



April 16, 2010

SUPPORTING URBAN LIVELIHOODS, REDUCING URBAN POVERTY

Urban Poverty Reduction

There are three broad approaches to reducing urban poverty. The first focuses on **habitat**: seeking to secure housing tenure, provide housing finance, and/or provide housing infrastructure services (water, sanitation, electricity) to the poor who live in slums or squatter settlements. The second focuses on **social services and assistance**: seeking to extend social services (health and education) and social assistance (often through conditional cash transfers) to the urban poor. A third focuses on **livelihoods**: seeking to increase incomes, reduce risks, and address urban regulatory or policy challenges faced by the urban working poor.

These approaches focus on the urban poor as residents, citizens, and economic agents, respectively. In real life, on a daily basis, the urban poor have to manage – or juggle - these three identities: interacting with each other, their communities, city officials, and the marketplace to maintain or repair their homes, get drinking water, enroll and keep their kids in school, and earn enough to buy food and save for health emergencies. What they need is an integrated approach to reducing urban poverty that addresses all of these needs in a holistic way. They also need an effective “voice” in the urban institutions and processes which make decisions that affect their homes, lives, and work: this requires that the urban poor get organized but also get invited to “a seat at the (policy) table”. In short, the urban poor need representative voice in urban governance. **Urban governance** is often treated as a separate approach to urban poverty reduction but should be seen as a cross-cutting dimension that, if inclusive and participatory, can enable the urban poor to effectively demand and secure essential urban services as well as a more equitable urban planning and regulatory environment.

The need to consider livelihoods in parallel with urban governance, infrastructure, and services was highlighted in the conclusions of a major study of urban governance and poverty in 10 cities in Asia, Africa and Latin America, which concluded that better information is needed on the multi-faceted and differentiated nature of poverty, vulnerability and exclusion at city level, and the livelihood strategies of poor urban dwellers, and that bad governance undermines the position of the poor, in particular oppressive regulation of informal enterprises that destroys livelihood opportunities (Devas et al 2004).¹ The authors of this edited volume, all key urban poverty experts, identify a combination of factors required to tackle urban poverty. The key message from the study is “that the well being of the urban poor can be improved by access to economic opportunities, supportive social networks, and greater access to assets (notably land,

¹ Devas, N. with Amis, P, Beall, J., Grant, U., Mitlin, D., Nunan, F. and Rakodi, C. (2004) Urban Governance and Poverty in the Developing World. London: Earthscan.

infrastructure and services)” (Devas et al: 3). The authors also find that “voice” - the ability of the poor to organize and articulate their concerns – matters.

Current approaches to the provision of urban services and infrastructure focus on user contributions. Concentrating on provision of these, in the absence of supporting livelihood activities, may not benefit the urban poor but the slightly better off and may, in fact, drive the really poor further into poverty. As Devas concludes from his studies of urban poverty, “interventions designed to benefit the poor in general may disadvantage the poorest” (Devas 2002:189). Securing livelihoods is critical to the poor being able to make user contributions and thus to the long-term sustainability of urban infrastructure and service provision. South Africa is an interesting case in point. Provision of infrastructure and services has been a key focus of the post-apartheid state. However, the state has had little success in creating jobs and enhancing existing livelihood strategies. This combination has resulted in some perverse outcomes. For example, while the governments electrification program resulted in 3.15 million new connections between 1994 and 2002, it is estimated that 9.6 million people were affected by electricity cut offs in the same period. Analysts largely attribute this to an inability to pay. (McDonald, 2009:26)². With respect to efforts to promote access to land, housing, and services, drawing on case material from cities in 10 developing countries, Devas concludes that this must be done in “ways which take proper account of their livelihood systems, their ability to pay and how they currently gain access” (Devas 2002:184).

In sum, securing infrastructure and service provision is critical to the long-term sustainability of livelihoods; and securing livelihoods is also critical to the long-term sustainability of urban infrastructure and service provision. Yet few governments or non-governmental agencies provide an integrated package of housing, social, and livelihood services to the poor and fewer still promote the “voice” of the poor in urban governance.

Urban Livelihoods

While being unemployed contributes substantially to the probability of being poor, most household heads and many household members of poor urban households are in fact employed. What are the urban poor doing to earn their living? While there are detailed studies of the urban poor and their livelihoods in many cities or countries around the developing world, there is not sufficient national data to answer this question in aggregate terms.

