest state in India with a population of about 80 million. The per capita income in AP is about the same as for India. The annual economic growth in AP has been 5.5% during the last two decades. AP is a major producer of agricultural products; it is also home to many industrial and information technology companies. As in India in general, unemployment is a major problem in the state of Andhra Pradesh. In a typical village in AP with 500 households, there are 50-60 unemployed people, of which 5 are university graduates and 7 graduated from an industrial training institute. Fortunately, the rapid economic growth in AP in recent years has created many potential low-skill jobs such as security guards, retail assistants, construction workers, and garment factory workers.

## **Identifying and Motivating**

Identifying unemployed rural youth in interior areas is the first challenge since remote areas like tribal hamlets have limited connectivity. A cadre has been created and trained by the EGMM from among the community called the Job Resource Persons (JRPs). The JRPs travel to the villages and move from house to house, and participate in village meetings, to create a database of the unemployed youth.

The next step is to motivate the youth to seek employment. The unemployed youth in remote areas are frustrated since education has not resulted in jobs and previous government programs have also not been effective. This makes them fall easy prey to social problems like drugs and '*naxalism*' (a radical, often violent, revolutionary communist movement in India). The JRPs are constantly questioned by the youth about why they should enroll in training programs offered by EGMM. Motivation is achieved by getting an employed youth who has benefited from the training, or his/her mother whose life has been improved by the sustained income flow, to address the youth groups. Youth are shown the basket of training options, depending on their aspirations and qualifications.

The AP government has facilitated the creation of a large network of self-help groups (SHGs) of rural women. These are basically thrift and credit groups who meet regularly, and use their collectivized savings to leverage bank loans for income generation and consumption purposes. EGMM works with the SHG leaders, who are opinion makers in the community, to discuss unemployment and jobs issue in their monthly meetings and

participate in the valedictory functions. SHG leaders are also taken on trips to show them companies where youth from their villages are placed in employment. This results in grassroots ownership of the work and makes them stakeholders in the process. SHG leaders and monthly meetings influence the mothers of unemployed youth, who in turn motivate the unemployed youth.

### **Training**

EGMM has set up 191 no-frills academies covering a wide range of topics linked to the emerging growth sectors of the economy. These include Rural Retail Academy, Rural Security Academy, Rural English and Soft Skills, Work Readiness and Computer Academy, Construction training center and Textile training center. To achieve acceptance and scale, the unemployed youth are channeled into a training program appropriate to their qualifications and aspirations. For youth who are illiterate and want to remain in the villages, they are advised to enroll in the construction or textile industry training programs. For youth who are literate (10<sup>th</sup> grade and upwards) and are willing to relocate, they enroll in the Retail, Security, English and Work Readiness Academies. I will illustrate the training process by describing two Academies: Security and Retail.

The business of providing security services is growing rapidly at the rate of 35% per year. There are 800 companies or contractors in this sector in AP alone. Many of them are exploitative fly-by-night operators who employ youth from villages and often do not pay them their entitled wages. Youth then return to the villages in a few months disenchanted with the system. EGMM formed an alliance with G-4 Securicor, a Danish \$2 billion

company, which is the world's leading security solutions group operating in over 100 countries. G-4 Securicor is the largest security services company in India with 130,000 employees. Entry-level security guards earn reasonable wages, Rs. 48,000 per year, with fringe benefits such as retirement fund and medical reimbursement.<sup>2</sup> Before the alliance, G-4 Securicor interviewed 200 youth and less than 10% passes the company's screen. An analysis was done by EGMM of the recruiting needs from the company's perspective. A 15-day training module was developed with the help of the company, which taught the youth basic conversational English, grooming, and goal setting skills. EGMM spent Rs. 3,680 on each candidate for the training program. After the training module, about 70-80% of the youth passed the company's selection screen. "The quality of manpower provided by EGMM is really good and we plan to recruit 5,000 persons in 2006-07," said P.V. Sudarshan, G-4 Securicor General Manager, Andhra Pradesh.<sup>41</sup>

Buoyed by the success with G-4 Securicor, other security services companies, such as Protex, have also approached EGMM to provide skilled manpower. EGMM trained and placed 15,000 youth in security agencies in 2007. The positive impact of this simple model led to the rural community taking ownership of the program.

