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URBANISATION, POVERTY AND EMPLOYMENT:
THE LARGE METROPOLIS IN THE
THIRD WORLD

by

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PREFACE

This is the first in the series of papers to be published as part of a new policy research programme initiated by the ILO, with financial support from UNFPA, on how to deal with the problems of urbanisation and growth of large cities in developing countries. Under this programme, it is planned to carry out detailed studies of eight large cities (Shanghai, Seoul and Bombay in Asia; Lagos and Nairobi in Africa; Mexico and Rio de Janeiro in Latin America, and Cairo in the Middle East). These city case studies will concentrate on recent trends in urban growth, labour absorption and employment structure, constraints on increasing employment, the nature and extent of poverty, disparities in the provision of services among various population subgroups, and the capacity of the existing institutional structure to deal with urban problems. The focus of the studies will be twofold: first, to provide an analytical description of the ways in which cities have coped with urban problems; second, as the studies will be undertaken in a comparative framework with a similar methodology, to find out why some policies have worked well in some cities and not in others and what are the conditions for their success or failure in a particular context.

The trend in urban concentration and growth of large cities pose a formidable challenge to many developing countries. Of particular concern is the fact that urbanisation has been, and is likely to continue to be, accompanied by growing urban unemployment and poverty. Several recent international meetings on urban and city growth have urged governments to take urgent steps to improve employment and living conditions in large cities. The major concern of the ILO's research programme is how to assist national and city authorities in reducing urban population growth and improving the conditions, incomes and productivity of the growing millions of urban poor through identifying policy options and alternative action programmes.

The present study was commissioned to identify major policy issues facing large cities in the Third World and to suggest priority research areas which should be the focus of the ILO's research programme. As such, the study provides an overview of urban policy problems which are of major concern to national planners and city administrators in the Third World countries. It also identifies gaps in existing knowledge and indicates priority areas for further research.

A.S. Oberai

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PART I

URBANISATION, POVERTY AND EMPLOYMENT THE LARGE METROPOLIS IN THE THIRD WORLD

I.1 INTRODUCTION

The Contemporary City in the Third World and the Policy Problematic

A year ago, in a letter to the Economist, the Director-General of the International Labour Organisation (ILO) observed: "... Today in most large third-world cities at least 25 per cent of the inhabitants are living in absolute poverty. Policy planners have tended to ignore these huddled millions of urban poor. Investment misses them, with expenditure biased towards higher income groups. Relatively little attention is paid to the water, the sanitation and the health needs of the poor, with new roads, hospitals and other infrastructure tending to by-pass the slums. The poor are often hampered by planning regulations in their efforts to build their own makeshift shelter".

More recently and more vividly, the leading Indian news magazine, India Today, described the conditions of the country's largest cities (Calcutta, Bombay, Delhi, the first two of which have current populations of just over 10 million but are expected to reach a size of nearly 15 million by the year 2000; Delhi's current population of eight million is forecast to increase to over thirteen million by the end of the century) in the following terms:

Instead of becoming "engines of development", cities are heading for a total breakdown. The endless stream of migrants pour into subhuman bastis, jhopdis and chawls¹ turning metropolises into giant slums. A third of the urban population lives in ramshackle huts with gunny sacks as doors and pavements for toilets. Another half of the populace is squeezed into one-room tenements or lives in monotonous rows of multi-storeyed flats.

Civic services are going bust. Overcrowded buses, chaotic roads, lengthening water queues, clogged drain-pipes that spew out filth and uncleared garbage piles are ominous portents of a still more apocalyptic future. And the giant melting pot of cultures that cities are, is coming to a boil. The naked display of wealth by a few in the midst of appalling misery is heightening tension. Riots break out at the slightest provocation, crime graphs spiral and to forget the anomy, youth take to drugs.

Rapid urbanisation and the attendant problems of urban squalor, poverty and un- and under-employment has emerged as a major socio-economic issue of potentially important political implications in many developing countries. By the year 2000, 50 per cent of the world's population will be living in urban areas and in less than 40 years from now at least half of the population in developing countries will be urban. By the year

¹ The reference here is to shantytowns and the extremely meagre dwellings of the inhabitants in the shantytowns. (Footnote added by the author.)

2000, the urban population in developing countries will be double that of the industrialised countries and there will be almost fifty cities in the developing countries with populations of over 4 million.²

Most population distribution policies designed to moderate the rate of rural-urban migration in the developing countries appear to have had only a marginal impact so far. But even if such policies succeed in future, large cities in the Third World are likely to grow larger because of high natural population increase in urban areas. In 1985, of the 20 largest cities in the world, ten were in the less developed regions. By the year 2000 sixteen of the 20 largest cities will be in the less developed regions.

The rapidity and scale of these changes pose a major challenge to the developing countries. Of particular concern is the fact that urbanisation has been, and is likely to continue to be, accompanied by massive growth in the numbers of the urban poor. In most large cities in the developing world, as the Director-General of the ILO above notes, at least one-fourth of the population is estimated to be living in absolute poverty. In the countries of South Asia the incidence of poverty in cities is estimated to be higher than that in rural areas. The manifestations of this poverty are low and insecure incomes from low productivity and unprotected employment; poor health and limited access to basic social services such as medical and educational facilities. Any serious effort to alleviate global poverty and improve working and employment conditions would have to face this growing problem of urban poverty, particularly in large cities in developing countries.

Yet, notwithstanding these enormous problems, it will be wrong to regard urbanisation in the third world in entirely negative terms. Urbanisation and industrialisation are the inevitable structural consequences of the process of economic development. Theoretical as well as empirical studies (to be discussed more fully in Part II of the paper) show that in general the higher the level of a country's per capita income, the greater is its degree of urbanisation and industrialisation until a very high level of per capita income is reached. Thus we find that even today in large parts of the Third World, including in many low-income countries, much the greater part of the Gross Domestic Product (GDP) originates in the urban sector. The very large cities often make a disproportionate contribution to GDP in these countries. For example in Brazil in 1970, 8 per cent of the nation's population lived in Greater Sao Paulo, but this urban agglomeration generated 36 per cent of Brazil's GDP. Mexico City accounts for 14.2 per cent of Mexico's population and 33.6 per cent of Mexico's personal income. In India, urban areas comprised less than 20 per cent of the country's population in 1970-71 but contributed nearly 40 per cent to the GDP. For China, Shanghai alone accounted for one-eighth of China's GDP in 1980 even though only a little over one per cent of the Chinese population lived in that city. In Kenya, 5.2 per cent of the population lives in Nairobi, but the city produced 20 per cent of the GDP.³

² Oberai (1987). These points are discussed further in Section I.2 below.

³ The source of the data cited in this paragraph is Kahnert (1986).

It is significant that during the world economic crisis of the 1980s, the urban economies in the developing countries are likely to have suffered relatively more than the rural areas. As a direct consequence of the world economic slowdown (leading to catastrophic falls in commodity prices, rise in interest rates, reduced demand for developing countries' products, reduced capital flows) a very large number of developing countries have become severely constrained by balance of payments. This has led a majority of countries particularly in Africa and Latin America to seek rescheduling of their debts and to accept IMF conditionality. The latter often involves measures (e.g. large devaluations, cuts in public expenditures, etc.) which often have a greater impact on poverty, employment and social services in the urban areas than in rural areas. These issues are discussed more fully in Section III below.

The gigantic problems which the Third World's large cities are faced with have thus been made much worse by the economic crisis of the 1980s. Blair (1984) sums up the central issues very well when he says the Dynamic City of developmental dreams is a Problem City in search of solutions to a range of critical and interrelated factors:

- (i) unbalanced population, spatial and economic growth;
- (ii) large-scale deprivation and unmet provision of land, housing, employment and transportation needs;
- (iii) deteriorating environments and inadequate basic services;
- (iv) shortages of public fiscal resources and qualified manpower for effective plan implementation and management;
- (v) un-coordinated national and municipal urban policies and inadequate organisational structures;
- (vi) costly imported finance and inappropriate planning ideas and technology; and
- (vii) the absence of meaningful public participation in the planning and development process.

Together these problems constitute a measure of "city poverty", the gap which remains between the reality of under-development and the goal of balanced social, economic and physical development. But how well have these problems been dealt with by city administrators, national governments, the private sector and international aid agencies? And what are the prospects for the future? These central questions constitute the essential focus of this paper whose purpose is to provide an overall review of the main policy issues in the context of the available theoretical and empirical studies on urbanisation, poverty and employment in the developing countries.

The rest of the paper is organised as follows: in Part I, Section I.2 provides basic information on urbanisation in the Third World, the growth of large cities and particularly the giant metropolis on which the paper concentrates. Section I.3 outlines the nature and extent of urban poverty in these large cities and considers the impact of the world economic crisis on the urban poor. Part II of the paper discusses the most important structural features of urbanisation in relation to economic development. This includes specifically the following analyses: (a) the relationship between long-term economic growth, industrialisation, urbanisation and employment; (b) the structural characteristics of rural-urban migration; (c) the structural differences between urbanisation in the Third World and in the advanced countries; (d) the

urban labour markets, segmentation and the informal sector; (e) rural-urban interactions and questions of rural or urban bias in developmental policies; (f) the large metropolis and the relationship between spatial inequality, economic growth and equity.

Part III turns to an examination of policy issues in relation to urbanisation and poverty in the Third World's large cities. In this context it is important to emphasise that despite the staggering problems of these cities, the situation is far from hopeless. As the recent interim report of the National Commission on Urbanisation in India rightly notes: "When one examines other crucial areas of urbanisation (from resource mobilisation and fiscal policies to shelter for the poor and public toilets in our streets) one finds that there are in almost every case viable programmes that merit our most urgent consideration. What we need to change is the lethargy that is so gradually - and fatally - taking over. Instead, we must comprehend the positive aspects of cities and the opportunities they represent. Urbanisation is a necessary concomitant of the development path we have chosen. Cities despite their problems are for millions and millions of our people the road to a better future". Part III of the paper devotes attention inter-alia to the following policy areas: employment creation; provision of social services (health, education, water) to the poor, provision of shelter; population policy issues and programmes including family planning and the role and status of women; urban transport; land use, fiscal policy questions; management of large cities; participation and institutional development; the role of planning. Finally, in this part of the paper, we also outline the most urgent issues for policy research.

