

The role of the private sector in building resilience among the extreme poor: A case study of a collaboration between SETU project of CARE-Bangladesh and CHP-BD, a private company

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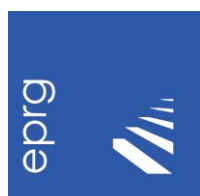
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The data used in this publication comes from the Economic Empowerment of the Poorest Programme (www.shiree.org), an initiative established by the Department for International Development (DFID) and the Government of Bangladesh (GoB) to help 1 million people lift themselves out of extreme poverty. The views expressed here are entirely those of the author(s).

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Abstract

Bangladesh has made significant improvements in reducing poverty since its independence in 1971 (Ahmed, 2012), however, diverse developmental challenges remain. The role of public, private and non-governmental actors in poverty reduction has been widely recognized in the literature. Numerous private sector initiatives are proliferating within NGOs' project portfolios as an opportunity for an innovative approach to poverty reduction. Despite this progress, studies have shown the degree to which households above the poverty line remain highly vulnerable and could slide back into poverty when faced with shocks (Ahmed, 2012) such as the loss of working opportunities, food price inflation, illness, natural disasters and other crises. Attempts to alleviate poverty therefore need to look at household resilience if improvements are to be sustained. Using a case study approach, this study investigates how a private sector intervention undertaken by NGOs effectively helps extreme poor households build their livelihood resilience. This research is based on a case study involving collaboration between the Social and Economic Transformation of the Ultra-poor (SETU) project of CARE Bangladesh and Classical Handmade Products-BD (CHP-BD), an export oriented rug-manufacturing company. Under this collaboration in SETU (phase-1), nearly 270 females from extremely poor households (i.e. SETU project beneficiaries) engaged in CHP-BD rug production activities. This resulted in more resilient livelihoods and helped move the women from lower productivity housemaid work to higher productivity rug factory work. The research will also focus on the impact of a temporary closure of the factory on the livelihoods of the women. It analyses the coping strategies adopted by the workers during the closure, and explores the ways in which workers learnt from this event and changed their behaviour in terms of savings, income diversification and strengthening social connections. The authors also analyse how this change in behaviour helped the women build livelihood resilience against potential future shocks.

Key words: Resilience, livelihood, private sector, poverty, rug factory, income diversification, productive asset

1. Introduction

According to the United Nations Development Programme (UNDP), Bangladesh has made remarkable progress in the area of poverty reduction with an annual 2.47 percent decrease in the incidence of poverty between 1991/92 and 2010 (UNDP, 2013). Much of this progress reflects long periods of stable economic growth accompanied by a gradual transformation of the sectoral composition of the GDP which has seen the relative contribution of both manufacturing and service sectors increase and that of agriculture decrease (MDG report, 2011). Some of the literature on the agricultural sector of Bangladesh questions the role of agriculture in reducing poverty. Rahman (2013) argues that agriculture is rarely commercially viable for many poor farmers and to change this would require protecting poor farmers from the rising costs of inputs. Therefore the prospects of alleviating poverty through agriculture-based interventions are limited especially given the reduction of the agricultural land base and the fact that cropping capacities are already at a limit. Crop agriculture in Bangladesh faces multiple challenges every year including the loss of arable land, population growth, climate change, inadequate management practices (fertilizer, water, pests and diseases), a lack of quality seeds, inadequate credit support to farmers, unfair price of products, and insufficient investment in research. This leads some to conclude that future growth strategies should rely less on agriculture (Rahman 2013). Evidence from developing countries points to the growing importance of non-agrarian activities in the income-generating portfolio of rural households (Lanjouw and Stern, 1993; Estudillo and Otsuka, 1998) and that is why the potential role of private sector in poverty alleviation is thought to be crucial.

Industrialization and privatization in Bangladesh have evolved gradually but have grown rapidly since 1993 (Momen, 2007). According to a study by Hossain (2004), the relative importance of agriculture as a source of employment for the rural workforce has decreased significantly over the past two decades. From the last two and half decades, people have started shifting to the garment industries finding it a relatively better source of employment. Bangladesh's garment industry provides employment to more than 3.6 million workers (Mahmud, 2012), which reflects a notable change in the composition of the labour market in Bangladesh.

These trends have given a new shape to the development paradigm of the country. Clarke et al. (2012) note that half of the GDP consists of the services sector, while only 26% of the labour force finds occupation in services. The private sector is considered an engine of growth, and more attention is now being given to link up rural populations with private sector initiatives (IFAD, 2012). There is growing realization that in order to make development sustainable, the private sector must be brought into the poverty-reduction dialogue.

