Cities at work

Employment promotion to fight urban poverty
CITIES AT WORK

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International Labour Organization
Unprecedented urbanization rates in most developing countries are changing the face of poverty: increasingly, poverty is manifesting itself in cities. Millions of jobseekers, men and women, are resorting to the urban informal economy, where they earn just enough to survive, without any form of social security for neither themselves nor their families. Most cities cannot cope with this rising poverty. Their basic infrastructure is underdeveloped and in a bad state of maintenance. Basic services are not functioning or do not reach the poorest neighbourhoods. In addition to suffering low incomes, the urban poor are thus exposed to health hazards due to bad drainage, waste accumulation, lack of sanitary facilities and so on.

Yet, cities are also places of opportunity. Improvements in infrastructures, including shelter, and services can directly and indirectly improve the lives of large numbers of people. But such improvements can hardly be sustainable if not supported by the simultaneous promotion of decent employment opportunities. This publication argues that employment generation should be a top priority for urban planners, managers and decision-makers, and that deliberate policies are necessary to promote employment for the urban poor. It highlights the convergence between the Millennium Goal of poverty reduction, the ILO’s Decent Work agenda, and the objective of sustainable development recognized at the 2002 World Summit on Sustainable Development.

The publication was originally written to support the ILO contribution to the United Nations General Assembly in June 2001 (Istanbul +5). It draws together expertise and lessons from a variety of ILO programmes and projects that address urban poverty. A subsequent, more comprehensive ILO report entitled “Working out of Poverty” was presented and discussed at the International Labour Conference, June 2002.

As a follow up, more integrated work programmes have been developed, with systematic links between micro level interventions and national policy issues. They address the compelling concerns of national and local authorities for employment creation. These partners have, together with civil society stakeholders, a key role to play in ensuring that urban and rural development strategies effectively address the need for jobs – in particular for youth. Different types of public-private partnerships can lead to both the creation of durable jobs and improved service delivery, particularly when these partnerships promote the use of labour-based approaches and the active involvement of local communities and enterprises. These practices can also be successfully linked to wider local economic development initiatives, which deal in a participatory manner with the improvement of the local economy as a whole and take into consideration the rural-urban relationships.

ILO has been developing this approach in a number of countries. With other UN agencies, the development banks and the private sector, efforts are needed to scale up from these experiences, as they constitute new institutional mechanisms for the public sector to provide (or help to provide) goods, services and works.

It is hoped that “Cities at Work” will contribute to the appreciation of the central role of employment in urban poverty reduction, and strengthen the capacities of national and local stakeholders to consistently build this into their policies and strategies.

The initial draft of this publication was produced by a team composed of Kanyhama Dixon-Fyle, Wilma van Esch, Maria Prieto and Kees van der Ree, staff engaged under the InFocus Programme “Boosting Employment through Small Enterprise Development” (IFP/SEED) and the “Employment Intensive Investment Branch” (EMP/INVEST). The final version was developed by Marja Kuiper and Kees van der Ree. Thanks are due to other ILO colleagues, in particular Jean Majeres and Jane Tournee, for their useful comments on earlier drafts.

The graphic design and printing were skillfully undertaken by ILO’s International Training Centre in Turin, Italy.

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## Acronyms and abbreviations

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<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CBO</td>
<td>Community-Based Organization</td>
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<tr>
<td>CBT</td>
<td>Community-Based Training</td>
</tr>
<tr>
<td>EAP</td>
<td>East Asia and the Pacific</td>
</tr>
<tr>
<td>EIIP</td>
<td>ILO Employment-Intensive Investment Programme</td>
</tr>
<tr>
<td>EMP/INVEST</td>
<td>ILO Employment-Intensive Investment Branch</td>
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<tr>
<td>ICLS</td>
<td>International Conference of Labour Statisticians</td>
</tr>
<tr>
<td>IIED</td>
<td>International Institute for Environment and Development</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>LED</td>
<td>Local Economic Development</td>
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<tr>
<td>LEDA</td>
<td>Local Economic Development Agency</td>
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<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
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<tr>
<td>MSEs</td>
<td>Micro and Small Enterprises</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>NORAD</td>
<td>Norwegian Agency for Development Cooperation</td>
</tr>
<tr>
<td>OSH</td>
<td>Occupational Safety and Health</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
</tr>
<tr>
<td>PROMDE</td>
<td>Promoción de Oficina Municipal de Desarrollo Económico</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
</tr>
<tr>
<td>SEED</td>
<td>ILO InFocus Programme on Boosting Employment through Small Enterprise Development</td>
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<tr>
<td>UNCHS</td>
<td>United Nations Centre for Human Settlements</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
</tr>
<tr>
<td>UNGASS</td>
<td>United Nations General Assembly Special Session</td>
</tr>
<tr>
<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
</tr>
<tr>
<td>UNV</td>
<td>United Nations Volunteers</td>
</tr>
<tr>
<td>WEHAB</td>
<td>Water, Energy, Health, Agriculture and Biodiversity</td>
</tr>
<tr>
<td>WSSD</td>
<td>World Summit on Sustainable Development</td>
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<tr>
<td>YEN</td>
<td>Youth Employment Network</td>
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</tbody>
</table>
Executive summary

This publication highlights the convergence between the Millennium Goal of poverty reduction, the ILO’s Decent Work agenda, and the objective of sustainable development recognized at the 2002 World Summit on Sustainable Development.

It takes stock of the situation in today’s towns and cities, noting that the degree of urbanization is historically unprecedented, that ever increasing numbers of jobseekers cannot find productive, gainful work in conditions of dignity, and that this is leading to growing informality and poverty. The trend towards the worldwide urbanization of poverty is accompanied by environmental damage, and it is leading to the marginalization and exclusion of whole population groups, including women, youth and children.

Employment is the first step out of poverty and an important stride towards greater social integration. It is the key to creating wealth and the primary instrument for redistributing it equitably. Appropriate policies and interventions can contribute significantly to promoting employment in cities. The authors of the present publication point out that environmental services are themselves a major potential source of employment.

Employment generation for the urban poor need not simply “trickle down” as the outcome of policies and interventions in other areas. It can be effectively promoted by using four key entry points simultaneously to act as levers, producing outputs which are far greater than the inputs required. These levers are: (i) reorienting investment policy and technology; (ii) developing enterprises; (iii) promoting empowerment and collective decision-making; and (iv) acting at local level. This publication proposes several proven policy approaches, methodological tools, programmes and packages that can make a positive and measurable impact on employment at the local level.

Urban governance for employment generation involves new actors in addition to local government, notably representative organizations of the urban poor, and private enterprises in the formal and informal sector. The publication describes the benefits all can gain from their new roles and from collaboration, and describes two proven approaches for using consultation to increase employment and bring about greater social inclusion in the urban context. These approaches are: (i) public-private partnerships and community contracting, and (ii) local economic development.

Urban managers and development actors are encouraged to focus on the employment aspects of urban development, as this will yield high returns in terms of inclusion and poverty reduction.
CITIES AT WORK
Much of the content of this publication was prepared as an address to the UN General Assembly Special Session on Istanbul +5 (June 2001). Since then the Johannesburg World Summit on Sustainable Development (26 August – 4 September 2002) has marked a significant step forward. The Johannesburg Declaration recognizes that social progress is one of the three pillars of sustainable development, the other two being economic development and environmental protection.

Social development, and employment generation in particular, are still fairly new areas of concern to environmentalists and city development actors. The ILO has developed a range of approaches and instruments to promote this social pillar, within a balanced perspective which offers effective and synergistic action for poverty reduction and a more inclusive and socially progressive development.

This publication is part of the ILO strategy to promote decent work\(^1\) in cities and towns, for “all those who work have rights”, whether they work in the informal or formal economy, under porches in front of their homes or at genuine workplaces. The study also aims to strengthen the social pillar of sustainable development and to integrate it more effectively with the other pillars, in the specific and critical context of exploding urbanization.

The international community aims at halving poverty by the year 2015: a significant reduction will need to take place in urban areas which, by then, will be home to half the population of developing countries. The 2002 World Summit on Sustainable Development recognized that promoting equitable, viable and inclusive human settlements is inextricably linked to eradicating poverty. The ILO believes that poverty can be reduced by increasing the level and quality of employment among the urban poor.

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\(^1\) For the ILO, decent work will be the outcome of greater opportunities for women and men to secure employment and income, with respect for their fundamental rights at work, better social protection coverage and more opportunities to participate in social dialogue and tripartism (see Decent Work, Report of the Director-General, 87th Session, International Labour Conference, 1999).
For most slum dwellers, cities “don’t work”. For cities to work well for all their citizens, local governments need to translate the huge demand for slum upgrading and better public services into more and better job opportunities for the poor. The publication suggests how consultative processes could enable all the partners to act together in placing decent employment opportunities for the urban poor at the top of the agenda. It brings together practical approaches to job creation generated by the ILO and others over the past five years, and presents a number of tools for this purpose.