I.2 Urbanisation of the Third World and Growth of Large Cities

The following features of urbanisation in the Third World deserve attention.

(a) First, the developing countries are becoming rapidly urbanised. Already in 1970, a little over a quarter of the third world's population lived in urban areas (table 1). Fifteen years later, this proportion had increased to nearly a third. According to the latest UN projections, by the year 2000, urban dwellers will constitute almost 40 per cent of the inhabitants of the developing countries, and by 2025 nearly 60 per cent of the Third World's population will be urban.⁴

⁴ Countries use a wide variety of criteria for defining "urban" population. UN (1987) notes: "The most common criterion for urban population is a minimum number of people but the figure differs from country to country, reflecting a variety of social and geographical conditions. For example, an urban population is defined as at least 200 persons in Denmark, Greenland, Iceland, Norway and Sweden, but as 20,000 in Mauritius and Nigeria, and as 30,000 in Japan, most countries choose a minimum between 2,000 and 5,000 persons. Other criteria that are used to define an urban area are the number of dwelling units in a locality and characteristics of settlement, such as population density, economic activity, and living facilities. There are also several ways to define 'urban agglomeration'. For example, it may be defined in terms of the administrative boundaries of cities or by areas of high population density". The UN data cited in the tables in this section is based on national definitions of urban and rural populations. UN (1987) states: "The practice was adopted, after lengthy study and discussion, on the grounds that the national statistical authorities were in the best position to distinguish the two populations in their own countries".

Table 1: Percentage of Population Living in Urban Areas: 1970-2025

	World	More Developed Regions	Less Developed Regions
1970	37.1	66.6	25.4
1980	39.6	70.2	29.2
1985	41.0	71.5	31.2
2000	46.6	74.4	39.3
2015	54.6	76.7	49.7
2025	60.1	77.8	56.5

Adapted from UN (1987)

(b) To put these spatial redistributions of populations in developing countries in historical perspective, it may be recalled that urbanisation is a very recent phenomenon in human history. In 1800 no more than 3 per cent of the world's population lived in cities. As late as 1900 only Great Britain had a majority of its population living in urban areas. Both the spread of urbanisation and the absolute growth of urban population in developing countries has been much faster than that experienced by the developed countries during their period of rapid industrialisation. Bairoch (1983) estimated that between 1950 and 2025, the Third World's urban population will have increased almost 16 fold, from less than 200 million to 3150 million people. This may be contrasted with the experience of industrialised countries whose urban population increased only about 5 fold between 1840 and 1914 during the period of its most rapid growth. In this context World Bank (1979) rightly observes: "Whereas urbanisation in the industrialised countries took many decades, permitting a gradual emergence of economic, social and political institutions to deal with the problems of transformation, the process in developing countries is occurring far more rapidly, against a background of higher population growth, lower incomes, and fewer opportunities for international migration."

(c) There are notable differences in the levels of urbanisation within the Third World. In the developing countries of Asia and Africa, about 30 per cent of the inhabitants live in urban areas. Latin America on the other hand is nearly 70 per cent urban, reflecting that region's stage of development and peculiarities of its urban structure and history. The Latin American countries had reached the current Asian and African levels of urbanisation as early as 1930. By then 30 per cent of Latin America's 100 million inhabitants lived in towns. Fifty years later, the incidence of urbanisation had increased to two-thirds out of a total population of 400 million. By the year 2000, the level of urbanisation in Latin American countries is expected to be similar to that of the advanced industrial nations.

(d) Table 2 provides data on the rates of growth of urban population in different regions. The table shows that although the rate of increase of urban population in the developing countries is expected to slow down somewhat over the next forty years from its current very high levels; the population of Third World cities will still be growing at nearly 3 per cent p.a. even by the year 2025. Urban population growth will be

Table 2: Average Annual Percentage Rates of Urban Population Growth by Major Regions 1970-2025

Major Area	1970-1980	1980-2000	2000-2025
World total	2.5	2.4	2.2
Less developed	3.6	3.4	2.8
More developed	1.4	0.9	0.5
Africa	4.6	4.8	3.9
Latin America	3.7	2.9	1.8
East Asia	2.2	1.9	2.2
South Asia	4.1	3.8	2.9

Source: Derived from table 4, UN (1987)

particularly fast in African countries as these countries have a much lower initial level of urbanisation and are also subject to a very high natural rate of population growth.

(e) It is important to emphasise that contrary to popular impression, much the more important source of growth of urban population in the developing countries today is the natural increase of population already living in the cities rather than the migration of people from the rural areas. As Oberai (1987) has argued, at an early stage of development, when levels of urbanisation are low and rates of both urban and rural natural increase are moderately high, net migration generally contributes more to urban population growth than natural increase. At an intermediate stage of urbanisation, natural increase predominates. At a late stage, with high levels of urbanisation and low rates of natural increase, the relationship is more likely to be reversed again in favour of net migration.

A large number of developing countries are currently in the intermediate stage. A recent study (UN 1985) shows that between 1960 and 1970, in 26 large cities in 20 developing countries, 37 per cent of population growth was due to migration and 63 per cent to natural increase. A main reason for this is likely to be the high urban birth rates in developing countries. An earlier UN study based on 1960 data showed that in the Third World countries urban birth rates were only 15 per cent below those of rural areas. Both urban and rural birth rates in developing countries were of course far higher than the corresponding rates in the industrial countries. However, subsequent demographic data indicate a fall in urban birth rates in developing countries (World Bank, 1979a). Clearly policies to reduce fertility will have important consequences for the spatial redistribution of populations in the Third World.

(f) An outstanding feature of urbanisation in the Third World countries is the increasing concentration of urban population in the large and particularly the small number of metropolitan cities. Recent data from the UN Population Division indicates that between 1960 and 1980⁵, the proportion of developing countries' urban population living in very large

⁵ Quoted in Sachs (1986).

cities (with population of more than 4 million) rose from 12.5 per cent to 17.3 per cent; it is expected to increase further to 23.6 per cent by the year 2000. In contrast, the proportion of urban population residing in very large cities in the developed countries has either been stationery or falling. By 2025, almost 30 per cent of the urban population in the developing regions will be living in cities of over 4 million, more than double the figure for the more developed regions. In Africa, only a small proportion of the population currently lives in large cities, but by the year 2025 it could have the highest percentage of all continents.

The world's largest cities today are found in the Third World and this is expected to be even more so in the future. As table 3 shows, in 1985, 12 cities in the world had more than 10 million inhabitants. Of these,

Table 3: Largest Urban Agglomerations with Populations Exceeding 10 million in 1985. Expected size in 2000 and Rates of Growth 1970-85 and 1985-2000

	Population (millions)		Average rate of growth (percentage p.a.)	
	1985	2000	1970-85	1985-2000
Tokyo/Yokohama, Japan	18.82	20.22	1.55	0.48
Mexico City, Mexico	17.30	25.28	4.27	2.67
Sao Paulo, Brazil	15.88	23.97	4.39	2.75
New York, USA	15.64	15.78	-0.27	0.06
Shanghai, China	11.96	14.30	0.31	1.19
Calcutta, India	10.95	16.53	2.88	2.75
Buenos Aires, Argentina	10.88	13.18	1.61	1.28
Rio de Janeiro, Brazil	10.37	13.26	2.46	1.64
London, UK	10.36	10.51	-0.14	0.09
Seoul, Republic of Korea	10.28	13.77	4.27	1.95
Greater Bombay, India	10.07	16.00	3.47	3.09
Los Angeles, USA	10.05	10.99	1.17	0.60

Source: Derived from table 6, UN (1987)

eight were in the less developed countries. UN (1987) estimates that by the year 2010 there will be 23 such cities of which 17 will be in the developing and 6 in the developed countries. Mexico City and Sao Paolo are expected to have populations in the region of 25 million by the end of the century.

I.3 Urban Poverty in Developing Countries and the Impact of World Economic Crisis

I.3.a Urban Poverty and Deprivation in the Third World

Using a stringent definition of poverty, the World Bank estimated in the early 1970s that there were approximately 900 million people who were absolutely poor. Of these, 700 million lived in rural areas (mainly in South Asia) and 200 million in cities and towns. As the then President of the World Bank, Robert S. McNamara, noted: "These (the absolute poor)

individuals ... are caught up in a malaise of malnutrition, illiteracy, disease, underemployment, high child mortality, and low life expectancy that in effect condemns them to an existence beneath any rational definition of decency".⁶ For Latin America, the most urbanised of the developing continents, a 1983 study by the Centro Latinoamericano de Demographic (Celado) showed that 40 per cent of the population of the metropolitan cities fell below the UN established poverty line; this proportion was expected to rise to two-thirds by the end of the century.⁷

The National Commission on Urbanisation in India regards the proliferation of slums and squatter settlements in the urban areas as the most visible manifestation of urban poverty and decay. It notes that between 1961 and 1981, the Indian population increased by 50 per cent, the urban population doubled, but in Bombay, the squatter population recorded a ten fold increase from 400,000 to 4 million. The Commission estimates the squatter population of urban India to be currently about 30 million which is expected to increase to 80 million over the next 15 years. The Commission's Interim Report observes: "The presence of these squalid settlements is probably the single most vivid symbol of our failure to deal with the urban issues we face".⁸ For the three largest Indian cities, the squatter families are expected by 1990 to comprise 44 per cent of the population of Calcutta, 42 per cent of that of Bombay and nearly a third of the population of Delhi.⁹

The less visible manifestations of deprivation are brought out by the following data. In Calcutta, 37 per cent of the households have no access to power, 66.9 per cent to tap water, and 50 per cent to private toilets. In Bombay, the corresponding percentages are 22.4, 41.7 and 26.6 respectively. The percentages of Delhi households without access to these three basic facilities are 24.9, 48.6 and 31.8 respectively.¹⁰ The lack of such amenities leads to a number of diseases including cholera, gastroenteritis and infective hepatitis. The National Commission on urbanisation admits: "These maladies have been taking avoidable toll of human life, productivity and workhours". Table 4 reports the Commission's data on deaths due to water-borne diseases in Calcutta and Madras in 1985.

Table 4: Incidence of Water-borne Diseases in Cities of National Importance
No. of Attacks (No. of Deaths) in 1985

Diseases	Calcutta	Madras
Gastro Enteritis	4,172 (404)	1,936 (20)
Infective Hepatitis	N.A. (27)	821 (42)
Cholera	115 (N.A.)	1,868 (NIL)

Source: Indian National Commission on Urbanisation 1987.

