

## Connections: UK and global poverty

### Background paper for Globalisation event, November 2010

The Joseph Rowntree Foundation and the Institute of Development Studies (IDS) have come together to explore how globalisation impacts on UK poverty, global poverty and possible joint solutions to these. The event's conclusions will feed into the next stages of work for both organisations. The new IDS strategy recognises the challenges of growing global interdependence for poverty and social injustice. It seeks to cut across the 'global north-south divide', looking beyond 'development' for understandings of the causes of and solutions to poverty and inequality.

JRF examines the root causes of poverty, inequality and disadvantage in the UK and aims to identify solutions to these. This event forms part of its programme on globalisation, UK poverty and communities but is also relevant for other related work areas such as that on future labour markets and the broader poverty programme.

Poverty eradication is a global goal. The UN's Millennium Development Goals set the target to halve poverty in developing countries by 2015. The European Union aims to lift 20 million people out of poverty by 2020. The UK aims to end child poverty by 2020. Definitions, measurements, the nature and scale of poverty may differ across the globe but people's experience of poverty has many shared features. People in poverty talk about "living day by day", or "feeling like a second-class citizen" in the UK. These views resonate with testimonies from developing countries: "We now live in fear of getting loans because we don't know the means we are going to use to pay them back" (Zambia). "I feel we are actually treated as very low-class people" (Kenya) and "we are actually voiceless" (Tanzania)<sup>1</sup> And it seems to be increasingly the case that it is not only the experience of poverty, but also to some extent the context for poverty eradication which is being shared globally.

With the rise of the BRICs (Brazil, Russia, India and China) and other emerging economies, the distinctions between developing and developed countries have become less clear-cut. Is China, the world's second largest economy, still a developing country? The evolution of a more (obviously) complex global society and global political economy challenges much traditional thinking which analyses and differentiates poverty in terms of a North-South, developed/developing country paradigm. Globalisation implies significant connections between the causes of, and measures to eradicate poverty across these divides and between different national contexts.

This event provides a forum to discuss:

- the form and significance of connections between the causes of poverty in the UK and developing countries;
- the implications of these for solutions to poverty at local, national and global levels; and
- the benefits, opportunities and limits of shared solutions across countries in the global North and South.

## The globalised context for poverty eradication

Some key features for poverty eradication in 2010 are outlined below.

- All countries face **common global challenges** linked to poverty even though these may manifest themselves differently. These include climate change, sustainability, migration, and epidemics such as HIV. Demographic change is significant, with the world population predicted to grow from 6.8 billion to a plateau at 9.2 billion by 2050. Countries' populations and population distribution globally are expected to alter dramatically too, with Europe's share of the global population falling from 12 to 7%, with an increasingly older population, and Africa's share of the global population predicted to increase from 13 to 22%.
- **Technological developments** have facilitated the growth of the global financial sector and direct contact between people around the world. Nearly two billion people use the internet worldwide. Access varies, with over 50% of the European population online and only one in ten people in Africa connected (21% in Asia). But this means that 53% of the world's internet users are in Africa and Asia and the proportion is increasing. So direct contact and global conversations can take place among more of the world's population more easily than ever before. These facilitate a number of 'translocal' networks working on social issues including poverty, such as United Cities and Local Governments (UCLG). There are also civil society groups working globally on issues relating to poverty, including social movements about HIV and AIDS, antislavery, and women's rights. However, many campaigns on poverty have tended to focus on developing countries.
- The **global financial, food and fuel crises** which began in 2007 highlighted our economic interdependence. Global cooperation among developed countries' governments for coordinated financial rescue packages prevented the collapse of world financial markets, though there now appears to be a weakening of that coordination and harmony in the G20. The crises also had different impacts between and within countries. Recovery from the financial crisis is proving slow in the EU and some transitional countries while many low-income countries experienced little direct impact. But in all countries the real standard of living

among people on low incomes was significantly affected by rising food and fuel costs alongside the financial crisis. Global poverty increased during these crises, with the World Bank estimating that 64 million more people were likely to be living in extreme poverty by the end of 2010 than would have been the case without the global recession. The UK experienced increases in unemployment, benefit claims and cost of living, notably for food and fuel.