The limitations of data on urban employment are one dimension of a larger problem: namely, the limitations of data on urban populations in many low- and middle-income countries. Different countries define an “urban center” in different ways. In virtually all countries, official definitions of urban centers include settlements with 20,000 or more inhabitants. But governments differ regarding what smaller settlements they include as urban centers: ranging from all settlements with a few hundred inhabitants to all settlements with 15,000 or more inhabitants. Thus, the rate of urbanization of any given country depends on the criteria used and the scale of the world’s urban population is strongly influenced by the criteria used within the

² McDonald, D. (2009) Electric Capitalism. London: Earthscan

largest population nations (Satterthwaite 2010). This means it is difficult to do cross-country comparisons of urban vs. rural populations but also urban vs. rural employment and other indicators.

For this and other reasons, national employment data tend to be tabulated by non-agricultural versus agricultural employment rather than urban versus rural employment. Under the Inclusive Cities project, WIEGO has commissioned analyses of recent official data in several cities to get a picture of employment – both formal and informal - at the city level; and of specific categories of urban informal workers at the city or national levels. Here are some of the preliminary results from the analyses of city-level data:

- 7 cities in West Africa: 81% of the labor force is informally employed³
- 1 urban region in South Africa: 25% of the labor force is informally employed⁴
- 1 city in Latin America: 45% of the labor force is informally employed⁵

Interestingly, the share of informal employment in non-agricultural employment reflects similar regional differences.⁶ Regional estimates compiled by the WIEGO network in 2002 suggested that half to three-quarters of the non-agricultural workforce in developing countries was informally employed at the beginning of the 21st century. Informal employment comprised 48 per cent of non-agricultural employment in North Africa; 51 per cent in Latin America; 65 per cent in Asia; and 72 per cent in sub-Saharan Africa. When South Africa was excluded, the share of informal employment in non-agricultural employment rose to 78 per cent in sub-Saharan Africa (ILO 2002).⁷ If data had been available for additional countries in South Asia, the regional average for Asia would likely have been much higher.

What is the relationship between working informally and being poor? Through its analyses of labor force and income-expenditure data from around the developing world, WIEGO has found that most of the working poor are informally employed; and that most informal workers are poor (with the notable exception of informal employers who hire others). Figure 1 presents graphically the segmentation of the informal economy by sex, average earnings, and poverty risk that WIEGO has found to be strikingly common in a dozen or more countries across the developing world. The 2005 data from Buenos Aires reflects this pattern of segmentation at the city level: see Box 1.

³ This is a preliminary estimate from calculations done by DIAL for WIEGO, under the Inclusive Cities project, based on official data from 7 cities: Abidjan, Bamako, Cotonou, Dakar, Lome, Niamey, and Ouagadougou. The 2000 census indicated that 70-75% of the urban workforce in Ghana was informally employed; and a 2005 study estimated that about 70% of the urban workforce in Dar es Salaam was informally employed (ILD 2005).

⁴ This estimate is based on an analysis of informal employment in East Rand, Johannesburg, and Pretoria city region of South Africa by Gabrielle Wills for WIEGO, under the Inclusive Cities project (Wills 2010).

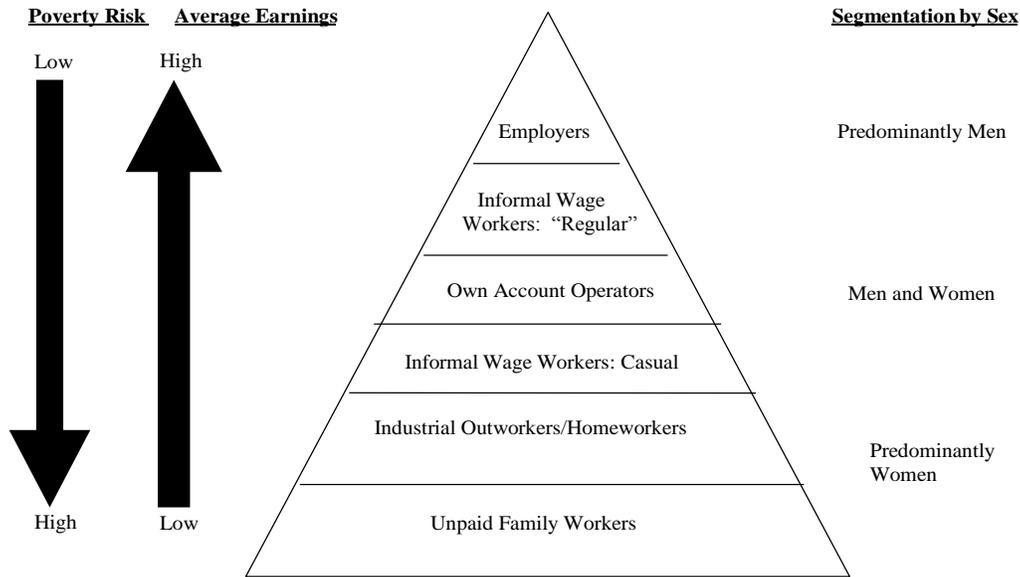
⁵ This is based on an analysis of 2005 official data done by Valeria Esquivel for WIEGO, under the Inclusive Cities project (Esquivel 2010).