Bangladesh has for many years been awash with programmes and projects designed to eliminate poverty. These have involved government as well as a significant number of non-governmental bodies often funded by international donors (Sobhan, 1998). The effectiveness of these initiatives in terms of sustainable graduation out of poverty and the increased resilience of those graduated households, however, remains to be proven.

To support the graduation of extreme poor households, CARE Bangladesh began implementing a 'Social and Economic Transformation of the Ultra-poor' (SETU) project in the Northwest part of the country in February 2009. The aim of the project was to empower 40,000 extreme poor households. The project is supported by Shiree (a management agency contracted by GoB, DFID and SDC). One of the drivers of the economic empowerment strategy of the SETU project is to build relationships with private sector stakeholders and service providers in order to expand economic activity and employment opportunities that enable the participation of the extreme poor and poor. During Phase 1 of the SETU project (which was built on CARE's SHOUHARDO Program), CARE established a collaboration with a private company called Classical Handmade Products – BD (CHP-BD). As part of the collaboration, CHP-BD trained CARE's SETU project beneficiaries and engaged them in mat/rug making jobs. Seeing the initial positive outcomes, CARE SETU management scaled up the collaboration in SETU phase-II. One of the benefits of being employed in the rug factories was that the workers had a fixed and stable monthly income. However, the factories had a sudden shock when there were no orders from buyers and they remained closed for a period of six to twelve months (depending on the factory). This experience undermined the idea of having security through a fixed income, and as such posed a threat to the livelihood resilience of the workers. This study will examine this event and explore the resilience dynamics of the workers in the face of such challenges.

The paper presents the background, literature review, conceptual framework of the study and the methodology used. The analytical section (section 5) explores and analyses the coping strategies adopted by the workers during the factory closure. Subsequently, the way in which workers learnt from this event and changed their behaviour in terms of savings, income diversification and strengthening social connections is analysed together with the ways by which they often help them build resilient livelihoods. The conclusion summarizes key findings on the basis of which recommendations are made.

2. Literature Review

Barrett et.al. (2001) argued that poverty reduction policies generally aim to improve the asset holdings of the poor, either by endowing them with additional financial, fixed, human, natural, or social assets, by increasing the productivity of assets they already hold, or both. This is how the poor try to diversify their income sources. Diversification of income is widely understood as a form of self-insurance in which people exchange some foregone expected earnings for reduced income variability achieved by selecting a portfolio of assets and activities that have low or negative correlation of incomes (Alderman and Paxson, 1992; Reardon et al., 1992; 1998; 2000). If the rural extreme poor people are engaged with the private sector or in the service sector, it is supposed to provide some backward and forward linkages. For this reason, stable and higher incomes often allow the poor to invest in and/or accumulate assets so that future potential risks are mitigated and their resilience is strengthened.

Some authors have also noted that investments in assets can be a self-insurance strategy to minimize risks and better cope with adverse shocks (Barrett et al. 2001). Based on data collected in rural Africa, Barrett et al (2001) found that income diversification through investment in productive assets was an effective strategy for the extreme poor to manage

income shocks. In rural economies, income source diversification is a strategy often used by households to mitigate risks and maximize financial returns. In remote areas where physical access to markets is costly and can result in product market failures, households diversify production patterns partly to satisfy their own demand for diversity in consumption (Omamo, 1998). Homestead gardening, livestock rearing and land leasing are common practices adopted to diversify income sources and to cope with shocks.

Studies have shown that households with a more diversified income can better absorb economic shocks. Reardon et al. (1992) and Webb and Reardon (1992) find that households' capacity to cope with drought in Burkina Faso during the 1980s was strongly associated with their levels of non-farm diversification activities. They argued that households with greater income diversification were able to buy food and weather the effects of the drought, and tended to have higher overall incomes than those who were not able to supplement their farm incomes with rural nonfarm incomes (RNF). Risk preferences and differential access to wealth are likely to contribute to greater demand for income diversification both before and after shocks (Barrett, et. al., 2001)..

When the poor begin to have some surplus income, some start to save in order to put themselves in a better and stronger livelihood position. Collins et al. (2009) examine informal saving mechanisms and tools used by poor families in Bangladesh, India, and South Africa and noted that poor families found them useful when trying to cope with income shocks. Stuart (2000) documents how poor households often report wanting to save more. Banerjee and Duflo (2007), looking at detailed household survey data from 13 countries, find that even extremely poor households do not use all of their income on basic necessities and instead put some aside as savings either as part of an investment strategy or as an emergency fund.