⁶ McNamara (1976), p. 5.

⁷ Quoted in Sachs (1986).

⁸ National Commission on Urbanisation (1987), p. 15.

⁹ India Today, 31 January 1988.

¹⁰ Ibid.

Squalid living conditions are by no means confined to large cities in very poor countries like India. For the relatively much richer Brazil (with a per capita income nearly 4 times as large as that of India), the new National Development Plan observes that "even after forty-five years of progress and accelerated development, nearly fifty million Brazilians suffer extreme hardship due to hunger, malnutrition, the lack of decent housing and health conditions which are inferior to the norm".¹¹ The "social deficit" of Sao Paulo, the richest city in the country with a per capita income twice the national average, has recently been reported as follows: 49 per cent of the housing without sewage and 5 per cent without running water; 43.3 per cent of the roads unpaved, 19.9 per cent unlit. In Sao Paulo, two and a half million people live in slums. In Rio, slums comprised 32 per cent of the population in 1980.¹²

I.3.b The World Economic Crisis and Urban Poverty in the Developing Countries

There is a complex chain of causation linking the world economic crisis with urban and rural poverty in developing countries. However, for the purposes of this paper, the main points which have emerged from the theoretical and empirical research carried out so far on the subject¹³ may be summarised as follows:

(1) The slow-down in OECD economic growth which began in 1979 with the second oil price shock and the adoption of highly restrictive monetary and fiscal policies by the US (the so-called "Volcker shock"), the UK and other advanced countries has had a devastating effect on economic development in the Third World and greatly increased poverty. The most important channels through which the world economic crisis has affected economic growth in the developing countries are the following: (a) a reduction in the demand for Third World products, particularly commodity and mineral exports; (b) as a consequence of (a), a fall in commodity prices and hence adverse movements in the terms of trade; (c) an increase in the real burden of interest and debt service payments partly due to (a) and (b) and partly due to an enormous increase in interest rates; (d) a reduction in the quantum of aid and other capital flows. Research shows that these four factors have been almost wholly responsible for the balance of payments crisis in a very large number of developing countries in the 1980s.¹⁴

(2) The balance of payment constraint has resulted in turn in sharply reduced economic growth in developing countries, particularly in Africa and Latin America where this constraint has been particularly severe. Table 5 shows that in the developing market economy countries, GDP per capita, which had been growing at 2.7 per cent p.a. during 1976-80, fell in the following 5 years at a rate of more than 1 per cent p.a. The annual rate of decline during 1981-85 in Africa has been more than 3 per cent p.a. and in Latin America nearly 2 per cent p.a. In West Asia, GDP per capita fell at a rate of more than 4 per cent p.a. Only the market economy developing countries in South and East Asia (including India) continued to register an increase in their per capita GDP in the 1980s albeit at a somewhat slower rate than in the period 1976 to 1980.

11 Quoted in Celine Sachs (1986).

12 See Celine Sachs (1986).

13 See for example UNICEF (1987); ILO (1987); Singh (1987) and the references to the literature contained therein.

14 For a fuller discussion of these issues, see Singh (1984); Singh (1986b).

Table 5: Developing Market Economies GDP per capita Growth Rates 1976-1986 (1975 base prices)
(per cent, annual changes)

	1976- 1980	1981- 1985	1981	1982	1983	1984	1985 ^a	1986 ^b
All developing market economies	2.7	-1.1	-1.5	-1.7	-1.7	-0.5	-0.1	-0.3
Africa	2.4	-3.1	-5.1	-3.5	-2.5	-2.8	-1.5	-2.5
Latin America	2.9	-1.8	-1.2	-3.8	-4.9	0.8	0.1	-0.5
West Asia	-0.2	-4.4	-9.2	-0.2	-4.7	-4.1	-3.7	-2.9
South and East Asia	4.0	2.8	4.0	1.0	4.1	3.6	1.6	1.7

^a Preliminary.

^b Forecasts.

Source: UN-DIESA Autumn 1986, as quoted in UNICEF (1987).

Table 6 gives the number and populations of developing market economy countries (excluding India) in different regions in which there has been either no increase or a decline in GDP per capita in the 1980s. These data show that of the 82 countries included in the UN sample, GDP per capita has been falling or stagnating in about 60 per cent of the countries since 1982. In 1985, 718 million people or 42 per cent of the population of the developing market economies (excluding India) were affected by negative or zero growth rates of per capita GDP. In Africa, 84 per cent of the population experienced either no increase or a fall in per capita GDP in that year.

Table 7 provides information on cumulative growth rates of per capita GDP during the 1980s in the same sample of 82 developing countries as Table 6. The table shows that in 15 of the 82 countries, per capita GDP has fallen by more than a fifth between 1980 and 1985; in half of the Latin American and African countries in the sample, it has fallen by more than 10 per cent. It will be appreciated that because of the adverse movements in the terms of trade against the developing countries during this period, the decline in national income or consumption per capita would be even greater than in per capita GDP.

(3) Although economic growth is neither a necessary, nor a sufficient condition for reducing poverty, empirical studies indicate on the whole a negative relationship between the two variables.¹⁵ Moreover, the balance of payments crisis not only reduces economic growth, it also adversely affects poverty through other important channels. First, the balance of payment constraint and lower economic growth together are likely to lead to inflation which often has very unfavourable effects on disadvantaged groups in the society. Secondly and equally importantly, all countries, developing as well as developed, respond to economic crisis

Table 6: Number and Population (1985) of Developing Market Economies (excluding India) with Growth Rates of Real GDP at or below the Rate of Growth of Populations^a 1979-85

	Number of countries	Population of the sample in 1985 (millions)	Number of affected countries							Number of people affected in 1985 (millions)	
			1979	1980	1981	1982	1983	1984	1985		
All developing market economies ^a	82	1,706	25	32	38	55	51	45	49	718	
Africa	32	497	14	15	21	25	21	25	21	417	
Latin America	23	399	6	8	12	21	19	11	18	163	
West Asia	14	174	4	5	5	7	8	8	7	75	
South and East Asia ^a	13	636	2	4	0	2	3	1	3	64	

^a Excluding India

Source: UN-DIESA (1986), as quoted in UNICEF (1987)

Table 7: Cumulative GDP per capita Growth Rates, 1980-85, in a Sample of 82 Developing Countries

Cumulative growth rates	Latin America	West Asia	South and East Asia	Africa	Total	Per Cent
-20%>	4	5	0	6	15	18
Between -20% and -10%	7	0	1	10	18	22
Between -10% and - 0%	7	1	1	7	16	20
Between 0% and 5%	4	3	1	3	11	13
>5%	1	5	10	6	22	27
Number of observations	23	14	13	32	82	100

Source: UN-DIESA (1985) and Autumn 1986; quoted in UNICEF (1987).

by instituting changes in monetary, fiscal, exchange rate or commercial policies. These adjustment measures inevitably have important implications for income distribution and poverty. More specifically, during the last six years, most countries in Latin America and Africa, as well as many in Asia and elsewhere in the Third World have had to accept IMF approved adjustment programmes. The economic policy measures (large scale devaluations, reductions in public expenditure, etc.) which invariably constitute these programmes are highly controversial. There is a large body of opinion, not only in the Third World, which decries the adverse disributional implications of these policies, particularly for the poor.

(4) Empirical research shows that more often than not the urban areas have been the most immediately affected by the economic crisis. The main reason for this is that in many countries the balance of payments constraint has forced a curtailment of the imports of industrial raw materials, spare parts, etc. which in turn leads to low levels of industrial production and capacity utilisation. Although this "import strangulation" has adverse effects on both agricultural and industrial production, to the extent that the latter requires more inputs from abroad, it has usually been affected more directly and more swiftly. Thus in Mexico in the oil boom years 1976-81, manufacturing production had been increasing at a rate of over 6 per cent a year. Towards the end of this period, nearly a million new jobs in manufacturing and other sectors were being created annually, mainly in the urban areas. However, with the onset of the balance of payments crisis in 1982, industrial production declined by 4 per cent in that year and by 8 per cent in 1983. In a country where labour force is increasing at a rate of 3 per cent p.a., instead of new jobs being created there were large scale lay offs and redundancies. Real wages fell by 25 per cent in 1983 and in 1987 real wages are estimated to be half of what they were in 1981.¹⁶ Similarly in a poor country like Tanzania, the fledgling manufacturing sector has been devastated by the balance of payment crisis of the 1980s. Industrial capacity utilisation in that country in recent years has been of the order

of 20 per cent.¹⁷ In the far more industrially advanced Brazil, industrial production fell by 17 per cent between 1980 and 1983. In April 1985, in Sao Paulo alone, there were 993,000 unemployed people.¹⁸

(5) The ILO (1987) has systematically collected together information on employment and real wages in Latin American countries during the 1980s. Table 8 reproduces their data on open urban unemployment rates. Relative to the late 1970s, the table shows an appreciable increase in urban unemployment in the 1980s in most Latin American countries. ILO (1987) also reports that the characteristics of unemployed have also changed. The open unemployed are less likely to be secondary workers, that is young people and women who were not heads of household, than in the past; partial data indicate that open unemployment is increasingly affecting heads of household. The unemployed have increased proportionately more than have new entrants to the labour market and joblessness has fallen more heavily on the most active age group (24-44 years), on the less educated and on manual workers hitherto in goods producing sectors.

Table 8: Latin America: Open Urban Unemployment Rates, 1978-84

Country	1978	1979	1980	1981	1982	1983	1984
Argentina	2.8	2.0	2.3	4.5	4.7	4.0	3.8
Bolivia	4.5	7.6	7.5	9.7	9.4	12.1	12.6
Brazil	6.8	6.4	6.2	7.9	6.3	6.7	7.1
Colombia	9.0	8.9	9.7	8.2	9.3	11.8	13.4
Costa Rica	5.8	5.3	6.0	9.1	9.9	8.5	6.6
Chile	13.3	13.4	11.7	9.0	20.0	19.0	18.5
Mexico	6.9	5.7	4.5	4.2	4.1	6.9	6.7
Panama	9.6	11.6	9.8	11.8	10.4	11.2	11.1
Paraguay	4.1	5.9	4.1	2.2	5.6	8.4	7.4
Peru	8.0	6.5	7.1	6.8	7.0	9.2	10.0
Uruguay	10.1	8.3	7.4	6.7	11.9	15.5	14.0
Venezuela	5.1	5.8	6.6	6.8	7.8	10.5	14.0
Latin America	7.2	7.2	6.9	7.2	8.9	10.3	10.4

Source: ILO (1987), adapted.