⁶ Not all non-agricultural employment is urban as there is a fair amount of non-agricultural activities in rural areas and some agricultural activities in urban areas.

⁷ These data were compiled and analyzed by WIEGO in the 2002 ILO publication entitled *Women and Men in the Informal Economy: A Statistical Picture*. Available official data were not tabulated by urban vs. rural employment but, rather, by non-agricultural vs. agricultural employment. WIEGO is working to improve statistics on both urban and rural informal employment.

Figure 1: Segmentation of the Informal Economy

**SEGMENTATION OF THE INFORMAL ECONOMY:
BY SEX, AVERAGE EARNINGS, AND POVERTY RISK**



Of this the vast urban informal workforce, a large share are street vendors or street workers of other kinds: barbers, beauticians, shoe shiners, cobblers, head loaders, jitney drivers, and more. Others are concentrated in construction, transport, and manufacturing. In some countries, where social norms restrict women’s mobility, most of those who work on the streets are men. In all countries, reflecting a common gender division of labor, the vast majority of those who work from their homes are women.

Why are informal workers unable to work their way out of poverty? Consider the home-based garment workers in Ahmedabad, India stitching garments for an international brand-name company; the street vendors selling traditional medicines in Durban/eThekweni, South Africa; and the waste collectors recycling garbage in Bogota, Colombia. What do they have in common? None of them have a regular job. Most have low and erratic earnings. Most are also exposed to significant risks. Yet few are protected against loss of work and income or against the common core contingencies of illness, property loss, accident, disability, or death. By definition, they are not protected by labor regulations or covered by social security. In sum, given their low earnings, high risks, and limited protection, most urban informal workers are simply not able to work their way out of poverty.

Box 1: Informal Employment in Greater Buenos Aires, Argentina (2005)

In 2005, in the greater metropolitan area of Buenos Aires, 45 per cent of the total workforce of 5.3 million workers was informally employed. The percentage distribution of the 2.8 million informal workers across different employment statuses was as follows:

- 30% - wage workers in formal enterprises
- 26% - own account workers in informal enterprises
- 18% - wage workers in households (mostly female domestic workers)
- 17% - wage workers in informal enterprises
- 6% - wage workers with unspecified employer
- 2% - unpaid contributing family workers
- 1% – employer-owners of informal enterprises

In terms of segmentation by sex, Forty-three per cent of all wage workers are informally employed: 46 per cent of female wage workers and 40 per cent of male wage workers. Considered another way, a higher percentage of women wage workers (35%) than male wage workers (29%) are informally employed, wage workers (29%) are informally employed, in large part because of the large numbers of female domestic workers. Over 90 percent of informal wage workers in households are women: of which 97 percent are domestic workers. Also, 97 per cent of domestic workers are informally employed. On the other hand, men are more likely than women to be own account workers.

In terms of mean hourly earnings in 2005, formal wage workers in formal production units earned 50 percent more than informal wage workers in formal production units who, in turn, earned 60 percent more than informal wage workers in informal production units. Also, independent workers in formal production units earned three times as much as independent workers in informal production units who earned less than informal wage workers in formal production units, roughly the same as informal wage workers in informal production units, and more than informal wage workers in households. Within each of these categories, men earned more than women on average. Among informal wage workers, for instance, being a man carried a wage premium of 20 percent (Esquivel 2010).

Source: Esquivel uses the Informal Labour Module which was collected as part of the Argentinean Labour Force Survey in the last quarter of 2005.

Note: data on the difference in mean earnings between two categories of independent informal workers - employers and own account workers - are not yet available.

In sum, there is still a huge gap in the understanding of the complexity and fragility of the livelihoods of the urban poor by urban policy makers and practitioners – even among those working on the ground at the municipal level. Inclusive Cities partners are seeking to close this gap through strengthening information, demonstrating and documenting good practice, and developing working partnerships within and across cities and countries.

A Livelihood Approach to Urban Poverty Reduction

Most categories of urban informal workers face key issues or challenges vis-à-vis cities, supporting their livelihoods requires addressing the urban planning and policy environment: supply-side interventions such as micro-finance, housing, social services, and skills or business training are necessary but hardly sufficient. But, with the notable exception of waste pickers whose contribution to clean and “green” cities is increasingly recognized,⁸ the livelihoods of the urban poor tend not to be considered, much less integrated, in urban plans or policies.