With the objective of making livelihood improvements more sustainable, the effectiveness of development initiatives is increasingly assessed on the ability of beneficiaries to cope with and recover from stresses and shocks (Chambers and Conway, 1992). Building resilience, defined as the "maintenance of positive adjustment under challenging conditions" (Weick et al., 1999) refers to the capacity to adapt or evolve to changing conditions (Sutcliffe and Vogus, 2003).

Rural Bangladeshi women often manage complex households and pursue multiple livelihood strategies but the labour they provide to maintain the households often goes unrecognized, and they face significantly more constraints than their male counterparts when they are economically active. They are expected to specialize in unpaid domestic work and are constrained by cultural expectations about their mobility in the public domain (Kabeer, 2012). However through some NGO interventions, some women have been able to become more mobile, economically active and socially connected (Mondal, 2000). Similarly, in promoting the involvement of extreme poor females in rug factories, the key idea was to expand opportunities for women's mobility, economic activeness and social connectedness.

Social connectedness is often helpful for the resilience of poor people. Using research evidence from rural Tanzania, Cleaver (2005) finds that the poorest cannot construct sufficient effective social capital due to a number of reasons including their lack of 'able-bodiedness', limited relationships with kin and wider social circles, and their inability to articulate and be influential within public spheres. In this context, the SETU project identified the social empowerment of

the extreme poor as one of its three major outcomes. The Social Empowerment dimension of the SETU graduation model¹ captures the demand for changes in social relationships that help to shape livelihoods, experiences and opportunities. This strengthening of social relationships is expected to have a significant change in the wellbeing status of the extreme poor as well as ensuring greater social connectedness and eradicating marginalization and exclusion. The project initiatives aim to build up mutual understanding and emerge a sense of cooperation among all people in society.

Available literature in Bangladesh shows the positive impact of income diversification through investment in productive asset creation and social connectedness on livelihood resilience. However there is a real gap in the literature in terms of exploring the potential role of private sector initiatives in these social change processes.

3. Conceptual Framework

The literature review has shown that income diversification, savings and social connectedness play an important role in helping extreme poor households build livelihood resilience. This study will focus on the same three areas and explore their dynamics in the lives of the rug factory workers.

"Sustainable Livelihood" is used in this paper to refer to a livelihood that can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base (Chambers et.al., 1992). Livelihood diversification refers to the efforts by individuals and households to find new ways to raise incomes. This includes both on- and off-farm activities which are undertaken to generate income additional to the main income generating activities of the household or individual (Carter, 1997). Ellis (2000) offers the following useful definition

"Rural livelihood diversification is defined as the process by which rural households construct an increasingly diverse portfolio of activities and assets in order to survive and to improve their standard of living."

The term 'shock' refers to any kind of interruption to earning activities or any obstacle to carrying out the main means of earning. The main shocks we came across were the closure of the factories and health hazards.

Before carrying out the fieldwork, we developed two hypotheses

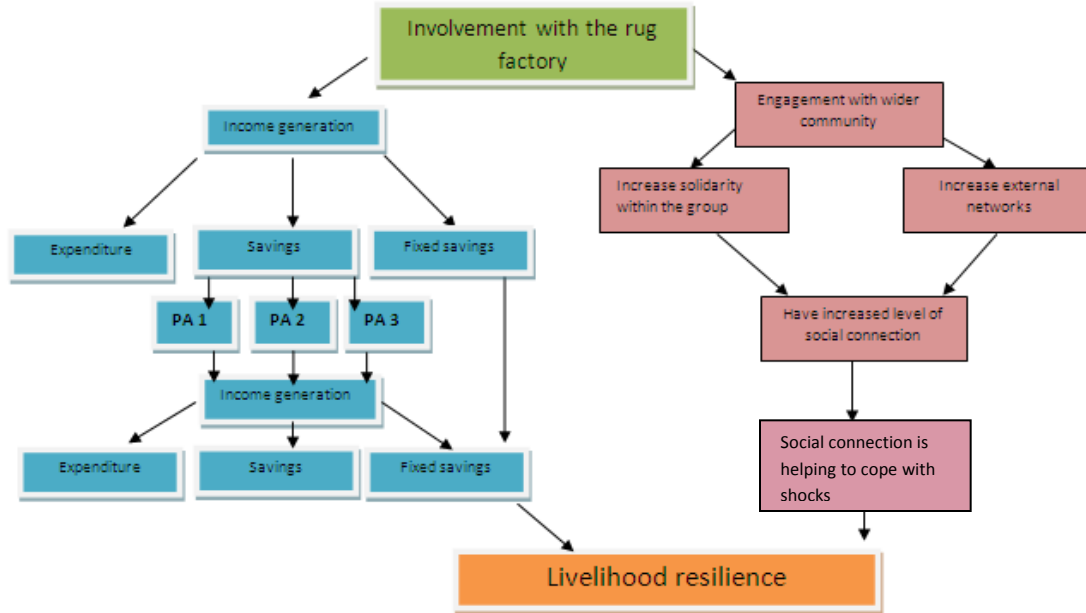
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- (1) After engaging with the private sector initiative, the increased level of income would help people invest in new productive assets with the aim of having a more diversified income portfolio. The workers would also have some money saved formally or informally to fall back on in case of an emergency.
- (2) Social connectedness helps the extreme poor access the wider community and build on their social capital. At the same time, the employment of the female in the house