Table 9 provides information on real wages in Latin American countries. The table shows generally falling real wages in most countries in the 1980s. As a consequence of rising unemployment and underemployment and falling real wages, poverty can be expected to increase. There is very little data on poverty levels in the 1980s but whatever information is available confirms this hypothesis. The number of families below the poverty line increased from 12 to 16 per cent between 1981 and 1982 in Chile and from 17 to 29 per cent in Costa Rica; they rose from 2 to 3 per cent in Caracas between 1979 and 1982 (ILO, 1987). For Brazil, Hoffman (1984) has used survey data since the Census of 1980 to estimate the

¹⁷ Singh (1986a).

¹⁸ Celine Sachs (1986).

effects of the economic crisis on poverty levels. Taking the minimum wage as the poverty line, Hoffman's evidence shows that the percentage of individuals below the poverty line in Brazil's urban areas increased from 31 per cent in 1980 to 36.6 per cent in 1982.

(6) Recently UNICEF (1987) has carried out a comprehensive study of the effects of the world economic crisis on the lives of the underprivileged in a sample of ten developing countries: Brazil, Botswana, Chile, Ghana, Jamaica, Peru, Philippines, South Korea, Sri Lanka and Zimbabwe. Six of these ten countries recorded a decline in GDP per capita during the period studied (from the late 1970s to the early 1980s). The results of this study generally support the conclusions reported above, i.e. in countries where GDP per capita fell, unemployment rose, real wages fell and poverty increased.

Equally interestingly, in addition to these ten countries, the UNICEF researchers were also able to carry out a wider investigation of the changes in government expenditure on health and education in the developing countries during the 1980s. Their results are reported in tables 10 and 11. Table 10 shows that between 1980 and 1984, expenditure per capita on health fell in over 60 per cent of the countries in Latin America. In Africa, between 1979 and 1983, it fell in 7 out of 15 countries, and in 4 out of 12 countries in South and East Asia. The government expenditure on education per capita fell in a third of the countries for which there is data in Africa and in nearly two-thirds of the countries in Latin America.

Table 11 provides a list of countries which experienced the largest reductions in their health and education expenditure between 1979 and 1983. Significantly, the last column of table 12 shows that 19 out of 22 of these countries had a negative rate of growth of GDP per capita in the 1980s. In general, the UNICEF researchers found that "on average countries which cut expenditure on health and education were those experiencing worse economic conditions (as measured by decline in GDP per capita) than those which increased social sector expenditures ..." (p.96). However, they also noted that there was room for choice in this matter since some countries were able to increase their expenditure on health and education while experiencing a contraction in their GDP per capita.

Table 9: Real Wages in Latin American Countries (1970 = 100)

Country	Minimum wages				Industrial wages				Construction wages						
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Argentina	55.0	53.6	56.8	84.1	91.8	93.1	83.1	74.4	96.2	116.2	66.5	58.7	52.9	80.3	94.5
Brazil	101.7	100.6	101.1	89.3	82.7	155.5	165.6	177.9	160.0	161.1	113.7	115.4	120.0	101.1	97.7
Colombia	127.3	124.7	130.7	139.1	143.7	97.6	98.0	101.8	105.5	114.9	121.9	125.7	128.2	130.2	133.8
Costa Rica	153.5	138.9	131.9	152.7	160.7	131.8	119.0	98.2	122.7	119.3	133.7	117.8	93.5	96.6	118.0
Chile	76.0	75.3	73.9	59.5	50.8	103.8	115.9	112.5	99.9	99.2	109.7	115.9	110.0	82.3	71.1
Ecuador	203.7	175.0	154.2	129.2	150.4	167.9	160.9	142.9	116.5	-	123.0	128.9	130.5	125.4	-
El Salvador ¹	188.0	110.4	99.0	87.5	87.7	95.3	87.6	79.8	-	-	-	-	-	-	-
Guatemala	85.1	91.5	91.5	87.2	-	68.6	76.4	78.8	81.8	-	111.6	136.4	135.9	126.5	-
Honduras	78.3	74.7	80.7	73.5	70.0	103.7	112.5	122.1	123.5	-	97.6	110.4	119.0	117.8	-
Mexico	110.0	110.7	99.9	80.4	80.8	115.4	119.0	117.3	87.6	83.2	118.5	111.1	102.2	78.9	73.6
Nicaragua	75.1	67.8	55.8	42.9	48.1	60.0	60.8	53.1	41.1	-	53.5	54.2	53.4	41.3	-
Panama	74.1	69.0	66.3	79.3	77.9	-	-	-	-	-	-	-	-	-	-
Paraguay	66.2	69.0	68.7	67.3	67.1	88.0	93.7	90.9	83.8	-	71.8	75.9	72.5	64.2	-
Peru	83.2	70.8	65.2	62.9	50.8	97.8	86.1	86.9	68.5	-	87.4	86.4	93.6	78.6	-
Uruguay	80.7	82.7	83.4	72.1	74.0	47.8	51.4	50.8	39.3	38.3	65.3	65.0	56.1	46.2	40.0
Venezuela	106.9	92.0	84.0	79.0	77.1	122.0	118.4	122.0	118.2	110.1	119.0	110.1	108.1	109.2	-

¹ Preliminary.

Source: PREALC, on the basis of country information, ILO (1987).

Table 10: Changes in per capita GDP and Government Expenditure in Sample of Developing Countries, 1980-85 and 1979-83 (per cent)

	Africa	Latin America	Middle East	Asia
<u>GDP per capita, 1980-85 (80-84)</u>				
Declining	13(39)	18(33)	4(5)	2(7)
Increasing	5(9)	5(7)	2(5)	8(24)
Proportion declining in per cent	72(81)	78(83)	67(50)	20(23)
<u>Government expenditure (total), per capita 1979-83</u>				
Declining	9	6	4	2
Increasing	6	10	2	9
Proportion declining in per cent	60	38	67	18
<u>Government expenditure (consumption), per capita 1980-84</u>				
Declining	18	16	4	3
Increasing	15	7	6	9
Proportion declining in per cent	55	70	40	25
<u>Share in total government expenditures of health and education, 1979-83</u>				
Declining	7	11	2	4
Increasing	8	4	5	8
Proportion declining in per cent	47	73	29	33
<u>Expenditure per capita on health, 1979-83</u>				
Declining	7	14*[8]	3	4
Increasing	8	9*[8]	4	8
Proportion declining in per cent	47	61[50]	43	33
<u>Expenditure per capita on education, 1979-83</u>				
Declining	5	10	2	2
Increasing	10	7	5	10
Proportion declining in per cent	33	59	29	17

Sources: IMF, Government Finance Statistics; WHO (1986); UN-DIESA; UNICEF (1987).

* WHO data 1980-1984.

[] IMF data 1979-1983.

() Data for 1980-84.

Reproduced from UNICEF (1987).

Table 11: Countries with the most severe cuts in per capita GDP and Health and Education Expenditure,^b 1980-83 (per cent, annual changes)

	Health 1979-1983	Education 1979-1983	GDP 1980-1985
<u>Africa</u>			
Ghana	-15.8 ^a	- 9.5 ^a	- 4.4
Malawi	- 9.8 ^a	+ 7.0 ^a	- 1.0
Sudan	- 9.5	-16.8 ^a	- 2.6
Togo	- 7.5	+ 3.3	- 3.7
Liberia	- 6.9	- 0.6	- 7.1
Mauritius	- 6.6	- 7.7	
Tunisia	- 6.4 ^a	-16.6 ^a	+ 1.4
<u>Latin America</u>			
	1980-1984 (cum.)	1979-1983 p.a.	1980-1984 (cum.)
Bolivia	-77.7(to '82)	-14.1	-27.5
Guatemala	-58.3	n.a.	-14.8
Dominican Republic	-46.5	- 4.1	+ 1.8
Surinam	-44.2(to '83)	n.a.	n.a.
El Salvador	-32.4	- 8.1	-25.6
Chile	-23.8	+ 0.7 ^a	- 6.7
Barbados	-21.3	n.a.	- 5.0
Jamaica	-18.5	-24.1(cum. 1980-85)	- 5.6
Costa Rica	-16.5	-16.5 ^a	-12.3
Honduras	-15.2	n.a.	-11.5
Argentina	-13.9	- 8.9 ^a	-13.9
Uruguay	-13.4	- 6.1	-12.0
<u>S. and E. Asia</u>			
Sri Lanka	-12.9 ^a	+ 1.6 ^a	+ 2.5
Philippines	- 1.3 ^a	+ 0.8 ^a	- 2.7
<u>Middle East</u>			
Israel	- 3.9 ^a	- 0.4 ^a	- 0.1
Jordan	- 3.1 ^a	+ 2.3 ^a	+ 1.3

a

1979-82.

b

The list extends only to countries for which data is available. Full data is only available for fifteen countries in Africa (out of a possible 38).

Source: Reproduced from UNICEF (1987).

PART II

URBANISATION AND ECONOMIC DEVELOPMENT: STRUCTURAL CHARACTERISTICS

II.1. Long-Term Economic Growth, Industrial Development, Employment and Urbanisation

Long-term economic development has always been accompanied by far reaching changes in the structures of production, employment, demand, foreign trade and other variables. On the basis of the historical experience of today's developed countries, Kuznets (1971) in his classical study derived the following generalisations.

- (a) Long-term economic development is associated with a rise in the share of manufacturing in national output and a decline in that of agriculture.
- (b) The proportion of labour force employment in agriculture declines while that in manufacturing steadily increases until the country reaches a very high level of per capita income.
- (c) Both (a) and (b) are accompanied by an expanding market for industrial goods.