Section II explores the relationship between urban poverty and urban employment in the informal sector in particular, and the impact of poverty and unemployment on various groups such as women, youth and children. It emphasizes the need to look into issues such as environmentally respectful workplaces and increased social protection in warding off poverty.

Section III discusses the elements of a local framework in which employment promotion and social inclusion are integral parts of urban governance. It underlines the potential role of local authorities in job creation and points to the rationale for working closely together with community organizations, workers’ representatives and local enterprises.

Section IV shows in a detailed and practical way how the ILO can contribute to setting and implementing an urban agenda where employment is central. The vital elements are: pro-poor investment and technology, small enterprise development, empowerment for collective decision-making, and action at the local level.

Section V concludes the publication by stating that the ILO wants to act as a global team player in striving for more productive and integrated local economies. In partnership with other international, national and municipal agents, the ILO can contribute to improved urban governance. It can offer the necessary instruments for closing the urban employment gap and reducing the poverty that compromises sustainable development.
Growing cities, growing informality

II.1

Trends in global and urban poverty

Despite the fact that the proportion of people living in poverty has been declining everywhere except in Africa, the absolute number of people living on less than US$1 per day worldwide has remained at around 1.2 billion over the last decade. The 1.2 billion extremely poor people in developing countries (living below the US$1 per day poverty line) comprise around 550 million working poor (earning less than US$1 a day).

Around 95 per cent of the working poor live in low-income countries. In the 1990s, the share of low-income countries in the working poor increased from 88 to 95 per cent, while that of middle-income countries declined from 12 to 5 per cent.2 Large poverty reductions in East Asia and the Pacific as well as South Asia are partially offset by poverty increases in sub-Saharan Africa.

Table 1.
Percentage of population below the poverty lines of $1 and $2 per day: Major regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of population living on less than $1 per day</th>
<th>Living on less than $2 per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and the Pacific</td>
<td>26.6</td>
<td>30.5</td>
</tr>
<tr>
<td>EAP excluding China</td>
<td>23.9</td>
<td>24.2</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>0.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>15.3</td>
<td>11.0</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>4.3</td>
<td>2.1</td>
</tr>
<tr>
<td>South Asia</td>
<td>44.9</td>
<td>45.0</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>46.6</td>
<td>47.4</td>
</tr>
</tbody>
</table>


2 Majid, N. The size of the working poor population in developing countries (Geneva, ILO, 2001).
The poverty line definition that is based on income ($1 or $2 per day), while widely used, has serious limitations because it usually does not take into account the real cost of non-food essentials, nor does it account for differences within national territories in the price of essential goods and services. As a general fact, urban dwellers have to spend a larger part of their income on basic goods and services (food, fuel, water, shelter, sanitation) than rural dwellers. Therefore, it may be argued that this income poverty line underestimates poverty in high-cost locations (urban), while it overestimates poverty in low-cost locations (rural).3

In the absence of reliable (and comparable) urban poverty statistics, it is difficult to make any solid assertions about urban poverty trends. However, based on the information available we may make a few general observations:

1. Urbanization rates may be faster than shown in official statistics – especially in countries hit by armed conflicts and/or natural disasters where the displacement of population towards cities is so rapid that urban growth projections are unable to reflect the real situation.4

2. Urban poverty is more likely to be underestimated than overestimated in poverty assessments based on income (see above).

3. With rapid global urbanization, especially in developing countries, there is a trend towards the urbanization of poverty, i.e. an increasing number of the world’s poor are living and working in cities. At the moment, close to 30 per cent of the urban population in developing countries lives below official poverty lines.5 It is estimated that by the year 2020, this proportion could reach 45 to 50 per cent of the total population living in cities, i.e. a 297 to 355 per cent increase in absolute numbers (from 128 million households in 2000 to between 381 and 455 million households in 2020).6

Latin America: Poverty moving into cities

In Latin America, as a majority of the population already lives in cities, so does a majority of the poor: out of a total of 173 million poor and extremely poor people, some 102 million live in cities (or nearly 60 per cent). Out of the 37 million new poor added between 1986 and 1998, 31 million were urban – that is five out of six. If this poverty incidence remains unchanged, almost 70 per cent of the region’s poor will soon be in urban areas.

Source: www.worldbank.org/urban/poverty (ppt presentation)


5 Cities Alliance,

Intra-urban differences in living standards and welfare are often quite dramatic. In Sao Paulo (Brazil), the incidence of poverty varies from 1.7 per cent to 77.3 per cent across the different neighbourhoods; death rates from infectious diseases are twice as high for people living in the poorest areas of Accra (Ghana), as for those living in the richest areas of this city.7

The urban poor are often living and working on marginal land unsuitable for residence, housed in low-quality shelters in unserviced settlements, where they suffer the effects of a damaged environment, such as flooding. The dwellings of the urban poor lack basic services such as water supply, sanitation and waste disposal, and their residential areas lack drainage, education and health facilities, access roads and recreation areas.

“The Millennium Development Goals (MDGs)"

In September 2000, 191 nations adopted the Millennium Declaration, outlining a global agenda for reaching eight mutually reinforcing development goals:

**Goal 1** Eradicate extreme poverty and hunger
**Goal 2** Achieve universal primary education
**Goal 3** Promote gender equality and empower women
**Goal 4** Reduce child mortality
**Goal 5** Improve maternal health
**Goal 6** Combat HIV/AIDS, malaria and other diseases
**Goal 7** Ensure environmental sustainability
**Goal 8** Develop a global partnership for development

Under those goals, 18 targets have been formulated with, to the extent possible, indicators to facilitate monitoring. For instance, Target 1 (under Goal 1) reads “Between 1990 and 2015, reduce by half the proportion of people living on less than a dollar a day”. Target 11 (Goal 7) specifically relates to urban poverty: “Achieve significant improvement in the lives of at least 100 million slum dwellers, by 2020”. The Task Force of the Millennium Development Project for Target 11 has added the objective “while providing adequate alternatives for new slum formation”. Without preventive action, the number of slum dwellers in cities is likely to reach 1.6 billion by 2020. Target 16 (Goal 8) relates to the development of “decent and productive work for youth”.

7 www.worldbank.org/poverty/data
II.2

Urbanization and unemployment: The quest for jobs

Quoting from the preamble to the Melbourne Principles for Sustainable Cities, cities are:

... fundamental for economic opportunities and social interaction, as well as cultural and spiritual enrichment. However, cities are also increasingly damaging the natural environment, unsustainably exploiting natural resources, undermining the social fabric and jeopardising long term prosperity.

Clearly, the magnitude and speed of urbanization, especially in developing countries, pose an urban management challenge, particularly in sustaining the provision of adequate jobs, infrastructure and basic social services.

The second half of the twentieth century witnessed unprecedented rates of urbanization. Between 1985 and 2000, the world's urban population increased from 1,994 million to 2,926 million. In 2000, 47 per cent of the world's population was urban. By 2008, for the first time in history, more than half of the people in the world will be living in urban areas, and by 2030 this proportion will have reached 60 per cent. This rapid urbanization is mostly taking place in developing countries: their urban population is expected to grow from 1.9 billion in 2000 to 3.9 billion in 2030.

Within the next 15 years, many cities in Asia and Africa will nearly double their population. These trends are the direct outcome of the natural expansion of the population already living in cities, combined with continued rural-to-urban migration.

How does this affect employment and the labour market? Over the next 10 years, the ILO estimates that 500 million people will join the world’s job markets, most of them young people in developing countries with secondary level education and training. They will join the 180 million unemployed and the 550 million working poor, all wanting to use their talents

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8 The Melbourne Principles for Sustainable Cities were developed at an International Charette held in Melbourne, Australia, 3-5 April 2002, by UNEP’s International Environmental Technology Centre (IETC) and Environment Protection Authority (EPA) Victoria. These principles were then adopted by the Local Government Session of the World Summit on Sustainable Development (Sep. 2002).

9 In less developed regions, the average growth rate of urban areas is 2.3 per cent per year, implying that their urban population will double in 30 years. Africa has the fastest rate of urbanization (annual growth of 4.87 per cent), followed by Asia (3.77 per cent). Source: UN-Habitat, Facts and Figures, www.unhabitat.org

10 In some cases sudden high rates of urbanization may also be explained by the adjustment of city boundaries, incorporating peri-urban settlements that in previous censuses were counted as rural.
and abilities in a productive and gainful manner. The ILO estimates that about one billion jobs have to be provided by the end of this decade simply to employ the new entrants. This would require both faster economic growth and policies to promote the creation of decent and productive work opportunities.\textsuperscript{11} In view of global trends, pro-poor and pro-jobs policies and programmes are urgently needed in urban areas. So far, the inability of cities to productively absorb the influx and generate enough jobs of decent quality has led to increasing levels of urban informality, poverty and insecurity.