- The existence of **global labour markets**, the globalisation of a range of sectors, such as research, finance, technology, and the emergence of a global, mobile high-skilled workforce, have significant implications for effective anti-poverty strategies and measures.
- **Global governance** has expanded dramatically over the past two decades in terms of scale (600 multilateral organisations, 7,000 informal clubs and summits, 50,000 NGOs) and in terms of its jurisdiction and activities – everything from trade, peacekeeping, child poverty, communications standards and risk-based bank capital requirements, to setting communications standards (McGrew, 2010). Participation and influence of developing countries in these is increasing. But despite a growth in regionalisation and inter-regionalisation between political and trading blocs, ensuring that the perspective of poorer people from all regions is included in governance debates remains a challenge.
- **Migration** is a key feature of globalisation and it may be linked to causes and consequences of poverty. The UN Human Development Report 2009 (HDR) estimated that by mid-2010 there will be 200 million international migrant workers and their families, people who have chosen voluntarily to reside outside their country of birth. This figure excludes 15 million refugees. Migrant workers' payments back to their home countries (remittances) are a major source of income for many poor communities across the globe, both in developed and developing country contexts. Six million Britons live outside of the UK.
- Over the last decade there have been **significant shifts in the national contexts of global poverty**, due in part to population and economic changes. Recent analyses have suggested a growing proportion of the world's poorest people are in middle-income countries as the populous emerging economies of Asia experience rapid economic growth and move from low- to middle-income status (Sumner, 2010: 10).

## Emerging common themes in approaches to poverty and its eradication

There are a number of emerging themes in approaches to poverty eradication common across the developed/developing country division. Five are briefly considered here.

First, the **role of the private sector** has been highlighted by the financial crises. Businesses often coped with the crisis by curtailing working hours and wages. These flexible labour practices enabled businesses to survive and people to keep their jobs but at a cost borne by people often already coping on low incomes. Hidden costs of coping with crisis within households seem to have been borne more by women around the world, though in the UK it was men's formal employment that was most affected (Hossain 2009, and forthcoming). Young people around the world also appear to have been significantly affected by these measures because of fewer employment opportunities.

Second, establishing the **right social and economic policy mix** to cope with these labour market practices is a challenge to all states. Indeed, the role of the state, its responsibilities and whether globalisation limits its options in poverty eradication is itself a common focus across these contexts. Balancing the tension between labour market regulation, taxation and attracting investment continues to be a challenge to all countries with the mobility of both capital and skilled labour. While some have argued that globalisation will result in a 'race to the bottom' in terms of people's working terms and conditions, the evidence for richer countries indicates that a strong welfare system maybe key to coping successfully with the dynamics of a globalised economy (McGrew). Governments everywhere are grappling with how to address pressures to support economic growth but also eradicate poverty.

Third, there are some common developments in **approaches to understanding poverty**. There is a trend towards multi-dimensional approaches to poverty including concepts of dignity, participation, inclusion, resilience and wellbeing as well as income and material aspects. Also, concepts such as Sen's capability model have been drawn on by policy-makers around the world.

Fourth, there is a range of **common policy options**. For instance cash transfers or welfare payments and their conditionality, and universalism and targeting are two common issues high on the agenda in both the UK and developing country social policy debates.

Fifth, **key trends, causes and the significance of inequality** is a primary focus in poverty debates. A seeming consensus that globalisation unchecked by national policy is likely to increase inequality is not matched by a consensus on how much this matters,

particularly if overall poverty levels are falling. The recent UNRISD report on *Combating poverty and inequality* argued that free-market oriented development policy has expanded labour market inequalities and the emergence of precarious forms of employment (UNRISD, 2010:10). Others argue the more important trend is the reduction in poverty levels. The outcomes of inequality are also debated, recently in the UK by Wilkinson and Pickett's book, *The Spirit Level* (2009). As well as inequality within states, global inequality and associated debates about methods and measures of inequality are receiving significant attention too (see, for instance, Milanovic, 2006; Wade, 2010; Mills, 2010).

### Some key differences between countries

Whilst there are some common and shared features globally for poverty eradication, there are some profound differences in both the scale and severity of poverty across countries. Few people in Europe die of hunger, malnutrition or common diseases. These differences should not be overlooked. State capacity in financial, political, technical and infrastructural terms differs significantly. The importance of the informal labour sector is very different. For instance, in Africa only 13% of jobs are in formal waged employment (UNCTAD, 10:vii). This has implications for the types of policy instruments that are relevant to address poverty, such as the national minimum wage. Expectations of the state vary, based partly on political history. Such differences raise the question of whether globalisation pits those in poverty in rich and poor countries in competition with each other or whether the competition is between rich and poor more globally (or even both).

### Building on past discussion

Previous events to bring together people working to eradicate poverty globally have been successful as learning opportunities and suggested that they could go further e.g. Civicus World Assembly. They raised the possibility that joint analysis of poverty and solutions could be beneficial, particularly as some solutions to poverty may have global aspects to them. Some organisations such as Oxfam and Save the Children are working to address poverty in both the UK and developing countries. Some measures such as UNDP's human development index and UNICEF child wellbeing scorecard are used globally.

This event aims to build on these experiences and explore the implications of the 2010 globalised context for solutions to poverty.

## Background

This paper was prepared by Teresa Hanley, Advisor for JRF programme on Globalisation, UK poverty and communities, and Naomi Hossain, Research Fellow at the Institute of Development Studies, November 2010.

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**Endnotes**

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<sup>1</sup> Panos oral testimonies, and UKCAP (2008).