Kuznets' hypotheses have found confirmation in more recent research. This research suggests that manufacturing industry plays a leading role in economic development in the specific sense that a 1 per cent increase in GDP is normally associated with a more than 1 per cent increase in value added in manufacturing.¹⁹ Further there is evidence that the growth elasticity of manufacturing is greater the lower a country's per capita income. Table 12 reports the results of a recent comprehensive UNIDO (1979) study based on data from nearly 100 developing and developed countries over the period 1960-75. The table gives pooled cross-section and time-series estimates of the growth elasticity of manufacturing for various groups of countries, distinguished by their size and certain other characteristics. These estimates suggest that at the average levels of per capita incomes in the Third World countries, the value of this elasticity is about 1.5.

Turning from statistical relationships to economic analysis, there is a systematic body of economic thought which not only explains why manufacturing industry should expand at a faster rate than the economy as a whole during the course of economic development, but would also assign strategic causal significance to manufacturing in raising the overall rate of growth of productivity in the economy. Very briefly,²⁰ first, at the simplest level, as the income elasticity of demand for manufacturing is considerably greater than that for food and for agricultural products, manufacturing can be expected to grow relatively faster. Secondly, following the classic work of Allyn Young (1928) (and of course before that of Adam Smith and other classical economists), the economists with a

¹⁹ See, for example, Chenery (1960), Kaldor (1967), Kuznets (1971). For a fuller discussion, see Singh (1979) on which this section is based.

²⁰ See further Singh (1979).

Table 12: Estimates^a of the elasticities of manufacturing value added with respect to GDP for six country groups (based on pooled cross-section and time-series for 1960-75)

Country ^b sample	Manufacturing elasticity			Per capita GDP		
	Maximum	Minimum	Mean	Minimum	Maximum	Mean
I _h	1.59	0.99	1.23	467	5,349	1,990
L ₁	2.13	1.47	1.81	58	670	192
S ₁	1.85	1.31	1.59	42	1,326	221
S _{2P}	1.42	1.02	1.16	102	3,460	952
S _{2I}	1.66	1.14	1.35	159	4,517	1,142
CP	1.62	1.08	1.30	227	2,099	841

a The estimates are based on the following regression equation:

$$\ln v_{it} = \alpha_i + \beta_1 \ln Y_{it} + \beta_2 (\ln Y_{it})^2 + U_{it}$$

where v is per capita manufacturing value added

y is per capita GDP

I is country subscript

t refers to the year

U represents the disturbance term.

- b
- I_h: large high income countries
 - L₁: large low income
 - S₁: small low income
 - S_{2P}: small with primary orientation
 - S_{2I}: small with industrial orientation
 - CP: centrally planned economies.

Source: UNIDO (1979).

structural approach to economic development argue that manufacturing is subject to increasing returns, both in the static and more importantly, in the dynamic sense of Kaldor. Because of these favourable demand elasticities and the dynamic economies of scale, manufacturing industry not only grows more quickly than other sectors, but its growth is normally associated with increased employment. In agriculture, on the other hand, where there is usually considerable disguised unemployment, expansion of productivity and output is normally connected with a reduction in the labour force employed. The expansion of manufacturing industry thus helps to raise the rate of growth of productivity in agriculture in two ways: (a) by absorbing redundant labour, and (b) by providing modern industrial inputs, which incidentally raise both land and labour productivity. Thirdly, it is argued that the expansion of manufacturing industry also increases the pace of technical change and helps raise productivity growth in sectors other than agriculture.

The first two sections of Chart I summarise the observed relationships between per capita income and the shares of manufacturing, agriculture and services in output and employment. The third part of Chart I depicts the corresponding relationship between per capita income and urbanisation. The curves are based on the historical experience of countries with medium sized populations and they of course describe the average relationships between the variables. They do not necessarily represent forecasts for the future since the observed relationships may be modified to greater or smaller degrees by the intervention of new variables, particularly the much faster growth of population experienced by today's developing countries. It is interesting to observe from the top two sections of Chart I that whilst manufacturing and agriculture reach equal shares of output at quite a low level of per capita income (around \$ 700), equality of employment shares is not achieved till a much higher level of per capita income. The reasons why the transformation of the structure of employment lags behind that of production are twofold: (a) the higher levels of productivity in industry relative to agriculture and (b) more recently the very fast rate of growth of labour force which exceeds the industry's capacity to absorb the additional labour.

The relationship between per capita income and urbanisation is linked to the rise of manufacturing industry during the process of economic development. Manufacturing and many service industries benefit from economies of agglomeration found in urban areas (see next section). Equally importantly as Professor Sir Arthur Lewis (1978) notes, the natural population increase in rural areas has to find employment in towns. For otherwise, in those parts of the world where agricultural land cannot be increased except at an enormous cost, the family farm will tend to become progressively smaller. Lewis observes that in Germany at the end of the 19th century, the population was increasing at a rate of 1.2 per cent per annum. About half of the population at the time lived in urban areas. The urban population grew at about 2.5 per cent per annum thus absorbing the whole of the natural increase in population both from rural and urban areas. Similarly in Latin America in recent decades, the rate of natural increase of population has been 3 per cent per annum. With an urbanisation rate of about 50 per cent, urban population has been rising at a rate of 6 per cent per annum to absorb the entire natural increase of population. Thus the Latin American rural population remains constant while all the natural increase finds living in urban areas. This

Chart I

Aspects of Structural Transformation

Transformation of Production

(Percentage shares of GDP, at 1977 prices)

Transformation of Labor

(Percentage shares of labor force)

Urbanization

(Percentage shares of population)

Source: Based on Hollis Chenery and Moises Syrquin, *Patterns of Development, 1950-1970* (Oxford: Oxford University Press for the World Bank, 1975). The curves shown apply to countries of medium size population.

however does not happen in Asia because although the rate of growth of population is lower than in Latin America (say about 2.5 per cent), so is the rate of urbanisation (in the region of 25 per cent). Thus if the Asian towns are to absorb the whole of the natural population increase, their population will have to grow at a rate of 10 per cent per annum. Lewis regards this as impossible. He points out that in a complex industrial system whose interdependent parts must grow in some sort of balance if profitability is to be retained, employment in manufacturing and mining cannot grow faster than at about 4 per cent per annum.

Lewis also makes the simple but from both the policy and analytical points of view an extremely important point concerning the costs of urbanisation. These costs, particularly the infrastructural expenditures, are enormous. He regards the urbanisation needs as the decisive factor in the flows of capital from Europe to the new world in the 19th century. He notes: "Those whose urban populations were growing by less than 3 per cent per annum (France 1.0, England 1.8 and Germany 2.5) loaned and those whose urban populations were growing by more than 3 per cent per annum (Australia 3.5, United States 3.7, Canada 3.9, Argentine 5.3) borrowed".

However, despite the similarities in the broad nature of structural transformation during economic development, the following factors distinguish the urbanisation process in the developing countries from that experienced in the past by today's developed countries.

- (1) Rapid population growth, as noted above.
- (2) Reduced agricultural holdings in many parts of the third world, particularly in Asia. Compared with the developed countries during their period of rapid urbanisation, the land-man ratios in the Third World nations today are much lower. Low productivity in agriculture and the growth of landless labour are factors which are likely to promote migratory pressure on the urban areas.
- (3) Much cheaper transportation and availability of means of mass communication. Television, radio and other mass media provide information about urban life and opportunities and thereby encourage migration. At the same time the relatively much higher level of development of modern means of communication in many developing countries today compared with 19th century Europe also reduces the costs of migration.
- (4) Much reduced scope for international migration. In the second half of the 19th century, about 50 million people left Europe for North and South America, Australia, New Zealand and South Africa. During this period an almost equal number of Chinese and Indians went to work, mainly as indentured labour, on plantations in the tropical countries (Lewis, 1978). Despite the large scale migration of workers to the Middle Eastern countries in the wake of the oil boom during the last 15 years, the relative size of such international migration is much smaller than in the 19th century. Migration today overwhelmingly takes place within the fixed territorial boundaries of nation states. Surplus rural populations in Third World countries have very little possibility of migrating abroad, let alone to non-urban occupations in foreign lands.²¹

II.2 Economies of agglomeration and the "optimal city size"

The main reason why manufacturing industry flocks to urban areas is the economies of agglomeration. These economies are important both analytically and from the policy perspective since they highlight the difficulties developing countries are faced with in any programme of a more equitable spatial distribution of population. The agglomeration economies, particularly in a large Third World metropolis, take several forms, the most significant of which are listed below.²²

(i) The availability of infrastructure for modern industrial undertakings: electricity, water, sewage, telecommunications, airports, etc. All of these are extremely expensive facilities which given the levels of per capita incomes of developing countries are difficult to provide except in a very small number of locations.

(ii) The availability of specialised business services, e.g. financial offices, legal offices, banks, trade associations, consulting services, equipment leasing facilities, laboratories, professional schools. Most of these activities, which are so essential for modern industry and business, require a minimum population size for their profitable operation.

(iii) Even though the rate of unemployment in large cities may be lower than in small cities, the former have large pools of skilled labour. This reduces the need for firms to hoard such labour to deal with unanticipated events.

(iv) The role of externalities is extremely important. The large scale operations of firms leads to lower costs and better services which in turn improves the operations of other firms who purchase these inputs and services. This process generates an organic virtuous circle of expanding markets and increased technical change.

(v) In addition to business operations, the attraction of the large metropolitan city lies in the fact that it provides the focus of interaction for intellectual, business, cultural, political and religious élites. These are likely to be more overlapping in developing countries than in developed countries.

In view of these economies of scale and agglomeration, the question naturally arises whether diseconomies set in beyond a certain city size. Is there an optimal city size? There clearly are manifest diseconomies arising from congestion, enormous traffic jams, environmental pollution, etc. in any large metropolis in the Third World. However, researchers are agreed that there is no unique city size.²³ The Third World cities of today, Mexico City, Sao Paulo, Seoul, are reaching population sizes not previously attained by cities in the developed countries except Tokyo. It may be useful to note as a point of reference that in 1970, the greater Tokyo region (Tokyo City plus the prefectures of Saikawa, Kanagawa and Chiba) had a population of 24.1 million within a 50-mile radius.

²² The following discussion is based on World Bank (1979a).

²³ See World Bank (1979a) and the references contained therein; Cohen (1976).