Meeting basic needs and keeping out of poverty in cities and towns is tied to finding a job or a source of income. What employment do cities and towns offer?

As they are often administrative, cultural and/or economic centres, cities offer more formal employment opportunities than rural areas. This implies that higher formal unemployment will also be found in urban areas, as people tend to look for jobs that match their qualifications and skills. Over the last few decades, the formal sector has proved unable to generate enough job opportunities to meet the growth in urban jobseekers, and both the qualified unemployed and the people with low employability have had to turn to informal self- or wage employment.

Table 2 shows that in all the developing regions, informal employment grew between the 1980s and the 1990s, which means that it provided a solution of some sort for an increasing number of urban workers.\textsuperscript{12}

**Table 2. Trends in informal employment: Major regions (1980–1999)**

<table>
<thead>
<tr>
<th>Region</th>
<th>% share of informal employment (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1980s</td>
</tr>
<tr>
<td>North Africa</td>
<td>38.8 (1)</td>
</tr>
<tr>
<td>Sub-Saharan</td>
<td>68.1 (1)</td>
</tr>
<tr>
<td>Africa</td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>52.3 (1)</td>
</tr>
<tr>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>53.0</td>
</tr>
</tbody>
</table>

Notes: \textsuperscript{(1)} Non-weighted arithmetical means; \textsuperscript{(2)} Informal employment estimates for 1990 and 1995; \textsuperscript{(3)} As a share of total non-agricultural employment; \textsuperscript{(4)} Excluding South Africa.


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\textsuperscript{12} A trend confirmed by the ILO Compendium of official statistics on employment in the informal sector, 2002: “In the case of all countries, for which (such) comparable time series are available, (except Thailand and Poland) the data show an increase in employment in the informal sector for both men and women.”
The Fifteenth International Conference of Labour Statisticians (ICLS, 1993) defined informal sector enterprises on the basis of the following criteria:

- Private unincorporated enterprises, i.e. enterprises owned by individuals or households that are not constituted as separate legal entities independently of their owners, and for which no complete sets of accounts are available. Private unincorporated enterprises include unincorporated enterprises owned and operated by individual household members or by several members of the same household, as well as unincorporated partnerships and cooperatives formed by members of different households, if they lack complete sets of accounts.

- Their size in terms of employment is below a certain threshold to be determined according to national circumstances, and/or they are not registered under specific forms of national legislation (such as factories’ or commercial acts, tax or social security laws, professional groups’ regulatory acts, or similar acts, laws or regulations established by national legislative bodies as distinct from local regulations for issuing trade licenses or business permits), and/or their employees (if any) are not registered.

- All or at least some of the goods or services produced are meant for sale or barter, with the possible inclusion in the informal sector of households producing domestic or personal services in employing paid domestic employees.

- They are engaged in non-agricultural activities, including secondary non-agricultural activities of enterprises in the agricultural sector.

The activities may be undertaken inside or outside the enterprise owner’s home, and they may be carried out in identifiable premises, unidentifiable premises or without fixed location.

Because an enterprise-based definition of the informal sector is unable to capture all aspects of an increasing “informalization” of employment, the 17th ICLS (2003) adopted a complementary job-based definition of informal employment. According to this definition, informal employment comprises the following types of job:

- own-account workers and employers employed in their own informal sector enterprises;
- contributing family workers working in formal or informal sector enterprises;
- members of informal producers’ cooperatives;
- persons engaged in own-account production exclusively for own final use by their household;
- employees holding informal jobs in formal sector enterprises, informal sector enterprises or employed as paid domestic workers by households.

Employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to standard legislation, income taxation, social protection or entitlement to certain employment benefits (e.g. advance notice of dismissal, severance pay, paid annual or sick leave) for reasons such as: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions); employment by unincorporated enterprises or by persons in households; jobs where the employee’s place of work is outside the premises of the employer’s enterprise (e.g. outworkers without employment contract); or jobs for which labour regulations are not applied, not enforced, or not complied with for any other reasons.

13 For further information, see the website of ILO’s Bureau of Statistics: www.ilo.org/public/english/bureau/stat
In all developing regions, self-employment accounts for a larger share of non-agricultural informal employment than wage employment (see table 3). In sub-Saharan Africa, the exclusion of South Africa in these figures would raise the share of the self-employed to 81 per cent of non-agricultural informal employment.

**Table 3. The share of self-employment in non-agricultural informal employment, by sex, 1994/2000**

<table>
<thead>
<tr>
<th>Region</th>
<th>Self-employment as a percentage of non-agricultural informal employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>North Africa</td>
<td>62</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>70</td>
</tr>
<tr>
<td>Latin America</td>
<td>60</td>
</tr>
<tr>
<td>Asia</td>
<td>59</td>
</tr>
</tbody>
</table>


Informal enterprises are active in all kinds of manufacturing and services, including home-based and domestic work, and street vending. Particularities of work in the informal economy are the absence of rights, the lack of social protection or dialogue, generally poor working conditions, low productivity and the use of production methods that are often harmful to the environment. The informal sector is also characterized by the strong presence of women workers and, too often, child labour.

The informal economy cannot be separated from the formal economy; it is an integral part of national and sometimes even global production, marketing and consumption chains. There is a continuum between formality and informality, along which enterprises move in response to the business cycle, the market and the exigencies of laws and regulations. Informality and poverty are thus not an inescapable outcome of urbanization, as poverty has been receding in certain regions, and enterprises are known to move towards more formal status when they feel it is safe and beneficial to do so.

**Table 4. Contribution of the informal sector to GDP in developing regions**

<table>
<thead>
<tr>
<th>Region</th>
<th>Informal sector GDP as a percentage of non-agricultural GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Africa</td>
<td>27</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>41</td>
</tr>
<tr>
<td>Latin America</td>
<td>29</td>
</tr>
<tr>
<td>Asia</td>
<td>31</td>
</tr>
</tbody>
</table>

(1) From selected country data for different years


Attempts to measure the contribution of the informal economy to GDP show that this is often significant (see table 4). In Africa, it can range from 24 per cent (estimate for Zambia) to 58 per cent (estimate for Ghana). The sustainable development imperative then is to mainstream this contribution, and to bring the producers into an integrated city economy through more productive work, better incomes, and a higher standard of living.

While some micro-enterprises in the informal sector do generate a decent income for the owner and the employees, most workers in the informal economy can be classified as working poor, i.e. engaged in jobs with low productivity and low pay which will not lift them out of poverty.

Worldwide, informality tends to correlate with poverty. Africa, the continent with the highest informality, is experiencing the greatest income poverty.

The links between informality and growth need to be studied in greater detail. Specifically, policies for poverty reduction need to incorporate more awareness of the goal of employment and income generation. They also need to focus on the links between informality, poverty and gender. Growing levels of urban violence in cities in developing countries indicate an urgent need to defuse the...
social and environmental time bomb of urban poverty. How to achieve the Millennium Development Goal of halving absolute poverty by 2015 in cities?

“Employment is fundamental to this challenge. Nothing, in fact, is more fundamental to poverty reduction than employment. To treat it as a residual outcome of macroeconomic and sectoral policy is wasteful and wrong.”

(Global Employment Agenda, ILO 2002)

This is particularly true in cities, where crisis can also be viewed as opportunity. The basic goods and basic needs crisis of burgeoning urban populations can be seen as an opportunity to employ the people who need these goods and services, and who also need jobs, in conditions of dignity.

An example of the urban informal sector: Metro Manila

In 1995, an ILO supported survey of households and enterprises in Metro Manila, capital of the Philippines, estimated that one out of five persons was engaged in an informal activity either as an owner-operator or as a worker (half were women), and that about 40 per cent of these earn less than the official poverty threshold. More than 90 per cent of the households surveyed had at least one member engaged in an informal activity. Only 18.7 per cent of the informal sector enterprises employed workers other than the operator.

The informal activities exhibited a strong survival rate as nearly half of those surveyed had been operating for five years or more, while slightly more than half began within the last five years. Sixteen per cent had been operating for less than one year. Surprisingly, half of the small enterprises surveyed were registered, mostly with municipal business permit offices, especially those located in a visible work place (e.g. sari-sari stores) and those in a sector with a relatively high level of regulation (e.g. tricycle operators). Those who did not register mostly felt that their business was too small and saw no particular reason for registering. Only 15 per cent of operators were covered by the national social security system through their business, and no more than 5 per cent had some form of private insurance.