¹ Please see the detail graduation model at Social and Economic Transformation of Ultra-poor (SETU) project memorandum

would also help them build strong intra and inter familial relationships, which are all potential means of attaining livelihood resilience. Details can be seen in Figure 1.

FIGURE 1: LIVELIHOOD RESILIENCE PROCESS OF THE RUG FACTORY WORKERS



Source: the author

It is assumed that after being involved with the rug factory, the workers will receive a regular income and at the same time, will manage to have greater access to the wider community. From the income, they are supposed to meet their regular expenditures, keep some money as savings with the formal or informal financial institutions and use some to invest in productive assets (PA). These productive assets can generate more income which will then be used to meet expenditures and invest further. Thus, the income from their involvement with the rug factory is intended to build livelihood resilience. On the other hand, it is expected that workers will access the wider community and this will increase their group solidarity and social networks. Eventually this will help workers develop their social connectedness. These social connections will enable greater cooperation amongst people and this is particularly important in times of shock or stress. As such, building connections contributes to a more resilient livelihood.

4. Research Methodology

In the SETU project, graduation is 'achieved' when an extreme poor person or household reaches a level of economic well-being sufficient to meet their basic needs (for nutrition, health, education and shelter) and levels of social and political inclusion necessary to sustain their improved well-being. With this in mind, the project designed a 7-year graduation model, particularly suited for the bottom 10 percent of extreme poor households. The path of graduation is identified through expansion of capabilities and freedom of the extreme poor households at certain intervals.

In the graduation model of the project, the three dimensions of empowerment – social, economic and political - are closely inter-related and mutually reinforcing. Thus facilitating economic empowerment requires a process of enabling significant transformation in the social and political relations of power. Only in this way can any gains in the economic realm be sustained by the extreme poor over time. Evidence from the SHIREE² programme shows that economic empowerment without social and political empowerment can easily lead to the powerful eventually taking possession of the gain³.

The project conducted a Participatory Poverty Analysis (PPA) focusing on a wellbeing analysis which involved the active participation of the community people. The PPA helped identify the poorest 10 percent of the communities, and these became the project participants. Then, with the selected participants, the project conducted a skill analysis assessment to see what types of income generating activities were suitable for them. Through this process, all the rug factory workers were selected, trained to produce rugs and provided with machines and raw material.

The study investigates to what extent engaging extreme poor females with private rug factories contributes to building their resilience. Specifically, the study aims to:

1. Identify whether the involvement/engagement of extreme poor women with the rug factories led to income diversification strategies through productive asset investments
2. Understand to what extent female factory workers became more resilient to income shocks through their social connectedness
3. Capture the challenges female factory workers face in trying to build their livelihood resilience

The research methodology used in this study adopted four tools including (i) In-depth Interviews (ii) Life History Analysis (iii) Key Informant Interviews and (iv) Secondary literature review. For the in-depth interviews, sixteen workers were randomly selected from eight rug factories. For the life history analysis, other five workers were picked randomly from five rug factories. In addition to the rug factory workers, some secondary stakeholders such as the

² Stimulating Household Improvements Resulting in Economic Empowerment project; detail can be seen at: <http://www.shiree.org>

³ See the detail in the working paper-9 at shiree website (<http://www.shiree.org/wp-content/uploads/2012/02/9-Accessing-and-Retaining-Access-to-the-Sandbars-by-the-Extreme-Poor-Experiences-from-the-Practical-Action-Project.pdf>)

male family members of the factory workers, local leaders and factory supervisors were selected for in depth interviews.