Another related aspect of the question of economies of agglomeration and optimal city size is that of the possible trade off between efficiency and equity. In view of the huge costs of development of the necessary infrastructural facilities elsewhere (other than in a few large cities), the Third World countries have to contend with the equity-efficiency dilemma in an acute form. It was seen in Part I how the large cities make a disproportionate contribution to the GDP in the developing countries. In the interests of equity, industrial activities can in principle be dispersed to small towns and rural areas throughout a developing country, but the efficiency costs of such policies may well be prohibitive. Even in China, where for various historical, ideological and political reasons, the government over the last forty years has made a major effort to decentralise industrial activities,²⁴ cities like Shanghai still make a highly significant contribution to total industrial production. This "contradiction" was implicitly recognised by Mao himself when in his famous speech on Ten Great Relationships he argued that although steps should be taken to disperse industry to the Chinese hinterland, further development of coastal cities (like Shanghai) should not be neglected. In a similar vein, World Bank (1979a) emphasises: "There are very few developing countries where the rural population has even begun to decline, and in all of them, rural-urban migration continues to drive the populations of all cities towards larger and larger size. Given the labour market structure and the constraints on business location, the likelihood of a reversal in population concentrations in the immediate future is not very great. That is why policies designed to improve the internal efficiency of the largest cities must be vigorously pursued and not side-stepped in the name of decentralisation" (emphasis added).

This is not to deny that some industries and modern service activities could not profitably be shifted from large to smaller cities or even to rural market towns. However, because of (a) the infrastructural costs and (b) the economies of agglomeration, the scope for such decentralisation on efficiency grounds alone is much more limited in the developing than in the developed countries. This point is developed further below. The measures which the Third World governments may nevertheless adopt to pursue selective decentralisation of industry are discussed in Oberai (1988).

II.3 Rural-Urban Migration and Urban Bias

Rural-urban migration is a vast subject with a voluminous literature. The main issues this literature is concerned with are the following: the reasons for the migration, the characteristics of the migrants, the economic and social effects of migration on the rural as well as the urban areas, the impact of public policies on migration. Oberai (1987) provides an excellent recent survey of these writings. For the purposes of this paper, the most important points which emerge from the research may be summarised as follows:

- (i) As noted in Part I, although migration continues to be a significant factor in the growth of large cities in the Third World, on average it is not as important as the natural increase of population already living in these cities. The relative contributions of migration and natural increase to city growth of

course vary in different parts of the Third World. The most recent evidence, as noted earlier, indicates that in general about two-thirds of the increase in the population of the large cities in developing countries comes from natural increase;

- (ii) In view of the still large rural populations particularly in Asia and Africa and the structural factors analysed above in Sections II.1 and II.2, there will continue to be a very large potential for rural-urban migration. At an earlier stage of development, a rise in agricultural productivity may well be accompanied by increased demand for labour. For example, in the Indian Punjab, the introduction of multiple cropping (made possible by the Green Revolution) in place of a single annual crop, has indeed, led to some rise in agricultural employment. However, for the reasons discussed in Section II.1, in the medium to long term, agriculture will need to shed labour as further improvements in productivity occur. In the highly industrialised countries, agriculture ends up employing only a tiny fraction of the labour force;
- (iii) Thus the main reasons for the rural-urban migration are the structural factors considered earlier. However, research shows that other factors, such as the mass media, the education system and the government policies may also influence migration. An analysis of internal migration in Thailand, for example, found that only two socio-economic variables in the areas of origin were significantly associated with rates of migration to Bangkok: the percentage of households with television sets and the number of daily trains to Bangkok. In Venezuela a survey of high school students found that radio and newspapers had more influence on residential preferences than either students' own experiences in different cities or family contacts (Oberai, 1987);
- (iv) The government policies can impinge on rural-urban migration in a variety of ways. However, a major issue in this area is one of so-called "urban bias". This is often an emotive subject. It is argued by many economists, usually from the developed countries, that the Third World nations devote too many resources to industrialisation (often of import-substitution type) and to urban areas and too little to agricultural development. This is thought to have many undesirable effects including those for rural-urban migration and income distribution. In response, economists, more often from developing countries, suggest that since industry is the key sector in the development of the whole economy and is also regarded as being essential for progress in agriculture itself, industrial development must be accorded the top priority. The extent, if any, of urban bias is extremely difficult to measure and the available empirical estimates often conflict and are shrouded in controversy.²⁵ Nevertheless, the central analytical issue here is reasonably clear. This is one of balanced or unbalanced development: whether, given the stage of development of a country and the opportunities and constraints it faces, the government policies have led to too little or too much investment in agriculture or industry so as to generate to a lower long run rate of development of the whole economy than would otherwise be the case;

- (v) There is a large body of evidence from diverse Third World countries which shows that migrants are a relatively select group. As the data from several countries summarised in Oberai (1987) reveals migrants tend to be younger, are often better educated and are more highly motivated than the native population of rural areas;
- (vi) As for the economic effects of rural-urban migration, evidence shows that migrants certainly better their own economic lot. In many Latin American cities, native-migrants comparisons show that migrants tend to find jobs more quickly, often have higher urban incomes and pursue education more avidly (Perlman, 1987; Nelson, 1971; Yap, 1970; Corncluis, 1971; Little, 1970). However, the evidence of the effects of rural urban migration on the whole economy is more mixed. In some instances, the rural areas which the migrants leave are harmed by the departure of the more educated, younger and better motivated people. In other cases, the remittances from migrants and greater contact with the wider outside world leads to rural improvement. For instance, an ILO study for the Indian Punjab (Oberai and Singh, 1983) indicates that migration positively aided technological development in agriculture. The two authors found that a higher proportion of return migrant and out-migrant households used tractors and have adopted improved agricultural practices as compared with non-migrant households. Similarly, the effects of migration on urban areas (on urban labour markets, housing, etc.) are found to be positive in some cases and not so positive in others. However, as Oberai (1987) notes most of these studies are based on microeconomic household survey data which unfortunately is ill-suited to exploring the broader macroeconomic effects of migration; and
- (vii) Since migration changes the age and sex structure of population in urban areas, it clearly has extremely important demographic as well as policy implications for employment and demand for social services (including family planning) in the cities. There is a comprehensive discussion of these issues in Oberai (1988).

II.4 The Urban Labour Market, Segmentation and the Informal Sector

Since the mid-1960s there have been a large number of studies of urban labour markets in the Third World, how they function and to what extent the functioning of these markets contributes to unemployment, low productivity and poverty. The bulk of these studies have been carried out under the auspices of the ILO and the World Bank.²⁶ Combining together the traditional notion of economic dualism in the development literature with that of segmented labour markets (from modern labour economics), many researchers have found it useful to discuss the labour markets in the developing countries in terms of the so-called "informal" and formal sectors. The former usually refers to "unprotected" jobs outside the preview of labour legislation on minimum wages, health, safety and other benefits. Many of these jobs are casual, insecure and irregular. Informal sector employment also includes "marginal activities" such as hawking, shoe shining or domestic service. Although the empirical studies

26 For a recent review and a comprehensive new ILO study of labour markets and poverty in the Third World, see Rodgers (forthcoming). For a useful brief summary of the World Bank research, see Kahnert (1986).

of the labour markets in the developing countries are diverse and have not been conducted in a uniform framework, the following major conclusions can be discerned from the research carried out so far.

1. Urban poverty is not simply a preserve of the informal sector but occurs in many parts of the formal sector as well. Many households in the informal sector have higher incomes than those of people in the formal sector. Nevertheless, the recent large multicountry ILO study (Rodgers, forthcoming) suggests on the whole a positive relationship between poverty and employment in the informal sector. Thus in the Brazilian large cities in 1983, 16 per cent of the "protected" workers were poor (i.e. earnings below the minimum wage) compared with 52 per cent of the "unprotected" workers. Similarly only 11 per cent of the organised sector workers were poor compared with 66 per cent of the unorganised sector workers. In urban Costa Rica, 75 per cent of the destitute household heads and 54 per cent of the other poor household heads worked in the informal sector. Only 32 per cent of the informal households were not poor. For Bombay (India), 40 per cent of the casual workers fell below the poverty line compared with 10 per cent of the regular workers in small firms and 12 per cent of regular workers in large firms.

2. There is a great deal of controversy about the role of open urban unemployment in developing countries. Some people regard growing open unemployment as the major problem of the Third World cities. Others consider it as largely inconsequential, confined mainly to the relatively rich such as the "educated unemployed". In this view, most Third World open urban unemployment is voluntary and the main problem is not unemployment as such but low productivity and low earnings (Berry and Sahot, 1984; Sinclair, 1978).

Neither view finds much support in empirical research. First, there is evidence that measured open urban unemployment, although significant, fell in many of the newly industrial countries in the 1970s when these countries were achieving fast rates of industrial growth. However, as noted in Part I earlier, unemployment in Latin American cities in particular has increased considerably as a consequence of the 1980s depression. Second, empirical studies also show that unemployment is indeed associated with poverty and is not confined to the relatively better off sections of the community. Table 13 reproduces data on unemployment and poverty from the ILO multicountry study. The survey shows that although the poor are not simply the unemployed, and many unemployed are not poor, there is on the whole a positive relationship between poverty and unemployment.

3. There is a wealth of evidence on segmentation and imperfections in the urban labour markets in the developing countries. For identical occupations, there are likely to exist large wage differentials within the same city. There is discrimination on the basis of sex, age, ethnic origin and there exist many barriers to entry to jobs in the formal sector. To illustrate sex discrimination in the ILO multicountry study, it was found that in Bombay male regular factory workers had a premium of 160 per cent over casual workers, but for females the premium was 330 per cent. In Panama, in the formal sector, the populations of male and female workers earning below the minimum wage were similar. However, in the informal sector, the proportion of women earning less than the minimum wage was much greater than that of men.