In large part, this is because it is widely assumed that the informal economy operates outside the reach of government regulation. In reality, most informal workers and their livelihoods are directly affected by urban policies and planning – albeit in different ways depending on their occupation: see Box 2.

The partners in the global project Inclusive Cities for the Urban Working Poor seek to promote an approach to urban planning and policies that recognizes the positive role and contribution of the informal economy and seeks to integrate the urban informal workforce into urban planning and policies. They share a vision of “hybrid cities” in which both the informal and formal economies are legitimized and supported and a vision of “inclusive urban planning” in which the urban working poor have a seat at the policy table.⁹ They recognized that this will require a radical reappraisal of urban planning to ensure the equitable use of urban space, to minimize the segregation between the formal and informal economies, and to support the livelihoods or economic activities of poor households. They also recognize that this will require that the working poor in the informal economy are organized and have sufficient voice and bargaining power to help shape the development trajectories of the cities in which they live and work.

⁸ In Brazil, for example, the category of waste picker was officially recognized in the 2002 classification of occupations (CBO) as a specific occupational category # 5192. This indicates that these workers now have sufficient public visibility, to be separately identified as a category in the classification of occupations used in governmental statistics and also to have public policies designed towards their integration as part of a strategy of poverty reduction at the national level.

⁹In a 2009 publication entitled *Planning Sustainable Cities: Global Report on Human Settlements 2009*, UN-Habitat recommends three key steps to accommodating and supporting the urban informal economy: recognize the positive role and contribution of informal workers; review laws and policies affecting the informal workforce; and promote participatory urban planning.

Box 2: Key Urban Issues and Promising Urban Responses: Home-Based Workers, Street Vendors, and Waste Pickers

1 – Home-Based Workers

Key Urban Issues: recognition of “home as workplace” + need for basic infrastructure /services

Promising Urban Responses: by the Self-Employed Women’s Association (SEWA) – through a mix of service delivery and advocacy

- *basic infrastructure and services:* electricity, water, and sanitation
- *public transport:* accessible routes + permits for carrying goods
- *housing loans:* for house purchase + housing improvements
- *property rights and insurance:* for housing + other productive assets
- *appropriate zoning regulations:* notably, commercial activities by residents permitted with certain restrictions re noise and pollution

Note: the Self-Employed Women’s Association (SEWA), a trade union of more than 1.2 million working poor women in the informal economy in India, is a key partner in the Inclusive Cities project

2 – Street Vendors

Key Urban Issue: need for secure place to vend in central business districts, especially at transport nodes and wholesale markets + basic services at vending site

- **Promising Urban Responses:** by Durban Municipality and a new NGO called Asiye eTafuleni
 - *recognition and development of street trading in the primary commuter point on the edge of the central business district:* Warwick Junction
 - *provision of basic infrastructure for +- 3000 traders:* shelter, toilets and water, storage for trading goods;
 - *provision of more sophisticated infrastructure for an additional +/-2000 traders:* market facilities, trading kiosks with electricity and water.
 - *sector-specific support services:* e.g. backward supply linkages for traditional medicine vendors, improved cooking infrastructure for corn-on-the-cob vendors + establishing a buy back centre for cardboard collectors
 - *development of this infrastructure done in close consultation with traders;*
 - *active involvement of traders in solutions to urban management challenges of crime reduction and cleaning*

Notes:

1. The first generation of support to the street vendors of Warwick Junction was provided under an urban renewal project of Durban municipality; a second generation of support is being provided by a new NGO called Asiye eTafuleni, a WIEGO sub-grantee under the Inclusive Cities project;
2. Part of this area is currently under threat due to plans by the municipality and real estate developers to build a large mall.

Box 2 (con't): Key Urban Issues and Promising Urban Responses: Home-Based Workers, Street Vendors, and Waste Pickers

3 – Waste Pickers

Key Urban Issues: need access to waste + ability to bid and compete for municipal contracts to collect and sort waste

- **Promising Urban Response:** by Constitutional Court in Colombia – a 2009 judgment that mandates...
 - *recognition of traditional waste pickers and their associations:* as legitimate actors and stakeholders in modern waste management
 - *revision of current contracting system by city for waste management:* to allow associations of waste pickers to bid

Note: this judgment was in response to a recent “green law” in Colombia that threatened to undermine the livelihoods of waste pickers by excluding them from the bidding process for solid waste management

Source: Chen 2009¹