The research design was built around the closure of rug factories for a period of six to twelve months during 2011. The closures were enforced following a significant reduction in the number of orders the factories received. The study focuses on the impact of the closure on the livelihood of those women working in the rug factories and uses this to identify key lessons on resilience building⁴.

5. Analysis and Findings

The study finds different types of responses to the factory closure from the rug factory workers. The households had very different responses to the factory closure and the differences were based on household composition, productive asset base, number of earning members in the family and social connections. The field observations show that households with a more diversified income, savings and social connections were better positioned to deal with the effects of the factory closure while others with less income diversification, savings and social connections, found it difficult to do so. This section analyses different coping strategies people followed during the closure, the lessons beneficiaries learnt and how these lessons helped them attain a resilient livelihood.

5.1 Income status of the workers before and after the involvement with rug factories

Before being engaged with the rug factories, 53 percent of the families used to depend on agri-labouring carried out either by both the husband and wife, or by the husband alone with the wife then working as a domestic maid or in their own homes. Among all rug factory workers, 25 percent were housewives, 19 percent were domestic maids, 31 percent worked as both domestic maids and agri-labours and 24 percent were in different occupations before being engaged with the rug factories. Approximately 19 percent of these female workers used to work as domestic maids earning 500⁵ taka per month on average, which is a relatively small contribution to the family income.

After being engaged with the rug factory, workers earned 3500 taka per month on average. This was complemented within the household by other incomes generated from the husband or from other productive assets. If we then have a look at household expenditures, we can see similar differences. Prior to working in the factories, the average household expenditure was just above 3000 taka but once employed, this rose to an average of more than 4900 taka. So the average income has increased by 95 percent and the expenditure increased by 35 percent. In most cases, the remaining money has been converted to savings or investment.

⁴ Besides, the study also covers common health-related shocks workers faced, reported by CMS 5⁴ data.

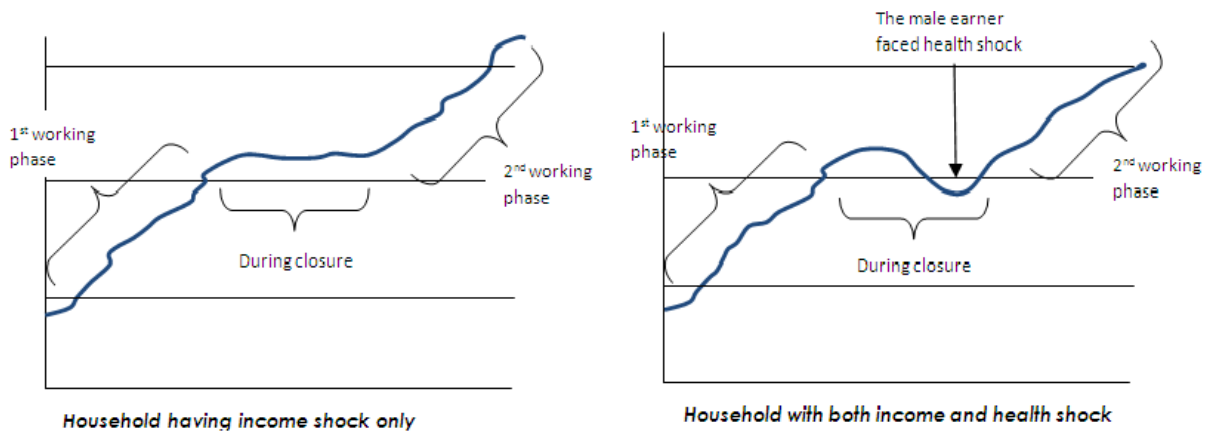
⁵ Excluding the lunch provided by the house owner

Among the 16 rug factory respondents, only two are female headed and managing the entire income and expenditure of the family, the remaining 14 female headed households have their male counterparts to support the family. However, average household income of these 16 workers before being engaged with the rug factory was 2933 taka. Apart from the two female headed households, all of the families had at least two income sources, implying that all the women used to work either as domestic maids or as agri-labours. Now the average household income of those families is more than 6000 taka, which is almost double the amount they earned before joining the factory.

5.2 Coping strategy during the closure

As the factory closure was unexpected, the beneficiary households were caught unprepared and adopted diverse types of coping strategies. The data gathered shows that some households used their regular income to repay debts, repair their houses, or invest in assets (60 percent of them). The life trajectory analysis of the rug factory workers show that during the closure, the upward wellbeing trend of the beneficiary households was stopped and three out of the five respondents, experienced a flat wellbeing trend. The remaining two households suffered health shocks at the same time as the factories closed down. In both cases, there was a clear downward trend.