II.3

Urban poverty and the environment

Home is the workplace for a sizeable proportion of the urban poor working informally, particularly women. Poverty forces poor households and enterprises to exploit their immediate living and working environment often beyond its capacity to restore itself, and so destroys the basis for any future improvement in their own lives and those of their children. Large swathes of deforestation are found around cities, uncontrolled disposal of household and enterprise waste is rampant, and the poor exacerbate pollution and fall prey to illness because they have to resort to obsolete technology, non-renewable, inefficient energies and toxic substances. In addition, difficult conditions in unplanned settlements are often compounded by seasonal flooding.

Clearly, if the urban economy is to be instrumental in eradicating poverty through expanding output, generating more decent jobs and complying with (more realistic and affordable) regulations, its production patterns and environmental management will have to become more sustainable. Enormous changes to production and consumption patterns are due to occur within the next 20 years, particularly in the key areas identified by the World Summit on Sustainable Development: water, energy, health, agriculture and biodiversity (WEHAB). Realizing these changes will be a source of challenges, but also of opportunities, particularly for cities and their hard-working, innovative and resilient dwellers. The goal of the ILO is to help ensure that all workers can find employment, in jobs that are productive, safe and freely chosen, and that provide a minimum of dignity and security. It is vital that these opportunities should be created through growth that is not only pro-poor, but also respectful of the environment which supports them.

Environmental protection, public health, occupational safety and health (OSH) and productivity are clearly important determinants of poverty reduction and wealth creation. The ILO started explicitly incorporating a concern for environmental sustainability into its work in 1981, when international labour Convention No. 155 on Occupational Safety and Health included provisions to protect the environment around the production unit as well as at the workplace itself. In his statement to the Johannesburg World Summit on Sustainable Development in 2002, the ILO Director-General clearly stated the vision that:

… changing unsustainable production and consumption patterns through environmentally friendly technologies means a revolution in the way we work and in the things we make. … A daunting challenge, yes, but also a massive opportunity for technological breakthroughs, investment, skills development, gender equality and decent work. In short, sustainable growth.
Occupational safety and health practices demonstrate how the workplace can be improved from a health, environmental and economic standpoint, without significant expense or particular scientific or technical support. The ILO is not alone in believing that improvements to the environmental performance of informal production units must be rooted in the workplace:

In the end, improved OSH practices may be where the critical breakthroughs will be made to improve overall small scale enterprise environmental standards.

(Dean Pallen. Reinventing the city: The role of small scale enterprise (CIDA, 2001))

II.4
Urban poverty and social integration

Bringing the urban poor into the social and economic mainstream is primarily a question of local economies generating enough jobs, but it is also a question of the quality of the jobs. Poverty results from a lack of jobs combined with a lack of social security and protection. What security do informal workers have, and what protection is offered to those made vulnerable by accident, sickness, disability, or old age? What voice do slum dwellers and informal workers have?

The need for solidarity and social protection

The lack of social protection is a major cause of poverty for those who depend on the informal economy for a living. Their living and working conditions expose the urban poor to risk on a daily basis. Sickness, disability, accidents and premature death, in addition to loss of the little assets they have, cannot be far off where there is no clean water or proper sanitation, where there is exposure to fire and flood, dangerous electrical wiring, casual use of toxic substances, dehumanizing work methods, overcrowding, crime and substance abuse. Crisis is a standard feature in the lives of the urban poor.

Exposure to these multiple risks is high, and the people in low-income settlements are the least protected. The quality of health care is lowest in the areas where they live and work, and emergency services such as fire brigades are virtually absent. Awareness campaigns and subsidies for safety measures often do not reach the working poor, and social security schemes do not cover unsalaried workers and self-employed entrepreneurs. Thus, the poor work hard to keep their heads above water, but without social protection the smallest crisis can ruin them. Should one income earner in the household be injured or become sick, the family can fall into absolute poverty, child labour or debt bondage.

The ILO estimates that 80 per cent of the population in most countries in sub-Saharan Africa and southern Asia have no health care coverage. The same is true for almost half the population in many Latin American countries and elsewhere in Asia. In Eastern Europe, although there are differences from one country to another, many people are excluded from social protection. Exclusion is rising in many countries under the combined effect of the growing informal sector and increasing job insecurity in the formal economy.

Social security, if properly managed, enhances productivity by providing health care, income security and social services. In conjunction with a growing economy and active labour market policies, it is an instrument for sustainable social and economic development. It facilitates structural and technological changes which require an adaptable and mobile workforce.

In response to their vulnerability, poor people in cities have often mobilized their resources and organized their own risk protection through burial clubs, mutual health protection or community surveillance. The coverage and benefits of these schemes remain limited by the poverty of their members/participants and they are proving woefully unequal to the challenge raised by the HIV/AIDS epidemic.

HIV/AIDS threatens the livelihood of many workers and those who depend on them – families, communities and enterprises.

(Decent work and the informal economy, Report VI, International Labour Conference, 90th Session (Geneva, 2002))
It also weakens national economies. In countries where most workers are in the informal economy, most of the people with HIV/AIDS are also in that sector—where social protection is most inadequate. The situation in several African countries is catastrophic. While “there is no question that the pandemic can be defeated”, more resources and solutions are desperately, urgently needed. A critical challenge is to implement measures on HIV/AIDS prevention in informal workplaces, to identify good practices and develop practical tools to mitigate the impact of HIV/AIDS on the informal economy, the last resort of the poor. One promising area is the prevention and care programmes organized within the mutual health funds which are being established for small enterprises and informal operators in many countries.

With the increasing share of informal activities in total employment, every country concerned with reducing poverty will aim to develop coverage for informal sector workers and their families. This requires broadening the concept from social security to social protection. The first line of protection consists of limiting exposure to causes of morbidity: improved public health infrastructure and services, and better OSH practices in the informal economy; the second line consists of enabling the poor to afford medical care through micro-insurance or local-level schemes to share risks and pool resources; and the third line consists of connecting such schemes with national schemes, since the best, most equitable social coverage is obtained when the cost of the risk is shared on the widest possible basis. The aim of this multiple approach is adequate social security for all, including women and men working in the informal economy.

More of the worst forms of child labour

Today, with rapid urbanization, rising poverty, and growing numbers of children orphaned by the HIV/AIDS epidemic, young people are increasingly vulnerable to exploitation in illegal, underground, and hazardous activities. The ILO International Programme for the Elimination of Child Labour (IPEC) estimates that in 2000 there were about 186 million child workers under the age of 15, with about 110 million under the age of 12. On average, there are more boys involved in child labour than girls; half of the boys are in hazardous situations while the proportion for girls is slightly over two-fifths.

Children working in cities tend to come from poor and extremely poor families, who have often migrated from rural areas in an attempt to improve their standard of living. The children work mainly in manufacturing, trade and domestic service. In all three sectors, they work long hours for low wages, and when traditional social regulation (e.g. apprenticeship) is not operational, they are completely without protection. In manufacturing, they may be found at the tail

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Social protection for the informal sector

Mutual health organizations are a possible answer to the need for social protection among informal workers. They are non-profit associations operating on the basis of solidarity between members. On the basis of members’ contributions and led by their own decisions, mutual health organizations arrange provident, mutual aid and solidarity measures aimed at insuring against financial risks related to illness, absorbing the consequences and promoting health.

A recent ILO Guide entitled Mutual health organizations and micro-entrepreneurs’ associations is intended for associations of micro-entrepreneurs interested in creating mutual health insurance schemes. The guide provides basic information on the advantages as well as the difficulties of these schemes. The approach combines the creation of new jobs with improved access to social protection.


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14 The ILO is contributing to UN-AIDS efforts through sensitization and promotional work, as described in its Code of Practice on HIV/AIDS, see http://www.ilo.org/public/english/protection/trav/aids/


16 www.iло.org/ipec
end of global supply chains which terminate in the shops of industrialized countries; more often they are producing goods for local markets. On the streets, or on the waste dumps which are home and workplace to so many, they are visible sorting rubbish, selling goods, carrying loads, shining shoes, etc., but their visibility elicits no protection. Girls, who are mainly in domestic service, are exposed to physical, psychological or sexual abuse from their employers.

In response, many governments have started developing country programmes in partnership with IPEC to reduce child labour and protect the rights of children to education and a safe place to live. International labour Convention No. 182 on the Worst Forms of Child Labour was adopted in the year 1999 and has been ratified by 147 countries, demonstrating that support for the movement against abusive child labour is strong and growing stronger throughout the world. In addition, a wide range of activities carried out by the ILO – from employment promotion to social protection – are indirectly contributing to the effective elimination of child labour. For instance, providing parents with decent work is one way to help children attend school.

Youth: A wasted generation?