Surveys indicated 500,000 entry-level jobs would be created in the southern states of India alone. In response to the booming retail market, EGMM set up Rural Retail Academies, which offer a 45-day training program. The course modules were developed with the help of industry. Besides emphasizing customer relations management, the program also covers simple spoken English, life skills and personality skills. This

---

<sup>2</sup> The exchange rate is approximately \$1= Rs. 45.

included lessons on body language, grooming, etiquette, time and conflict management, and leadership qualities. Youth are taught how to build their resumes, interviewing skills and job search skills. Local teachers were recruited through written tests and interviews and groomed to be trainers rather than teachers. In rural India, classes tend to be non-participatory and emphasize rote learning. In contrast, EGMM trainers were groomed to emphasize active, participative learning and market-oriented skills. Besides learning pedagogical approaches such as role-playing, the trainers were taken through an immersion process. They accompanied the JRP to the villages for three days and worked on identifying youth for their first class. The trainers also sat through company interviews to understand the market requirements.

In 2006-7, 15,000 youth were placed in entry-level jobs in companies such as McDonald's, Wipro, Reliance Retail and India Tobacco Company. Their incomes ranged between Rs. 24,000 per year in semi-urban locations and Rs. 60,000 in major cities. "The results have been very encouraging," says S. Sivakumar, CEO, India Tobacco Company's Agri-business division.<sup>42</sup>

### **Transition**

Going from living with family in a rural village to living alone in a big city and working in a large company is a challenging transition. An EGMM survey of companies employing rural youth showed attrition was high in the first month. A major cause of the attrition was the simple fact that the companies paid salaries at the end of the first month and the poor youth often arrived in the cities without any money. This made it difficult



for them to survive the first month and resulted in dropping the job. EGMM now loans one-month salary to the newly employed youth, which is returnable in soft installments. EGMM counselors meet the youth when they first migrate to cities, help the youth find low-cost hostel accommodations, and generally settle in. The counselors also visit the youth in the workplace to deal with any initial challenges. Y.S. Rajasekhara Reddy, Chief Minister of Andhra Pradesh, recently announced a plan to arrange transit homes in and around Hyderabad, the biggest city in AP.<sup>43</sup> The youth will be allowed to stay in these homes for three to six months before finding suitable accommodations.

### **Impact**

EGMM was started in 2005 by the state government of AP with the help of the World Bank and the central government and seed capital of Rs. 50 million. The results so far have been impressive: EGMM trained 45,000 youth in 2006 and 80,000 youth in 2007. Budgets have increased to Rs. 200 million in 2006-07, and Rs.1,100 million in 2007-08. Eighty percent of the trainees were placed in a job in the private organized sector; recruiting firms include McDonald's, Reliance fresh, HDFC Bank, Unilever Hindustan, Larsen & Toubro, and Arvind Mills. "We are spending about Rs. 10,000 per student and the target is to train 100,000 rural youth to make them employable in 2007-08," said rural development minister Dr. Chinna Reddy.<sup>44</sup>

EGMM experience shows that providing one job in the organized sector to one youth takes the entire family out of poverty in a sustained manner. The rural poor are mostly agricultural laborers with erratic incomes of barely Rs.12,000 a year. Youth who work in

the cities often send money back to their homes. One small survey conducted by EGMM showed average remittances of Rs.24,000 a year. The survey showed that 38% of the families use the remittances to pay off debts, 19% to purchase assets, 12% for education, 23% for savings, and 8% for other reasons.

Many anecdotes suggest a significant increase in the self-confidence and self-esteem of the youth. As an example, Gonela Swamy, a 20-year old from Veldanda village in Warangal was clueless about what he wanted to do after graduating from school.<sup>45</sup> He became depressed when he failed to get a job due to lack of fluency in English and poor communication skills. After completing the 45-day training program of the Rural English and Soft Skills Academy, Swamy is now working as a customer support associate in Hometown, a shopping mall. “It is the turning point in my life. From loitering around in my village, today I am working in the capital,” a beaming Swamy said.