FIGURE 2: TRAJECTORY MAPS OF TWO BHHs IN THE RUG FACTORY



Source: Life history case studies; the X axis and Y axis are showing the time and wellbeing respectively

The trajectory maps of two female workers of the rug factory show three periods i.e. first phase of rug factory operation, the closure period and the second phase of the rug factory operation. With the sudden closure of the rug factories, the improvement in wellbeing of the workers halted but remained stable because of the coping strategies. However, co-variant shocks experienced by the extreme poor (health shocks plus factory closure for example) were a major cause for a decline in the households' well-being.

Among the five respondents of life history analysis, four adopted the following coping strategy: reduction in food intake followed by selling livestock, withdrawing saved money and returning leased land. Females with less savings and productive assets as alternative income sources returned to their earlier occupations of agri-labouring and working as housemaids which lead to a decline in their well-being.

Although Davies (1996) claims that the idea of migration is gaining acceptance as a coping strategy, it is not always feasible and desirable for beneficiary households. When her factory was closed down, Rafeza (42) moved to Dhaka hoping to find work in a garment factory. After only a few months however, she returned home and started working again as a day labourer. She could not put up with the environment in the Dhaka. Although she earned 4000 taka, this was not enough. She had to pay a high (1200 taka) house rent which meant she could not afford to send her son to school. In her small hut in the village, she did not need to pay any rent, she could send her son to school and there were many people i.e. neighbours and relatives who could lend support if required. Rather than the 4000 taka salary, she returned home and resumed her work as a day labour. However, this was an important learning process for them. The lessons they learned while coping with unemployment was reflected in their behavior later on.

5.3 Learning from the closure and the behavioral changes

The data collected shows that the experience of the factory closure had an impact on the financial behavior of the workers. They are now more likely to invest in productive asset creation and savings. The rug factory workers value mutual cooperation and maintaining good social relationships with the community. More than 90 percent of the respondents believe that they may lose their job again in the future, and both the savings and investment for alternative income generation reflect this awareness.

5.3.1 Savings

Although saving money is hard as it requires people to override a natural tendency to prioritize the present over the future (Karlan, 2010), the rug factory workers are opting to save more partly because of their experience with the factory closures. They save for future because they also realize that after a certain time they will not be able to carry out the labour-intensive rug production work as it requires physical strength and stamina. Workers above thirty-five are very conscious that they can continue with this kind of job for five years more at best. So by looking at asset creation or income diversification they are already planning for the day they will retire' from the factory.

The saving behavior of the rug factory workers can be clearly understood from the analysis of their Marginal Propensity to Consume (MPC). The data collected in the field shows that whilst the average MPC in Bangladesh is 0.45, the MPC of the rug factory workers is 0.39. While a 100 taka increase of income leads people to spend 45 taka, the rug factory workers spends 39 taka. Many of the households have reported that they have reduced their expenditures especially in relation to smoking; and as such they have been able to keep their MPC below the average. This lower MPC also indicates that they have more Marginal Propensity to save and to invest.

The rug factory workers have two types of savings: one is with the formal institutions and the other one is informal (cash in hand). 83 percent of the factory workers have formal savings with banks or Micro Finance Institutions (MFIs) and the same percentage reported having cash in hand to meet sudden needs. More tellingly, 100 percent of the workers have either of these savings, and 67 percent of them have both.

5.3.2 Investment and income diversification

Reardon et al. (2006) argue that farm households across the developing world have been earning an increased share of their income from non-farm sources. The rural economy of Bangladesh is also now largely dependent on non-farm activities. The analysis of our data shows that beneficiary households have quite purposefully diversified their income opportunities especially in non-farm activities. According to Barrett et al. (2001), this kind of diversification is used either as a means of reducing risk or a response to diminishing returns

from any given source. After the factory closure, the workers diversified as a form of insurance (Alderman and Paxson 1992) against potential risk in the future.

The households have diversified their income opportunities in a number of ways. The workers have on average 4.4 types of productive asset creation, which can all be considered as income source diversifications. Among the productive investments, livestock purchasing, formal or non-formal savings and land leasing were more prevalent and significant to female workers.