Table 13: Unemployment and Poverty in the ILO's Multi-Country Study

	<u>Poverty or income group*</u>			
	Very poor	Poor	Middle	High
<u>Urban Costa Rica, 1982</u>				
Unemployment rate**	11.0	6.0	----- 2.0 -----	
<u>Guatemala City, 1980</u>				
Unemployment rate	5.0	2.9	4.7	1.9
Including "discouraged workers"	10.6	10.8	10.0	7.7
Including estimated underemployment	20.6	19.6	10.0	7.7
<u>Metropolitan Panama, 1983</u>				
Unemployment rate	14.8	11.1	----- 3.8 -----	
<u>Santiago de Chile, 1982</u>				
Unemployment rate, heads	50.0	18.3	----- 5.3 -----	
Unemployment rate, spouses	25.5	19.4	----- 6.8 -----	
Unemployment rate, children	63.6	45.4	----- 23.7 -----	
<u>Santiago de Chile, 1985</u>				
Unemployment rate, heads	23.7	9.1	----- 3.1 -----	
Unemployment rate, spouses	23.4	14.6	----- 4.5 -----	
Unemployment rate, children	30.1	16.5	----- 12.7 -----	
<u>Tunis, 1975</u>				
Unemployment rate, heads	4.5	3.5	4.7	0.4
<u>Urban West Bengal, 1977-8</u>				
Per cent of household members unemployed	9.5	11.4	7.8	6.0
Per cent of households with a member unemployed	19.3	21.6	14.9	11.4
Per cent of unemployed for more than 12 months	74	78	83	84

* The subgroups are not strictly comparable from country to country, because of varying definitions of poverty. They should therefore be interpreted as conveying relative position. Unemployment rates are also not strictly comparable between countries because of varying definitions and reference periods.

** 1 minus the employment rate. Similar data for 1971 give virtually no unemployment - 1 per cent in each of the three groups.

Source: Rodgers (forthcoming).

There is also evidence that education gives better access to job opportunities and to higher incomes. This is one reason why the ILO study showed that in the urban areas in Philippines and Panama, the lack of access to secondary education was a key variable in explaining poverty. For instance in Panama, 35 per cent of workers with primary education fell below the poverty line, compared with only 11 per cent of those with secondary education. In the survey research on Calcutta it was found that consumption levels were closely correlated with all measures of above primary education. Such evidence, at its face value, would suggest that urban wage differentials may be less due to market imperfections than to differences in productivity levels (the human capital approach). However, studies also indicate that education is more likely to be used as a screening device by employers than as an accurate reflection of relative productivity levels of workers. It discriminates against the poor since they are less likely to have access to secondary education. As Rodgers (forthcoming) observes: "... poverty and low levels of education are associated with early dropout from school and labour market entry of children, limiting possibilities for the acquisition of educational credentials as well as training, and perpetuating the existence of an unskilled lower stratum of the labour force".²⁷

4. It is important to point out that although the labour markets in the developing countries may be subject to segmentation and imperfections in the static sense, dynamically, they may be working reasonably well. Some evidence bearing on this issue has already been noted above. It was seen that urban unemployment rates in the middle income Latin American developing countries (e.g. Brazil, Mexico) fell and rose with the level of economic activity in these countries in the 1970s and 1980s.

5. Finally, it should be noted that the identification of the informal sector in the Third World cities leads to a range of important analytical and policy questions. What is the optimum size of the informal sector? Does this sector make a genuine contribution to employment or does it simply represent low productivity "disguised unemployment" arising from the non-availability or the destruction of formal sector jobs as a consequence of the economic depression? What measures, if any, can or should the governments take to develop the informal sector? These issues are discussed in detail in Oberai (1988).

II.5 Structural Differences between Large Cities in the Third World and in the Advanced Countries

For the sake of completeness as well as for policy purposes, we may briefly note the main structural differences between the large cities in the developing countries and those in the advanced industrial countries. On account of these differences a policy framework which is appropriate for Paris or London is unlikely to be helpful in coping with the problems of Calcutta or Sao Paulo.

The essential difference between the two groups of cities lies in the fact that the Third World cities are subject to what may be called "expanding urbanisation" whilst those in the industrial countries are experiencing "mature urbanisation".²⁸ In the latter case instead of

²⁷ See also Rodgers and Standing (1981).

²⁸ For a fuller discussion of these concepts, see World Bank (1979a).

increasing in size, the large cities are often losing population to smaller cities. One important reason for this is that unlike the developing countries, the smaller cities in advanced countries already possess the necessary infrastructure for modern business activity. Thus when the diseconomies due to congestion, higher rents or transportation inconveniences become too large in the big cities, there is a movement of people or businesses to smaller cities or suburbs. Thus in mature urbanisation, city-to-city migration is the main factor effecting the system of cities. The determinants of city-to-city migration are rather different from those of rural-urban migration experienced by the Third World cities. Table 14 summarises the main characteristics of expanding versus mature urbanisation.

Moreover in advanced countries there are rather different demographic, technological and other factors which will affect the future shape of the large cities. To illustrate, in the foreseeable future the dominant demographic trend in these countries will be the growth of the retired and the aged population. The tastes and preferences of these people, many of whom are likely to be relatively well off (living on various forms of index-linked pensions) will have a profound influence on the future development of the large cities and of the urban system as a whole. Similarly growth in leisure spending of the population is likely to be a major factor in shaping the economic activities of cities and in determining their place in the urban hierarchy.

Table 14: Contrast between Expanding and Mature Urbanisation

	(a) <u>Expanding Urbanisation</u>	(b) <u>Mature Urbanisation</u>
(1) National Population	Expanding well above the net reproduction rate. Its average age is young.	Current population growth rates often below the net reproduction rate. The average age of the population is above 30 and a substantial proportion is above 60.
(2) Rural-Urban Migration	Major force behind the growth of the major cities. Significant factor in the growth of practically all cities of the national urban system. Urban amenities are not a major determinant of migration.	Has practically stopped. The growth of cities is entirely dependent on urban to urban migration. Because migrants are already completely urbanised, they are particularly sensitive to urban amenities. The only factor preventing urban growth from becoming strictly a zero-sum game among cities is international migration.
(3) Degree of Economic and Social Integration	There remain conspicuous constraints to economic and social mobility between sectors as well as geographically.	Most of the constraints on the locational mobility of industry and services have been removed. Amenity intensive regions have an edge.
(4) Level of Income and Complexity of the Economy	Still not comparable with advanced economies. A major national objective is to reach comparability with advanced countries.	The leading sectors of the economy are high human capital-intensive and information-intensive. The majority of the population is employed in the service sector, which has reached high levels of productivity.
(5) Capital Region and Largest Cities	Still growing at a substantial rate.	Are no longer growing. In fact there is evidence that the processes of deconcentration in the major urban region of the country have already started. A factor masking this new trend is the important role played by international migration in replacing the larger net-out-migration of native urbanites from the capital region.

PART III

POLICY ISSUES AND AGENDA FOR POLICY RESEARCH

III.1 The Policy Framework

The main policy problems requiring urgent attention in the large cities in the developing countries were outlined in Part I - encapsulated in Blair's catalogue of difficulties facing the Problem City of the Third World. The analytical issues discussed in Part II above as well as the earlier examination of trends in urbanisation and poverty provide an essential part of the policy framework within which specific policy questions need to be discussed. There are, however, some other elements relevant to such a framework which also deserve consideration. These will be outlined below.

First, there is intense dissatisfaction among the governments of developing countries with the spatial distributions of their populations. This is confirmed by the surveys of member governments on this issue carried out by the UN in 1979 and 1983. In the 1983 survey, the governments of 123 developing nations out of 126 respondents indicated that they considered their population distribution to be partly or wholly inappropriate (United Nations, 1985a).

Secondly, many governments have over the years taken steps to attempt to slow down or reverse the flow of people to the large cities and urban areas in general. Oberai (1987) has reviewed the policies and programmes followed by the governments for this purpose in different parts of the world. The anti-migration policies have included direct administrative and legal control measures on the movements of people (China, Poland, Cuba, Indonesia, Tanzania, Zaire among others). Evidence suggests that for a variety of reasons such policies have by and large been unsuccessful except for brief periods. Moreover, these procedures raise serious questions of human rights.

The governments have also tried a number of less draconian methods to reduce rural-urban migration, such as land settlement schemes, various measures to enhance the attractiveness of rural living and to discourage urban settlements. Again these policies have achieved rather limited success and rural-urban migration has continued at a significant scale. It is important, however, to reiterate the point made in the earlier discussion of demographic trends: natural increase contributes more now to population growth in the Third World cities than the rural-urban migration. In addition the potential for further rural-urban migration in Asia and Africa remains enormous.

Thus although the problems of urban living and urban poverty in the developing countries can no longer be evaded and need to be addressed directly, another extremely important element of the policy framework which must be borne in mind is the resources constraint. The resource constraint is of course a perennial problem for all poor countries, but it is even more pressing in the context of the present world economic crisis. What this implies is that every effort must be made first of all to improve the efficient utilisation of existing resources devoted to the cities. This means a thoroughgoing analysis at a microeconomic level of

the City as a production and consumption system in order to identify all areas of slack and all opportunities for better utilisation of existing capital stock.²⁹ This is not to deny the need for additional resources for the Third World cities, but new means must also be found to raise such resources.

III.2 The Policy Issues

There is a large literature, more by planners and geographers than by economists, about the policy questions which large cities in the Third World have to contend with.³⁰ The following would appear to be the most important of these issues (not listed in an order of priority):

- (i) Land use, housing, improvement of slum dwellings and squatter settlements including their infrastructure.
- (ii) Employment creation; the relationship between the formal and informal sectors; the questions of the nature and form of assistance to the informal sector; the zoning laws and other regulations.
- (iii) The provision of social services to the poor, particularly health and education. The impact of these on productivity and employment of the poor.
- (iv) Demographic policy questions. The size of the urban poor families and its determinants. The role, status and education of women; effects on fertility.
- (v) Management of large cities; the role of planning; the co-ordination between different city agencies and the relationship of the city government with the national government.
- (vi) Fiscal policy issues; how can cities become fiscally more self-reliant; how to reduce the gains of land speculators and to appropriate them for use by public authorities. Pricing of transportation and other social services.
- (vii) Questions of community participation. How to make the city authorities more responsive to local needs.
- (viii) The question of real self-reliance of the cities. Can and should cities, particularly the urban poor, produce a part of their own food requirements for example?
- (ix) Reprocessing of waste; energy use and energy conservation in cities; environmental policy questions.
- (x) Transportation systems; how to meet the needs of the urban poor.

²⁹ See further Sachs (1986).

³⁰ See for example Taylor and Williams (1982), Blair (1985), Gilbert and Gugler (1982) and the literature cited therein. See also World Bank (1979a) and the special issue on urban self-reliance of Development (1986:4).

It is beyond the scope of this paper to discuss each of the above subjects in detail, a number of which are obviously interrelated. Rather brief remarks will be offered below on some of these topics to indicate more precisely their inter-relationships and the nature of the policy issues which are involved.