More than 1 billion people today are between 15 and 25 years of age and nearly 40 per cent of the world’s population is below the age of 20. Eighty-five per cent of these young people live in developing countries where many are especially vulnerable to extreme poverty. Over 70 million young people are unemployed throughout the world according to ILO estimates, and several hundred million more will be looking for work over the next ten years. Young women typically face higher unemployment rates than young men or have lower participation rates, although the situation varies considerably between countries. Many of those young people migrate to cities to find employment but partly because of their lack of experience and skills, they are forced to seek employment in the informal economy. In the worst cases, the low wages, poor working conditions and frustrating absence of future prospects and opportunities within the available jobs force young people to earn their living through illegal and (self-) destructive activities, such as prostitution, stealing or drug dealing. Their energy and enthusiasm, instead of being put to good use, is wasted.

The ILO Director-General has joined the UN Secretary-General and the World Bank President in convening a Youth Employment Network (YEN). It recommends that all governments, in consultation with youth, business, employers’ and workers’ representatives and civil society groups, prepare “national reviews and action plans” on youth employment. Governments are invited to address four top policy priorities in their plans.

- **Employability**: investing in education and vocational training for young people, and improving the impact of those investments.
- **Equal opportunities**: giving young women the same opportunities as young men.
- **Entrepreneurship**: making it easier to start and run enterprises which will provide more and better jobs for young women and men.
- **Employment creation**: placing employment creation at the centre of macroeconomic policy.

In developing their plans, governments are encouraged to involve young people and to integrate their actions for youth employment into a comprehensive employment policy. Employment is seen not as sectoral policy, but rather as the successful mobilization of all public policies. In the next phase of YEN

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17 Status of ratifications in March 2004.

activities the focus will be on implementing the action plans at country level.19

Youth employment is an integral part of the Millennium Declaration, and can be seen as a key contribution to meeting other Millennium Development Goals, including those relating to poverty reduction.

**Most women in the informal economy do not prosper**

Worldwide, there are more women than men in informal employment; in developing countries, 60 per cent or more of women workers are in informal employment (outside agriculture). While women’s labour force participation rates are lower, they represent the majority of workers in the two largest groups of the informally employed, home-based workers and street vendors: 35-80 per cent of all home based workers are women. Again, while there is no simple relationship between working in the informal economy and being poor, the link, especially in the lowest-return activities, is stronger for women than for men.

Poor urban women in developing countries have restricted access to the jobs that would offer a decent life. Often, they take their caring responsibilities very seriously, choosing income-earning options that are compatible with this priority. In urban areas, intergenerational support networks have usually broken down and public or commercial alternatives are non-existent, unaffordable or simply not good. Women often lack the skills to take up better jobs, or they lack information about opportunities; and they may also be influenced by cultural norms. Many women thus perform their economic role from inside or near the house, either as homeworkers for a manufacturer or in their own enterprise, processing food, selling items, etc. For poor urban women in particular, their shelter is also their place of work. This makes them highly responsive to occupational safety and health improvements delivered with community/public health measures, as these enable them to make significant gains on several fronts at the same time.

Much of the work women do improves the urban environment, though it is not always recognized as a key to upgrading and maintaining the quality of sustainable settlements. They ensure the provision of water for the family, dispose of waste, manage energy resources and look after the health of other family members. They often have to meet most of the financial costs incurred. Some of these activities, traditionally viewed as domestic tasks (e.g. waste disposal, fetching water), are increasingly being taken up by women on a commercial basis, offering their services to neighbours and community members. Despite their relatively important economic and social contribution, however, women are disproportionately excluded from

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legal and civil entitlements, and they are only gradually acquiring the voice to articulate their needs, priorities and contribution to society. Therefore, along with their economic empowerment, women must be helped to achieve a more pronounced role in local decision-making and urban governance.

**Without a voice, the urban poor cannot be heard**

International law upholds the people’s fundamental right to set up and join organizations to help themselves and defend their interests. This right is stipulated in the relevant international labour Conventions. But those in informal employment find it difficult to organize themselves and acquire a voice. The informal economy comprises a wide range of activities and occupations, and very diverse interests. Moreover, few have the capacity and the time to initiate collective action, participate in decision-making and resource pooling on a sufficiently large scale. A few micro-entrepreneurs do join trade associations for pragmatic reasons, usually related to their immediate working environment. Here and there, community-based organizations (CBOs) or neighbourhood or ethnic associations attempt to fill the gap in representation. In many cities, groups of street vendors, home workers, micro-entrepreneurs, market women, etc. are developing and using all kinds of networks to keep up to date with business information and to protect themselves. But most of these associations lack strength and durability as they are not democratically managed, have no appropriate legal status or source of income, and hence cannot obtain legitimacy.

The political, legislative and regulatory environment in which informal-sector associations operate is sometimes unfavourable. In certain cases, national laws may even prohibit certain categories of workers, such as the self-employed or informal sector workers, from organizing.

Without representation, or “voice”, regardless of their contribution to city output, the urban poor are easily marginalized and disregarded, particularly in the context of scarce resources. Municipal and other local authorities are confronted with the problems, e.g. informal unregulated activity, but there is no one at the discussion table to negotiate solutions. All too often, this leads to inappropriate, ineffective and punitive action against people mainly struggling to make a living against very high odds.

The low level of organization among the majority of urban dwellers and informal workers is a major impediment to the creation of sustainable wealth that would eliminate poverty in cities. Vibrant cities that are socially and economically viable cannot exist without good governance and majority involvement in the decisions that directly affect all citizens. For not only is the right to organize a fundamental human right, organization and negotiation are crucial means for articulating and integrating different interests and voices constructively, particularly in times of social and economic change.

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18 For ILO activities to promote equality visit http://www.ilo.org/public/english/bureau/gender/

20 Two of eight “fundamental labour Conventions” relate to the rights of human beings at work to organize. In February 2004, the Freedom of Association and Protection of the Right to Organise Convention, 1948, (No. 87) had been ratified by 142 countries and the Right to Organise and Collective Bargaining Convention, 1949, (No. 98) by 154 countries.

22 A 1995 survey of micro- and small enterprises in Metro Manila, Philippines, found that 93 per cent were not affiliated with any organization, because they did not expect to gain any benefit (54 per cent) and because they lacked knowledge about existing groups (34 per cent).
II.5
Towards “cities at work”

Despite the social, economic, and environmental problems mentioned above, cities are acknowledged to be a force driving development in all countries. In planning to eliminate poverty it is important to remember that cities have huge advantages: economies of scale in reaching large numbers of people with basic goods and services, dynamism and resourcefulness, as well as the development of viable markets driven by purchasing power increases. The possibilities are there, amid the deprivation.

It is indeed a paradox that there should be such underemployment and wastage of talent where there are, on the one hand, needs of incredible magnitude representing hundreds of millions of work-days and, on the other, so many people available to do the work. The challenge is to generate the jobs to get the work done. This challenge can be met through creating an enabling environment and reforming the legal, administrative, planning and policy-making framework; encouraging social dialogue and participatory action; and designing practical approaches.

Decent work is central to resolving the problems of poverty and sustainable development in urban areas. Local authorities and representatives of the urban workforce, particularly women, must be encouraged to engage in “cities at work”.

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As employment is the key to poverty reduction and social inclusion, all local actors should work together to create the jobs that are needed. Local governments cannot act alone. They have to work with other actors operating in the local economy. Community-based organizations, business associations, home-based workers’ groups, cooperatives, employers’ organizations, trade unions, and a myriad of training, advisory and support institutions are often already in touch with informal entrepreneurs and workers. It should be their common strategy to operate in partnerships in order to implement an employment-focused development agenda. In many countries, this is possible for local actors since the central authority has devolved to urban governments. The challenge now is to take up that mandate in such a way as to make all stakeholders truly part of the process.

Local authorities: Promoting and protecting employment

Local governments everywhere have embraced their new role as managers of local development – 6,000 of them have set up Local Agenda 21 processes and many more have undertaken strategies to integrate the economic, social and environmental dimensions of local development. However, while participation and inclusion figure prominently in their concerns, employment generation for poverty reduction has yet to find its legitimate place on the agenda.

City management can play a leading role in promoting quality employment if it factors job creation into the various components of city development strategy. City managers can, for example, procure many goods and services locally, and undertake more...
employment-intensive strategies in the delivery of public goods and services. Enterprises create jobs when the business environment looks promising. City managers hold the key to a more favourable business environment: they lay down many of the policies and regulations enabling small enterprises to start up, expand and formalize. They can attract outside interests to buy from and invest in the city they govern. All of these can impact positively on employment.

The traditional role of local authorities was mainly to ensure the provision of infrastructure and services to residents. But the extent of unplanned settlements and the lack of basic services for millions of slum dwellers clearly demonstrate the failure of many cities in this regard. Realizing the impossibility of acting as sole service provider, many local authorities are embracing a new participatory framework that increasingly involves local actors in delivering services and building physical infrastructure. The local authorities retain a critical role, notably in establishing and enforcing a regulatory framework. They can often specify land regulations, infrastructure and building standards, contracting procedures, zoning laws, registration and taxation of enterprises (including micro-enterprises and street vendors), etc.