Interestingly, aspirations zoom even in seemingly low-level entry jobs in which the youth are placed. Several youth who worked as security guards in IT companies have now enrolled in computer classes; they now have higher aspirations of working ‘from outside to inside an IT company.’ Recently, a manager at IBM was amazed to hear a security guard tell him it was his last day as he had learnt some computer programming in his spare time and was now switching careers.

Employment opportunities in India are highly discriminatory against women.<sup>46</sup> EGMM helps to correct this imbalance: forty percent of their trainees are women.

### **Public-Private Partnership**

A major cause of the success of EGMM is the combination of market-oriented approach of the private sector with the economies of scale provided by the government with the commitment of the grass-roots communities. This is a government-managed program strongly linked to the private sector needs. EGMM is incorporated as a society by the rural development department of the government of Andhra Pradesh. The institutional framework of the EGMM departs from existing governmental norms. The Executive Committee is chaired by the State Minister of Rural Development, and its members are senior government officers and top executives from the private sector. The top managers of EGMM, headed by the Executive Director, are a private sector team, and are responsible for strategy development and implementation. Aiding the top management team are senior government officers and, in the field, an implementation team of professionals and members of community organizations. State level Ministers participate in activities such as graduation ceremonies, which helps to achieve political support. The program and its targets are monitored by the Chief Minister, which also results in an enabling political environment. This institutional framework allows the strengths of the private sector to be complemented by the large-scale organization of the government and the commitment from the grass-roots.

The rural development department consciously decided that EGMM budgets should be funded by the government, without any contribution from private companies, to achieve the scale needed. The funding was justified partly on the basis that this program reduces social tensions created by unemployed youth. And, it does so at the reasonable cost of Rs.10,000 per employed youth. The impact is measurable and can be achieved in a short duration of two to three months, which is the length of the training courses. Participation of the government also helps reduce costs. For example, unused government schools were converted into training academies.

### **Private Sector Network**

The top management team of EGMM has cultivated a network of linkages with companies in rapidly growing industries with large demand-supply gap for entry-level manpower, such as services, textile and construction. Participants in the network range from CEOs of companies to the regional manager of human resources. There is no appeal to the companies based on corporate social responsibility. Rather, the companies participate in the network because it is in their self-interest to do so. Due to the rapid growth in the Indian economy in recent years, there is a shortage of qualified labor. EGMM helps the companies to tap into an alternate labor pool: rural poor youth who are trained and motivated. This puts the EGMM and companies on an equal footing, and helps in negotiating better work conditions for the rural youth. For example, in the retailing sector, companies recruiting for entry-level positions used to require candidates to have passed 12<sup>th</sup> grade school. Now companies in the network recruit youth who have passed only 10<sup>th</sup> grade school and have been trained by EGMM.

Youth are encouraged by EGMM to work in the companies for at least one year, which reduces the attrition level for the companies. Recruiting from the rural academies also reduces recruiting costs for companies since the candidates have been pre-screened by EGMM. The network companies tend to come back regularly to the Rural Academies for their entry-level manpower needs.

Companies participate actively in designing the training programs and also often give guest lectures. This ensures that the training is market-oriented and deepens the companies' involvement in the program. All network companies are required to go to the rural academies to recruit the youth. A side benefit of this was that company executives quite often had to spend a night in (or near) a village, and used their time interacting with the youth, listening to their stories of poverty and struggle. This helps the executives to better understand the context and have a deeper interface with the community. It also sensitizes companies to the passion and vision of EGMM, and changes their mindset. Subsequently, executives often volunteer to participate in training modules and give guest lectures.

### **Conclusion**

I have argued that poverty reduction efforts should focus on increasing employment. Such a focus on employment assumes a reasonably pro-business environment, but this is a low threshold requirement. This approach probably would not work in collapsing economies with failed states such as Sudan, Myanmar and Somalia. But, it would work in a large number of emerging economies. The two countries discussed above,

Mozambique and India, are far from ideal environments. On the World Bank's *Doing Business* index, Mozambique ranks 135 and India ranks 133, out of 183 countries. On the *Corruption Perception Index*, Mozambique ranks 126 and India ranks 85, out of 180 countries. Within India, Andhra Pradesh state ranks near the top in terms of pro-business environment and lack of corruption. In that sense, the two case studies are set in environments not atypical of many emerging economies.