Let us first consider the case of housing and squatter settlements. The policy problems of housing are not only concerned with meeting the basic needs of the people for shelter, but also have an important bearing on a host of other issues such as the informal sector, employment generation, resource mobilisation and zoning laws. The standard view of housing is that it is a durable consumer good, a home with a roof and four walls. Janice Perlman (1986) rightly notes that as we come to understand the workings of the informal sector, neither of these perceptions reflect reality and are wide off the mark in relation to the Third World cities. Yet because they are part of the conventional wisdom in the official circles, it has led to "misguided investments in 'finished product' homes and self-defeating codes, standards, and zoning regulations".

It is, therefore, essential that instead of the usual conception of housing it must be examined in relation to the real needs of the urban poor. This leads to a reconsideration of the functions of housing. The classic functions of housing include the following:³¹

- (1) housing as social consumption;
- (2) housing as improver of health and well-being;
- (3) housing as (macro) economic sector;
- (4) housing as stimulus to savings and investment; and
- (5) housing as indirect contributor to income and production.

Taking into account the realities of the informal sector, the new functions of housing should also include in addition the following:

- (1) housing as shop;
- (2) housing as factory;
- (3) housing as rental income;
- (4) housing as financial asset;
- (5) housing as entry point in the urban economy; and
- (6) housing as storage space or warehouse.

Moreover as Janice Perlman again observes in relation to squatter settlements and slums that despite their visual disarray and clear spacial distinction from the rest of the urban grid, such settlements are both highly organised within themselves and highly integrated into the rest of the housing system. Perlman suggests that officials would achieve greater success with housing programmes in the informal sector if they understood these factors more fully. Knowing, for example, that there is enormous heterogeneity within the settlements in terms of income, education, occupation, size and material of the dwelling units and reason for being there is a prerequisite to designing flexible housing programmes in upgrading schemes.

³¹ See further Perlman (1986), p. 43.

The construction of housing is clearly a source of both employment creation and income generation. It can, however, also be a source of substantial resource mobilisation to the extent that with the aid of the "self-help" and "user participation" schemes, it leads to informal sector dwellers using their own labour to improve and extend existing homes or build new ones. Despite the many limitations of such schemes, they do have significant multiplier effects on the urban economy.

Many Third World cities have building laws and norms which are wholly inappropriate in relation to the new functions of housing in the informal sector noted above or to the capacities of householders in the squatter settlements who are organising the construction of their own homes. As Hardoy and Satterwaite (1986) note, Madras City Corporation's building rules which apply to all buildings in the city require that "the level of foundation (for the house) should be such that a minimum depth of the foundation to prevent the soil moving laterally under pressure shall be according to Rankine's theory" with Rankine's theory then set out in mathematical symbols with no diagrams, drawing or simple explanations as to what is needed.

Let us now consider another major area of policy listed earlier, namely employment creation and improving the earning capacity of the poor. These specific policy concerns, as we shall see, again interact with a whole range of other issues.

In relation to employment policy for urban areas there are two rather different views put forward by practitioners. In one view, creating more jobs is the central problem for the Third World cities and represents the best way of dealing with poverty and most of the other ills of the urban society. An alternative view which has gained more prominence in recent years regards productivity rather than employment to be the main policy issue in relation to the urban poor.³² However, whatever the merits of this latter thesis during periods of "normal economic growth", as seen in Part I of the paper, open unemployment and underemployment have greatly increased in the towns and cities of the developing countries during the economic crisis of the 1980s. Such unemployment can only be significantly reduced by overall macroeconomic policies of the national governments which can bring about resumption of economic growth. Developing countries like Mexico and Brazil will have to achieve overall rates of economic growth of 5 to 7 per cent per annum to provide jobs for the new entrants to the labour force and for reducing current high levels of unemployment.³³ Again it is at the macroeconomic level, rather than that of the city administration, that it can be ensured that considered as a whole, the government economic policies do not have a growth-retarding pro-urban or anti-urban bias.

Where the civic authorities in the city can make a much more direct and important contribution to alleviating urban poverty is in relation to

³² In this connection, see Kahnert (1986) as an example of the World Bank thinking on the subject.

³³ For a fuller discussion of this issue, see Singh (1984).

policies towards improving the quality and productivity of the labour force. The delivery of education and health including demographic advisory services to the urban poor are critical in this context. In principle, cities and towns should be able to deliver such services much better than the scattered rural areas. Nevertheless, the standards of health and education services available in poor urban neighbourhoods is sometimes worse than in the countryside. The main reason for this is usually the lopsided distribution of such services towards the well-to-do and the better-off sections of the urban society.

Thus, even within existing budgets, the redirection of city services towards the poor should help to increase their productivity and earnings. To meet properly the needs of the urban poor, the nature and form of such services will also have to change from their conventional mode. Thus many children of school-going age in poor neighbourhoods perform a range of economic tasks such as helping with the family business or even baby-sitting at home which permits the mother to work. The parents of these children may not be able to afford to send them to school unless such schooling is available in the evenings near the place of residence. In other areas of education and health, in advice about nutrition, birth control and family size, the delivery systems need to be similarly adapted to the specific needs of the urban poor. However, the benefits of such advice will be lost if it is not complemented by the availability of at least the minimum necessary infrastructure, e.g. the delivery of safe drinking water. The serious public health implications of contaminated water supply in the large Indian cities were noted in Part 1.

It is important to emphasise the critical role of demographic factors in relation to poverty alleviation and employment policy as well as the provision of social services in the Third World cities. Research indicates that a main determinant of urban poverty in the developing countries today is family size. Many of the employed are poor because they have to support large young families. The complex relationship between the demographic policy variables, employment and urban poverty is analysed fully in Oberai (1988). The author also discusses the practical implications of his analysis for demographic policy in the Third World cities.

A third general area of policy which it may be worth commenting on in this brief discussion is the question of participation. Resource mobilisation, identification of slack and other x-inefficiencies in the complex urban system requires a detailed knowledge of the pressing social needs and how they are being currently met. Only genuine participation through community organisations, rather than through formal and passive bodies, can help achieve this essential task. To an extent this is already happening in Brazilian cities in response to the current economic crisis. Celine Sachs (1986) reports that there are 1300 neighbourhood associations in Sao Paulo alone, 178 regrouped in FAMRET (Federation of Association of Dwellers) in Rio; in addition in both cities there are thousands of grassroot church communities. Sachs notes that by and large these movements are articulated around very concrete demands concerning living conditions, access to social services and infrastructure, cheaper food, etc. The community organisations have already made significant contributions to city development, particularly in areas such as self-help construction of housing, sanitation, street cleaning and running and building of schools and health care facilities.

Essential though such local participation is for identifying and meeting the needs of the urban poor, the complexities of a modern city also require higher level co-ordination, overall resource management and planning. It needs in addition a clearer articulation of links between planning at the city, regional and national levels.

Finally, it would not be inappropriate in this short account of urban policy issues to call attention to at least one unconventional proposal, which has recently been the concern of a number of researchers dealing with the problems of Third World cities. This is the question of urban agriculture and food production which is advocated by these scholars both in relation to meeting the basic needs of the poor as well as on broader environmental and ecological grounds. Morris (1983) has made the following estimates: on the basis of a six-month growing season, a full balanced diet can be derived from 2,500ft² per person or little more than 0.02 ha for a family of five. From this Sachs (1986) concludes that a 200m² garden would make an important contribution to a poor family's needs by providing one fifth of its optimum food intake (i.e. much more in terms of the present depressed standards). Accordingly 425,000 families, about one quarter of say the Sao Paulo population, would require 8,500 ha. This figure ought to be compared with the 60,000 ha of empty land inside the Sao Paulo municipio.

III.3 Agenda for Research

Although there is a wide body of literature on certain specific questions of urban poverty and other urban policy issues in the Third World, this research is scattered and has usually not been carried out on a systematic comparative basis. Yet comparative research is essential to obtain a better understanding of the issues and policy options which the cities in the Third World could pursue. In addressing the monumental problems which these cities will face during the rest of this century and into the next century, it will therefore be extremely useful at this stage to undertake detailed studies of a small number of very large cities in different parts of the Third World within a common analytical framework. This research should be concerned with questions of the nature and extent of poverty in these cities; disparities in the provision of services among various population subgroups; constraints to increasing employment; the capacity of the existing institutional structure to deal with problems of population growth, poverty, employment, housing and the provision of social services; resource mobilisation as well as other policy issues outlined in Section II.1 above.

Perhaps the following cities could be selected for such a project:

Latin America:	Mexico, Rio de Janeiro or Sao Paulo, Buenos Aires.
Africa	Nairobi, Lagos.
Asia:	Shanghai or Beijing, Calcutta or Bombay, Manila or Jakarta or Seoul.
Middle East:	Cairo.

A comparative analysis will be particularly useful since some of these cities are at different levels of development and some have different social and economic systems.

More specifically, the studies of these cities should inter alia concentrate on the following areas:

- (a) problems of labour market structure and the access of marginal groups to employment opportunities;
- (b) the impact of the existing regulation of economic activities and the structure of capital markets on the opportunities for self-employment;
- (c) the scope for increasing the demand for labour that is generated through investments in urban infrastructure and the provision of basic needs;
- (d) existing urban job-creation schemes and the potential for harnessing these to meet the needs of the urban poor for shelter, water, sanitation and other amenities;
- (e) existing arrangements for the provision of social services in the cities and the reforms that will be required to provide for more equitable distribution of such services;
- (f) trends in the age-sex structures of population in large cities and the consequences of these trends for the provision of employment and social services; issues concerning the integration of population and socio-economic planning at the city level;
- (g) the position of women in the labour market and at home, the availability of family planning, child care and other services, and the factors which perpetuate exploitation of working women, particularly migrant women in urban areas;
- (h) linkages between city level planning and national level planning and the need for decentralised planning for employment promotion;
- (i) existing data collection system at the city level and improvements required in collection of appropriate economic and demographic data for monitoring city growth and planning for social services;
- (j) questions of local community participation in decision making and in city development;
- (k) fiscal policy issues as well as resource mobilisation and construction of housing as outlined earlier; and
- (l) questions concerning 'x-inefficiency' and the quality of management of the existing resources of the city.

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