83 percent of the workers have invested in livestock as it is considered to be most feasible for them to rear. When both the male and female are at work, the children can take care of the livestock and even if they are in school, they can keep the cows or goats locked in their home with sufficient food for the whole day. Investing in livestock does not necessarily require much money and time while on the other hand it can give a good return at certain points in the year. Many of the workers invested in land. 25 percent purchased land either for cultivation or for dwelling while 42 percent leased land. There were two other notable areas of investment: education and cultivation. Around 50 percent of the workers invested in their children's education while 25 percent invested in cultivation. 16 percent of the households invested in the 6 types of productive asset creation or in income diversification, 35 percent invested in 5 types, 25 percent invested in 4 types, and 25 percent in 3 types.

5.3.3 Increased level of social connectedness

Maintaining good relationships with fellow workers is important for the rug factory workers, not only because they belong to the same class, but they are also the most available and nearest source of support and care. There is already evidence of cooperation. We found cases of workers lending money to each other especially to help with short term need or crises. We also found workers collecting donations from each other in order to contribute to treatment costs of fellow workers.

Workers also feel that they need some support from the landlords because if there are future factory closures, they will have to revert to their jobs as agricultural labourers. Maintaining good relations with fellow workers and landlords has also helped increase social unity and cohesiveness.

In its development methodology, CARE advocates a community solidarity building approach. The CMS 5 data⁶ reports the case of Abida⁷ who received 6000 taka from the community to repair her house which had been hit by a cyclone. Every single household in the community contributed to the 6000 taka donation. Since Abida had been deserted by her husband, she

⁶ See http://www.shiree.org/extreme-poverty-monitor/#.UzQGQah_vp8

⁷ A CMS 5 beneficiary; detail can be found at shiree website: <http://www.shiree.org/extreme-poverty-monitor/cms-5-tracking-studies/#.UonZVCcm1o8>

had no one to manage the repair work. So the community people led by the Para Unnayan Committee managed to repair her house.

For the rug factory workers, this sort of cooperation is more promising as they have already seen the benefits of mutual cooperation. They have been helping each other to deal with health shocks and treatment expenses, and also to support costs related to the wedding ceremonies of their daughters. Sabina, one of the rug factory workers, told us: *'we are all poor people working here and living like a family. That is why we need to stand by ourselves. Today someone has to face some sort of crisis but it may be that I will be in the same situation in the future'*.

5.4 Impact of diversification and social connectedness on livelihood resilience

Income diversification and social connectedness can play a significant role in attaining a more resilient livelihood. The data collected shows that the rug factory workers are aware that savings, productive assets and reliable social relations are an important way of coping with future income and other shocks. The data shows that before working in the factories, the rug workers had relatively little assistance from relatives, neighbours and MFIs. However now they can enjoy three tiers of financial support from their fellow workers, relatives or community people as well as the MFIs. In interviews, they said that if they have to deal with a sudden demand of less than 5000 taka, they can rely on the assistance of their co-workers. If the financial need is greater, they can now successfully approach relatives and then MFIs.

During an in depth interview, Laila⁸ reported that she had recently taken a loan of 30,000 taka from her uncle-in-law. She said that whenever she needs money, she just calls him without hesitation and he also lends her the money confidently. In her mind, the fact that she now has stable employment has had a huge impact. Her Uncle in law looks at her and deals with her differently. Previously it would have been quite impossible for her to receive this sort of support from him or from any other relative. The rug workers also reported that faced with a sudden financial need, they can borrow money from the MFIs where they are depositing savings. 83 percent of the workers have savings deposited with MFIs.

The rug factory workers are also well aware of the possible opportunity to work with the embroidery and stitch craft if the rug factories suddenly close again. There are a number of small entrepreneurs in the rural areas who have a certain level of demand for workers. The rug factory workers have acquired good employment skills which can be transferred to other sectors.

The study has also found that the assurance of regular income from the job at the rug factory has helped the workers purchase on credit daily consumption items from the local grocery shops. The workers reported that during several months they needed to buy food and other cooking ingredients on credit from the local grocers' shop because they would run out of

⁸ A rug factory worker

money by the end of the month. The shop owners were happy to give over the goods on credit because of two reasons. First they knew the factory workers had the ability to repay the loan in due time because they had regular earnings. Second, the factory workers had secured greater social value and acceptance in the community.

5.5 Challenges of Building Livelihood Resilience

Although the proliferation and collaboration of private sector agencies with NGOs is not new in Bangladesh, the modality of this collaboration has not yet been formalized. It is safe to assume therefore that many challenges lie ahead. The private sector needs labour and NGOs can support the recruitment and primary level capacity building of available labour. There is some anecdotal evidence in Bangladesh however, which suggests that after a certain time, the NGOs withdraw and fail to follow up and monitor the employees. CARE instead has made a deliberate decision to remain in touch with the factories and the workers, believing that this is the only way to ensure that the employment opportunity becomes an effective path leading to more resilient livelihoods for the workers.