The integrated sustainable development agenda proposes new roles for local authorities, for example in linking occupational safety and health to public health and environmental protection; and in supporting and stimulating the extension of social protection and solidarity networks at local level. Local authorities are in a good position to articulate the needs of their cities, representing them in higher levels of national and international government. In this capacity, they need better access to policy-formulation at the higher level. They need to be involved in drawing up policies that will eventually affect them and the people they govern; this is especially true in the elaboration of national poverty reduction strategies. Governments tend to assign PRS implementation to local authorities without consulting them on the content of the strategy. Local governments have expressed the need for more information and involvement in the PRSP process.

Local ties will be crucial in holding societies together as they attempt to find their place in a globalizing world. Local authorities need to provide an enabling environment for local development, and in particular, to establish partnerships for employment creation. This is an important step towards sustainable poverty reduction. The ILO encourages local authorities to support and implement labour standards and to promote the quality of employment.
III.2

Representing the urban poor: Full partners

More and more urban managers are aware that consultation and participation are critical factors in accountable and transparent city management, with important gains in terms of social cohesion, local development and community contributions. Giving representatives of all the communities in the city a voice in charting the future is an important ingredient of urban social development.

The main difference between success and failure is the degree to which poor people themselves are involved in determining the quality and quantity of the services which they receive.


It is essential that citizens be involved in determining and delivering basic services. Basic amenities are largely absent in low-income areas, and few people earn enough to pay for existing services, including transport.

Informal settlements are characterized by the danger of dispossession and by overcrowding. Providing basic services according to normal building standards might mean demolishing homes and workplaces. It is essential to engage the residents of the area in finding and implementing viable and affordable solutions. Through the formation of representative and recognized community-based organizations (CBOs), residents can become full partners with local authorities, for instance in community contracting and public-private partnerships (PPP).

The organized participation of those directly affected will also be critical for improving social protection coverage. Poor people are already setting up schemes of their own, and they need technical and financial support to expand and strengthen them. This is an important area for solidarity at city and national level: it is the role of local authorities to promote such solidarity, to advocate to higher levels of government and to foster collaboration with the technical ministries responsible.

Non-governmental organizations (NGOs) have a crucial role in helping CBOs and neighbourhood committees such as youth and women’s groups to join in the decision-making processes of the city. This should lead to well-informed decisions, improved democratic governance and a more effectively managed transition towards sustainability.
It is also possible for informal-sector workers to create their own organizations in collaboration with employers’ and workers’ organizations. Most entrepreneurs and workers in the informal economy have few links with others in the same field. Associations would make it possible for them to exchange information and network to make their needs known in the wider political arena of the neighbourhood and the city. Traditional employers’ and workers’ organizations have begun to develop outreach strategies targeting employers and workers in the informal economy, to help them to organize, develop services for their members and engage in negotiation.

Employers and workers in the informal economy stand to gain from setting up formal organizations. These would help them pursue their interests through sectoral negotiations, and also in relation to the wider policies of local and national government. Unionization can raise awareness among both workers and employers. Organization can lead to better wages, improved working conditions and higher productivity in the informal sector as in the formal economy. There are good examples of effective action by unions of informal workers, one of which is SEWU, the Self-Employed Women’s Union of South Africa.

Participation and organization build the capacities of the urban poor, and joint activities with local authorities increase social cohesion within the city. Representative community organizations might be able to take up additional roles such as constructing, operating and maintaining basic infrastructures and services, such as access roads, drinking water and solid waste management. They may start microfinance systems, and establish community health and social protection

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**From dialogue to action: Durban’s informal economy policy**

Recognizing the need for a comprehensive, inclusive policy on the informal economy, the city of Durban in South Africa embarked on a consultative process backed by solid research. The vision was of Durban as a city with many employment opportunities, safe and attractive to investors, where people lived in a healthy and well-managed environment. This vision necessarily had to include the actors in the informal economy. The outcome of this consultative process is a policy with the following major components:

- Promotion of diverse economic opportunities along the whole spectrum from informality to formality
- Area-based management combined with sector-based support to small enterprises
- Integration of the functions of management, support for enterprise development and regulation
- Simple registration procedures (one-stop interdepartmental registration system based on unified information base)
- An integrated approach to environmental health, public health and occupational health
- Building the capacity of organizations of informal workers
- Promotion of safety and security through local action
- Securing the participation of formal businesses
- Integrated and inclusive institutional structures
- Monitoring and evaluation mechanisms
- Pilot projects

The policy, adopted in 2000, is based on the recognition that the challenge of governing the city has to include enterprise development, and acknowledges that management and support of the informal economy is a task that can be achieved through consultation with stakeholders and the provision of incentives.
schemes. Through participation, local community members can upgrade their technical skills and gain self-confidence, thus improving their employability and livelihood prospects. In particular, community participation provides entry points into the local labour market for underprivileged groups such as youth and women. For many urban poor this can mean a possible breaking away from the vicious circle of poverty and exclusion.

III.3

The private sector

The private sector is another important partner in the local development process. In practice this sector is made up of different components that do not necessarily have the same interests, outlook and influence. Service delivery can be made more effective and efficient by engaging private-sector operators. Contracting out may attract additional private investment and increase employment. Local authorities also need to consider what form of privatization might improve the capacities of informal sector operators and help them to upgrade. Local micro and small businesses would jump at the opportunity to supply goods to the local authorities; the authorities can favour the use of local resources above imported ones, thus promoting local employment. Local authorities can also resort to small local contractors for slum upgrading; with appropriate contract documentation, technical and managerial training and loan facilities, local contractors can compete for and carry out the contracts. However, care should be taken to ensure that privatization does not increase the vulnerability of workers. In many cases local authorities have used privatization as a means to reduce costs by laying off municipal employees. While some of these may be re-engaged by private companies, others are left to fend for themselves with or without termination grants, and usually without social protection. Workers engaged or re-engaged by private companies may be subject to poor working conditions, long hours and sub-standard wages; they may have no proper contract of employment and no social security benefits. This raises an important issue of labour rights. Privatization can only be a sustainable solution if it provides adequate protection for workers. This also means raising subcontractors’ awareness of the link between basic labour issues and productivity/profitability, monitoring contracts and conditions of work, promoting basic accident compensation, etc. Another important point is that while many services can be put out to tender, the authorities need to ensure that the work is properly executed – both from a technical and social perspective. Also, services to poor areas may not always be profitable for the private sector: from an equity perspective such areas will often need direct or indirect public subsidies.

At issue here is the basic fact that jobs and livelihoods are created when formal and informal enterprises start up and expand. Enterprises hire more workers (and improve working conditions) when they perceive market opportunities and good prospects for expansion. Through privatization and the modification of their procurement regulations, local authorities will open up new market opportunities for local business, thus creating
more jobs in response to perceived increased demand. Appropriate policies, regulations and incentives should enable local businesses to grow and become sustainable actors and partners in the local economy.

III.4

Promoting consultation: Starting the urban dialogue

For the majority of urban dwellers representation is still patchy. Nevertheless, alliances between the different social actors can provide a broad-based platform to engage in an urban dialogue for poverty reduction policies with a focus on employment.

Traditional social dialogue, collective bargaining, etc., takes place at national, sectoral or enterprise level, directly between representatives of government, employers’ and workers’ organizations. The tripartite partners attempt to find win-win economic and social solutions through consultation and negotiation. In the urban context, local authorities can develop their own, complementary approaches for an expanded social dialogue, drawing in all the partners at local level, including representatives of the urban poor. An expanded social dialogue can create a platform for addressing the employment, economic and social concerns of the different parties through information sharing, consultation, negotiation and shared decision making.

Organizing this platform will depend on institutional development. Two complementary approaches are possible: the first consists of public-private partnerships and community contracting; the second involves local economic development strategies. Both require representation of the local authorities, the Ministry of Labour and other ministries, community organizations, formal and informal employers’ organizations, local trade unions and workers in the informal sector. The ILO is well positioned to convene the different partners involved in promoting urban employment at the local level. The Office plays a similar role at national level in the context of social dialogue.

Partnerships to upgrade an unplanned urban settlement - The case of Hanna Nassif, Dar es Salaam

The community of Hanna Nassif had, for years, suffered from severe flooding. During the rainy season drainage water mixed with waste entered the houses and seriously limited access. This led to severe health problems and had a negative effect on the social, economic and physical environment. The community decided to address these problems and expressed their wish to the Dar es Salaam City Council who approached ILO and UNDP for support. Many organizations supported the Hanna Nassif community initiative,* but the most crucial partnership developed between the community and the local authorities.