The two case studies described above are well-targeted, successful interventions in their own setting, and cannot be blindly copied to all other contexts. For example, the EGMM approach would work only in an environment where there is significant economic growth, large firms are creating employment opportunities, and the government is providing basic education (10<sup>th</sup> grade) to rural youth. But, there are many places, besides Andhra Pradesh state, characterized by such an environment. However, the broader lesson to be learnt from these two case studies is to focus poverty reduction efforts on employment, which consists of generating employment opportunities and increasing employability. These interventions adopt a problem-solving, pragmatic approach rather than a grand holistic program to increase employment. This approach leverages the positive pro-business factors in the environment, and intervenes in a targeted manner only where there is some market or government failure. TechnoServe leveraged the comparative advantage of Mozambique in cashew nuts; the government in the year 2000 was receptive to a different solution after its failed policies earlier; some of the needed infrastructure and skills for the cashew industry already existed in Mozambique. TechnoServe then helped correct a market failure by intervening to facilitate the creation

and growth of SME firms in the cashew industry. Similarly, EGMM does not help create jobs – the economic growth in AP is already doing that. EGMM does not provide basic school education – the AP government is already doing that. EGMM leverages these positive developments and intervenes in a targeted manner to reduce the friction in the labor market by connecting the rural youth to the employment opportunities being created in urban AP.

The best way to reduce poverty is to raise the income of the poor by focusing on them as producers. As labor is the main resource that most poor people are endowed with, labor-intensive growth is the most effective way to reduce poverty. Creating opportunities for steady employment at reasonable wages is the best way to take people out of poverty.

Reducing poverty through employment requires two major thrusts: 1) generate employment, and 2) increase employability. These are not just abstract ideas, but rather pragmatic, action-oriented proposals.

---

<sup>1</sup> Aneel Karnani. 'Mirage of marketing to the Bottom of the Pyramid.' *California Management Review*, Vol. 49 (4), Summer 2007, pages 90-111.

<sup>2</sup> Jeffrey Sachs. *The End of Poverty*. New York: Penguin Books, 2005.

<sup>3</sup> W. Easterly. *The White Man's Burden*. Oxford University Press, 2006. T.W. Dichter. *Despite Good Intentions*. University of Massachusetts Press, 2003.

<sup>4</sup> Thomas Friedman. *The World is Flat*. New York: Farrar, Straus and Giroux, 2005.

<sup>5</sup> George Stiglitz. *Globalization and its Discontents*. 2002. Ha-Joon Chang. *Bad Samaritans*. New York: Bloomsbury Press, 2008.

<sup>6</sup> C.K. Prahalad. *The Fortune at the Bottom of the Pyramid*. Upper Saddle River, NJ: Wharton School Publishing, 2004.

<sup>7</sup> Aneel Karnani. 'Mirage of marketing to the Bottom of the Pyramid.' *California Management Review*, Summer 2007.

<sup>8</sup> A. Sen. *Development as Freedom*. New York: Anchor Books, 2000.

<sup>9</sup> United Nations. *The Least Developed Countries Report 2006. Developing Productive Capacities*. United Nations Conference on Trade and Development, 2006.

<sup>10</sup> Aneel Karnani. 'Microfinance Misses its Mark.' *Stanford Social Innovation Review*, Summer 2007.

<sup>11</sup> World Bank. *Moving out of Poverty: Success from the Bottom Up*. World Bank, Washington, D.C., 2009.

<sup>12</sup> International Labor Organization. *Global Employment Trends Brief*. 2007.

<sup>13</sup> See <http://www.doingbusiness.org/> [Accessed 13 September 2009]