Late payment and static wage rates are the two major problems workers face while working in the rug factories. The workers are paid after the 15th of every month instead of the first week, though on time payment would help them deposit their saving installments with both formal and informal institutions. Workers also reported that they had not received a salary increase in two years even though inflation rates had increased as had the price of core essentials.

Working in the rug factory is a laborious job and can cause health problems, especially back pain and chest pain. As stated earlier, there is a limit to the time people can work in rug factories – it is certainly not the kind of work for older people. Workers reported having to take medicine regularly to recover from ailments like chest and back pain. The factory provides no medical allowance.

Another major problem workers face relates to the supply of raw materials. When there are delays to the supply of raw materials, it inevitably results in a huge loss for the workers. On average a rug factory worker can produce 14 pieces of medium size rugs in a day but when there is shortage of raw materials, they need to halt production and thus incur a loss in their daily income. Delays in the supply of raw materials occur frequently.

Finally, workers also complain of working conditions. Quite often, the factories lack sufficient light and air flow, which hampers their work. The rug factories have not been provided with electrical lights or fans and that is why often the factories become dark and dusty, which workers claim reduces their productivity.

6. Conclusion and Implications for Strategy

Increased and regular income has allowed rug factory workers to invest in asset creation and income diversification. For many of the rug workers' families, the fact that women have regular income already represents an important income diversification. In the case of female

headed households, the rug factory workers have been able to leave their employment as day labourers or domestic maids to take up what is considered a 'better and more secure' job. So, the engagement with the private sector by CARE Bangladesh has been meaningful for the families as they have either secured a more secure income or have been able to diversify their income portfolio. Increased income has then allowed the households to invest in more assets and even further income diversification.

However there have been some households which did not become more resilient. Those who suffered the most were female headed household earners and those who faced double shocks during the factory closure (especially those who incurred health shocks affecting the male breadwinner and medical costs). Those who were not able to build up savings and diversify investments in the period prior to the factory closure also suffered. For example, those moving up to level 4⁹ were far more likely to be resilient than those who had not.

The sudden closure of the rug factories also highlighted some lessons for the workers and they are now more conscious of the need to take preemptive measures to cope with potential shocks. They are now trying to invest more in asset diversification so that they can utilize them during periods of crisis. Most workers consider their employment in the rug factory as an opportunity which has an uncertain outlook in terms of continuation. For this reason they are trying to make the most out of it by making sure they have income generating options in the future.

The promotion of social solidarity among rug workers and between them and their relatives, neighbours and other community members has also created opportunities to enhance livelihood resilience. Due to the greater level of social connectivity, the rug factory workers now have three tiers of financial protection: fellow workers, community people and relatives and MFIs.

Finally, it is important to state that although extreme poor households have increased their livelihood resilience by being more involved with the private sector, important challenges remain, especially in relation to health and safety measures. A decent working environment is a precondition for promoting livelihood resilience for the rug factory workers. The SETU project of CARE Bangladesh targeted adult females so that the additional secure income would create resilient livelihood options for the households. This strategy would also move women from lower productivity work to higher productivity rug factory work where they are considered as 'employees' and not 'labourers' or 'housemaids'. As rug making is considered a 'higher status' work and at the same time provides a decent regular salary, men are quicker to support the women who would otherwise work either in their homes, or as housemaids, or in the agricultural fields as agri-labours.

Based on the analysis above, several recommendations can be offered:

A proper operational manual or Standard Operating Procedure (SOP) for the rug factories needs to be in place so that the rights of the workers are ensured in a more formalized way.

⁹ Non-poor status in the trajectory map

The manual will ensure a good and healthy working environment at the factories, as well as giving clear guidelines around salary payments, salary increments, medical allowance and other facilities for workers. At the same time, the SOP will clarify the discipline and working modalities for the workers. Although CARE has taken a proactive role in negotiations with Classical Handmade Products-BD, both parties can do more to develop and agree on an operation manual and its terms and condition. This manual should ensure a win-win situation for both the private company and the workers by ensuring benefits for both parties, which will eventually help the factory workers have more sustainable livelihoods.

Finally, we want to return to our opening statement about the lack of research on private sector engagement with the extreme poor. The crucial point to drive home is that we need to follow up this pilot study and explore more innovations involving the private sector and extreme poverty reduction initiatives.

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