In 1992 the community started organizing itself and in 1994 it was registered as a community based organization. With some ILO support it undertook the prioritization and planning of the envisaged works. The City Council agreed to the proposed upgrading works in the unplanned settlement and seconded staff for technical support. The UNCHS-supported Sustainable Dar es Salaam Programme assisted the Council in creating a conducive environment and a framework for replication. In 1994 the drainage works started. The construction work was split up in community contracts, which were signed by the City Council and the community representatives. On this basis, the Council transferred the contract funds to the community bank account. The community residents then implemented the works according to contract under the supervision of a technical team. In the second phase other contract partners also played a role.

In 2000 all drainage and drinking water supply works were implemented and the settlement had improved living and working conditions. In addition, the community (with support from the Ford Foundation) started to operate drinking water kiosks (for which they entered into an agreement with the water company), to manage solid waste (for which they contracted with the Council) and to operate a credit scheme for small loans to local community groups.

* Phase I of the project was executed by ILO with associated agencies UNCHS and UNV and received external funding from UNDP, Ford Foundation, European Development Fund and LIFE. The second phase of Hanna Nassif project was executed by UCLAS (University College of Lands and Architectural Studies) with associated agency ILO and received funding from NIGP/UNDP and the Ford Foundation.
Public-private partnerships and community contracting

Local governments are increasingly subcontracting and privatizing services, or collaborating in other ways with the formal private sector, but the informal sector has in the past been excluded from these types of collaboration. In future, much more attention should be given to ways in which the public sector can subcontract to, or otherwise work with, informal actors including cooperatives, local community associations, women’s groups and other bodies which can provide municipal services for a fee. This principle is now widely recognized, and was stressed in the UNCHS report The challenge of slums (2003): “If shelter and infrastructure are to keep up with demand, partnerships between public authorities and the private sector must become part of local government culture.25

In some countries privatization using community contracts based on enterprise principles has improved service provision. Community contracts have been used for urban infrastructure construction and maintenance and for the delivery of public services, and they have shown that problems such as flooding and waste accumulation can be turned into job opportunities, improving livelihoods and community well-being. Community contracting transforms slum upgrading into an equal partnership between community representatives and the local government, often with the assistance of a funding agency. This very fact forces the community to weld a common position out of the differing interests and priorities of its members.

Community participation in infrastructure works builds a sense of ownership of the assets created; this makes it more likely that the community will maintain the new infrastructure (e.g. through a maintenance contract).

Poor communities often do not have the capacity or contacts to articulate and communicate their needs; they also lack the necessary technical competence to design and implement their priority interventions. Local authorities play an essential role in providing technical support and creating an environment in which communities can formally organize themselves, acquire legal status and enter into legally binding agreements.

Local economic development

Local economic development (LED) is a process of participatory planning through partnerships between local government, the business community and NGOs (including CBOs). It aims to identify and implement strategies for territorial development based on the comparative advantage(s) of that area. The overall objectives of LED are to promote economic development, employment creation and poverty reduction at the local level.

The LED approach usually involves actors from the following three groups:

- Public sector: public institutions, local and municipal governments, etc.
- Private institutions: banks, associations of interest groups in the private sector, representatives of SMEs and larger companies, etc.
- Civil society: professional associations, non-governmental organizations (NGOs and CBOs), universities and learning institutions.

The LED approach establishes a forum for participatory planning and implementation of local development initiatives. It facilitates negotiation and consensus building between different interest groups, increases the capacities of local institutions and civil associations to work together on concrete projects, and as such also improves accountability of local governments.

An important aspect of LED is the assessment of comparative advantages of specific territories – these can be rural, urban or also encompassing rural-urban linkages. In the case of urban competitiveness, the ability of an urban region to produce and market products in competition with other urban areas is determined. The local potential is analysed, including economic structure, natural resources and infrastructure, as well as human and institutional resources. The overall objective is to focus development and investment efforts on an area’s most productive goods and services, thus increasing the economic productivity of that area. The increased economic activity creates employment and raises the standard of living.

In some cases Local Economic Development Agencies (LEDAs) are established with their own statutes and funds. While their mandate varies, they may offer various services relating to information, technical assistance, loans and training.

### Indonesia - Partnership for local economic development

In most LED planning processes, employment creation and poverty alleviation are explicit objectives. In Indonesia, PARUL (Poverty Alleviation through Rural Urban Linkages) has been developed as a pilot programme to strengthen rural-urban linkages in selected provinces and districts, in order to raise incomes and create productive employment for poor households in both urban and rural areas. The programme has established public-private partnerships at the provincial and district levels in all pilot regions. The partners formulate action plans, mobilize resources and implement the plans. This entails collaboration between government, private firms, farmers and other components of civil society, with a clear objective to empower the weaker economic actors (small enterprises, farmers, fishermen ...) through their participation in planning and decision-making in the public-private partnership. One aspect of the programme’s strategy concerns linking small-scale producers to broader markets through collaboration with larger scale enterprises, focusing on economic activities with a growth and export potential. PARUL-LED is implemented by the Government of Indonesia, and was supported by UNDP and UNCHS from 1998 to 2001.

For further information, see: http://parul-led.or.id

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26 For further information, see [www.worldbank.org/urban/led](http://www.worldbank.org/urban/led)
Below are examples of the services offered by a LEDA:

| Services to boost economic potential | • Carries out territorial surveys to identify economic development potential and contributes to local planning.  
• Promotes a management culture, particularly among populations that have limited economic resources.  
• Promotes productive associations and groups.  
• Strengthens existing institutions. |
| --- | --- |
| Services to improve production | • Supports the elaboration of feasible economic and technical studies.  
• Promotes the creation of productive projects.  
• Implements technical training.  
• Offers financial support through granting loans or mobilizing financial resources from other institutions.  
• Implements an information system that guides productive activities.  
• Promotes exchanges of technological development. |
| Services for territorial promotion | • Implements a survey of the territory by identifying potentials and opportunities.  
• Carries out marketing of the territory. |

**LEDAs**

ILO, in partnership with UNDP and UNOPS, has been supporting the start up and operation of LEDAs since 1992. Nowadays, 40 LEDAs are operational, of which 17 are in Latin America. The Central American LEDAs have created their own network. A survey of nine LEDAs conducted in 1999 estimated that between 1995 and 1998, they created 25,000 new permanent jobs, 7,000 enterprises (including cooperatives) and more than 20,000 temporary jobs, and they allowed the participation in development of more than 150 institutions and organizations. The total credit allocated was 8 million US dollars with a recovery rate of 95 per cent.
From want to work: Closing the employment gap

Unemployment, poverty and environmental threats most seriously affect the people who have the smallest resources and the least social protection. At the beginning of the third millennium, we are still faced with an astounding discrepancy between the huge amount of work that needs to be done to improve the lot of millions of poor people, and the simultaneous shortage of rewarding jobs through which the same people could take part in creating wealth and improving the quality of their lives. The ILO believes that the “right” investment policies and employment promotion instruments could help close the employment gap. These exist: the challenge is to put them to work.

Most ILO activities are directly or indirectly aimed at eliminating poverty through interventions in the world of work. In 1999 the ILO proposed an agenda for policies and action to address the gap between the realities of the world in which we live and work on the one hand, and the hopes that people have for a better life on the other: the Decent Work Agenda. The Decent Work Agenda comprises four interrelated objectives: generating employment and income, promoting rights at work, extending social protection and strengthening social dialogue.

In the effort to eliminate urban poverty, the ILO proposes to work simultaneously through four convergent approaches: reorienting investment policy and technology, developing enterprises, encouraging empowerment and collective decision making, and acting at local level. These approaches have been developed through decades of implementation, field testing and refining of methods that have already shown their effectiveness; the conditions for successful application are largely known.
IV.1

Pro-poor investment is the key

One of the first steps towards promoting employment consists of directing investments towards the poor, and implementing them in such a way that the poor are included and not excluded.

Wealth, expressed in decent housing, flourishing markets and businesses, adequate social services, clean air and streets, good public transport and thriving cultural activity, is the result of investments that create decent jobs for the urban poor. The objective of employment generation has to be addressed explicitly in economic and investment policy; the poor cannot wait for employment to be generated as a “trickle down” outcome of other policies.

The ILO promotes different ways of achieving this policy reorientation. One way is to include employment generation as a criterion in the assessment of public investment options (used in the European Union and some developing countries). Other ways are by promoting high-level employment and economic planning units with broad representation; by promoting a local planning methodology for prioritizing local investment options and developing public investment options that are employment-intensive.

The conclusion is that “if (a poor group) is provided with an appropriate mix of education, public facilities, access to credit, (and) land reform ... investment in the poor can produce benefits in the form of higher productivity and wages in the organized sectors ... In the short-run there may be a reduction in the growth of other groups through this redistribution of investment toward the poor, although this is by no means necessary. In the long run ... the transformation of the poverty groups into more productive members of society is likely to raise the incomes of all.”