- 
- <sup>14</sup> International Labor Organization. *Key Indicators of the Labor Market*, 5<sup>th</sup> Edition. 2007.
- <sup>15</sup> A. Virmani. 'Poverty and hunger in India: what is needed to eliminate them.' Working Paper No. 1/2006-PC, Planning Commission, The Government of India. 2006.
- <sup>16</sup> International Finance Corporation. *Scaling up private sector models for poverty reduction*. Washington DC. 2004.
- <sup>17</sup> See <http://www.doingbusiness.org/> [Accessed 13 September 2009]
- <sup>18</sup> Martin Ravallion. 'Pro-Poor Growth: A Primer.' World Bank, Washington D.C. 2004.
- <sup>19</sup> United Nations. *The Least Developed Countries Report 2006. Developing Productive Capacities*. United Nations Conference on Trade and Development. 2006.
- <sup>20</sup> Eduardo Zepeda. 'Learning from the past: Mexico's failed pro-market policy experience.' *Poverty in Focus*, International Poverty Center, Brasilia, December 2008.
- <sup>21</sup> K. Kochhar. *et al.* 'India's pattern of development: What happened, what follows?' *Journal of Monetary Economics*, 2006.
- <sup>22</sup> International Labor Organization. *Global Employment Trends Brief*. 2007.
- <sup>23</sup> Meghana Ayyagari, Thorsten Beck and Asli Demirciguc-Kunt. "Small and Medium Enterprises across the Globe: A New Database," Policy Research Working Paper 3127, The World Bank, August 2003.
- <sup>24</sup> Anne O. Krueger. 'The Missing Middle.' Working Paper No. 20. Indian Council for Research on International Economic Relations, New Delhi, 2009.
- <sup>25</sup> Anne O. Krueger, *op cit.*
- <sup>26</sup> Sean M. Dougherty, Richard Herd, Thomas Chalaux, and Abdul Azeez Erumban. 'India's growth pattern and obstacles to higher growth.' Working paper No. 62, OECD, Paris, 2008.
- <sup>27</sup> International Labor Organization. *World Employment Report 2004-05*. 2005.
- <sup>28</sup> International Labor Organization. *Key Indicators of the Labor Market*, 5<sup>th</sup> Edition. 2007.
- <sup>29</sup> Sean M. Dougherty *et al*, *op cit.*
- <sup>30</sup> A. Banerjee and E. Duflo. 'The economic lives of the poor.' *Journal of Economic Perspectives*, 2006.
- <sup>31</sup> Aneel Karnani. 'Microfinance Misses its Mark.' *Stanford Social Innovation Review*, Summer 2007.
- <sup>32</sup> L. Daniels. "The role of small enterprises in the household and national economy in Kenya: A significant contribution or last resort," *World Development*, Vol. 27 (1), 1999.
- <sup>33</sup> International Labor Organization. *World Employment Report 2004-05*. 2005.
- <sup>34</sup> A. Fiegenbaum and A. Karnani. "Output flexibility – a competitive advantage for small firms," *Strategic Management Journal*, Vol. 12 (2), 1991.
- <sup>35</sup> Vishal Krishna. 'Educated, but Unemployable.' Businessworld. Available at <http://www.businessworld.in/content/view/2531/2609/1/0/>. Accessed 28 April, 2008.
- <sup>36</sup> The Mahbub ul Haq Human Development Centre. *Human Development in South Asia 2003: The Employment Challenge*. Oxford University Press, Karachi, Pakistan. 2003.
- <sup>37</sup> P. Gregg and E. Tominey. "The wage scar from male youth unemployment." *Labor Economics*, August 2005.
- <sup>38</sup> P. Ryan. 'The school-to-work transition: as cross-national perspective.' *Journal of Economic Literature*, 2000.
- <sup>39</sup> International Labor Organization. *Working out of Poverty*. 2003.
- <sup>40</sup> Christoph Ernst. 'Promoting youth employment.' *Poverty in Focus*, International Poverty Center, Brasilia, December 2008.
- <sup>41</sup> Ravi Reddy. 'Rural youngsters fly high with security services jobs.' *The Hindu*, 16 September, 2006.
- <sup>42</sup> Malini Goyal. 'Jobs for rural youth.' *The Economics Times*, 7 November, 2007.
- <sup>43</sup> The Hindu. 'Transit homes for the rural youth.' *The Hindu*, 21 August, 2007.
- <sup>44</sup> The Economic Times. 'Andhra charts plan to train 1 lakh rural youth.' *The Economic Times*, 9 November, 2007.
- <sup>45</sup> Ravi Reddy. 'A ray of hope for rural youth.' *The Hindu*, 3 August, 2007.
- <sup>46</sup> The Mahbub ul Haq Human Development Centre. *op cit.*