IV.2

Choosing technology that employs people

One significant employment-intensive investment option is created by a policy shift from dependence on imported resources to reliance on resources that are locally available: communities, local institutions, local labour, local skills, local enterprises, local building materials, etc. This implies a change in technology. In the construction sector, for example, the shift from imported heavy machinery to local labour using lighter machinery produces a quadruple payback: (i) more people are gainfully and meaningfully employed; (ii) local capacities are developed, also facilitating maintenance; (iii) costs are lower; and (iv) the environment is better respected. The ILO has extensive experience of using local resource-based technologies, particularly labour-based methods, in over 40 countries. Such methods are often the only feasible technologies in densely built-up slum areas. They lend themselves readily to the small and medium-sized works that poor urban communities urgently need. The community and local private sector can take part in their design, project management, implementation and operation. The ILO provides policy advice to governments, technical advisory services, skills and management training at enterprise, community and government level.

27 The ILO Employment-Intensive Investment Programme (EIIP) proposes its services through the subregional offices of the ILO and notably through two regional antennas, the Advisory Support, Information Services and Training (ASIST) programmes in Africa and Asia.

28 References and materials are available from the ILO ASIST Regional Programmes.
Does ILO policy create jobs – decent jobs?  
An example from Madagascar

With financial support from NORAD, the EIIP has for several years assisted the Government of Madagascar to pilot-test the use of labour-based approaches in public investment programmes in the infrastructure and construction sectors. This support programme has now entered a new phase, under which higher policy objectives are being set for employment-intensive approaches, as they are mainstreamed into regular investment programmes.

The Government has established an autonomous Training Centre for Labour-Based Works, which, after an initial period of NORAD support, will become financially self-sufficient as it provides training services paid for by the major infrastructure investment programmes operating in the country.

In the context of the Transport Sector Programme, the Government and the World Bank, as well as several other financial partners, have decided to mainstream the labour-based approach by shifting some US$50 million (50 per cent of the road component of the Transport Sector Programme) to roads built with labour-based technology. Tendering for these contracts is open only to contractors properly qualified (certified training) in labour-based techniques.

As a result, the labour-based component of the Transport Sector Programme will:

1. Generate annually 100 to 150 contracts of US$75,000 to $120,000 each for labour-based contractors;

2. Generate some 16 million workdays of employment between 2002 and 2007, i.e. the equivalent of 16,000 full time jobs* per year over the five-year period instead of 4,000 jobs if equipment-based techniques were used. The net effect of the ILO’s policy advice is thus at least 4 times more jobs than what would have been achieved without it.** By comparison, 77,000 full time jobs exist at present in the formal manufacturing sector in the country as a whole;

3. Simultaneously pursue the objectives of job creation and decent work. The labour-based contractors are being trained in labour management issues, including conditions of recruitment, payment and safety of the workforce. The introduction of these labour management clauses in the contract documents provides a concrete example of how to put into practice the decent work agenda in the infrastructure and construction sectors.

* Based on 200 workdays per year.

** Indirect employment creation is not taken into account in these figures. Local resource-based approaches are usually estimated to generate additional indirect employment at a rate of 1.5 to 3 times the direct employment.
IV.3

Helping informal businesses create decent jobs

Local authorities have an important role in helping small informal businesses create more and better jobs. Their support to the informal sector should reinforce the fabric of economic activity, upgrading its performance and strengthening its links with the mainstream economic and social systems in cities. This will require them to simplify the regulatory framework, as it applies to small and micro businesses; to promote new market opportunities for MSEs, e.g. through local procurement; to renovate the places where the urban poor live and work, and to improve social protection and voice for citizens. Informal economy roadmap exercises can assist local authorities to identify and release the constraints barring MSEs from more formal operation.

A number of economic sub-sectors hold considerable potential for local action to stimulate micro and small enterprise growth, create jobs, promote workers’ rights and improve the living and working environment – for example in the construction and environmental service sectors.

Promoting urban sub-sectors: Construction

In many developing countries, public works are increasingly being subcontracted to the private sector. These moves have expanded the market for construction works and created considerable employment in existing and new enterprises. There is now a great deal of expertise at ILO in small contracting development, which has resulted in the promotion of a new subsector within construction. The innovation is that small contractors are trained to use local labour and local materials to take on contracts for civil works, e.g. erosion control, access roads, footbridges, drainage and water supply. The challenge is to ensure that this new employment is freely chosen, safe from hazards and well remunerated. The ILO has developed guidelines\(^{29}\) on capacity-building for labour-based contracting in the construction sector incorporating decent working conditions for employees. One of the advantages of this approach is that it reaches the very poor with decent jobs as construction workers.

Promoting urban sub-sectors: Environmental services

Improving the urban environment is an opportunity to create new enterprises. Renovation projects can generate large numbers of new jobs in addition to making settlements cleaner, protecting them from flooding, and maintaining drains and access roads, for example. In many cities this represents a largely untapped job potential. Some local governments are trying to change the local regulatory and legal framework to allow the formal participation of community enterprises and small businesses in public service provision. However, this requires a new attitude among authorities and elected councillors who often maintain a paternalistic view of the role of municipalities. It is indeed a major challenge to ensure equity and quality in public service delivery whilst allowing profit-oriented operators to improve outreach and coverage.

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Small enterprises solve environmental problems and create jobs

The collection and transport of solid waste in the city of Dar es Salaam has been the source of more than 1,500 jobs. Women and youth are the first beneficiaries of the new-style privatization that the City Council has adopted with ILO support since 1997. The ILO assisted the City Council to rationalize management and privatize recuperation of the solid waste in the city, and trained the local authorities as well as the waste collection contractors, thereby extending collection to previously unserviced low-income areas.

These “franchisees”, about 70 in all, are private enterprises, associations and community organizations. Sensitization campaigns, neighbourhood meetings and support from the local, elected ward leaders were crucial in ensuring fee payment by the serviced households and businesses. These fees make up a living wage for the waste collectors and cleaners. Moreover, the official recognition and praise they are receiving all around has altered their self-esteem and feeling of belonging to the local economy. They have recently formed the Dar es Salaam Waste Management Association (DAWAMA), officially registered in April 2001. Recycling and safe and healthy working conditions are key concerns. WHO and UNDP/LIFE have donated small safety equipment to the workers.

After the evaluation of the project confirmed the relevance and effectiveness of the approach, many other municipalities in Tanzania want to follow the project’s lead. Neighbouring Kenya and Uganda, as well as authorities in Zambia and Lesotho, have asked the ILO for assistance to tap the huge potential of jobs in making their cities clean. In January 2004, a new ILO technical support programme was launched to strengthen employment promotion in municipal service delivery in East Africa.
The ILO\textsuperscript{30} is supporting these attempts at change by providing technical training and guidance to both public and private actors. Special efforts are made to promote labour standards and safe working conditions, especially in waste management. The ILO support to association building among waste collectors is meant to facilitate the adoption of improved labour and safety practices, and to strengthen the voice of entrepreneurs and workers.

A community-focused approach may provide a good starting point for a locally rooted, representative decision-making process. ILO has been collaborating in UNCHS’ Sustainable Cities Programme in Tanzania and Zambia to effectively involve local communities in settlement upgrading and waste collection services.

ILO addresses the worldwide need for creating and improving jobs in urban micro and small enterprises.\textsuperscript{31} Given that a very high percentage of poor people are either self-employed or employed in such enterprises in developing countries, the ILO works to:

- create a conducive national and local policy environment that will help generate more and better employment through small and micro-enterprises;

\textbf{Shelter provision and employment generation}

In preparation for the 1995 World Summit for Social Development, ILO and UNCHS (Habitat) jointly prepared a publication that shows the strong links between shelter provision, poverty reduction, employment generation and social integration. It argues that investments in shelter are productive investments, rather than consumptive expenditure. Low-cost housing and basic infrastructures such as drainage and access roads are very suitable for labour-intensive and local resource-based methods, thus providing jobs to low-income workers and small-scale contractors. Different studies suggest that as much as 30 per cent of the of the construction costs of formal low-cost housing are used to pay local wages in the construction process, and an additional 10 per cent goes to labour utilized indirectly in the production and distribution of construction materials. In addition, for each unit of expenditure in informal sector housing, 20 per cent more jobs can be created than in those produced formally, and up to six times more (lower standard) dwellings can be built. The building materials industry also has immense potential to create more employment, through the use of local materials, local technologies and local small-scale enterprises. There is, therefore, a need to support and improve the small-scale informal construction enterprises in housing development and infrastructure upgrading. These construction activities trigger additional investments in building material production, transport and marketing. Shelter provision can also improve the quality of employment, particularly for those working in the urban informal sector, where the home and the workplace are often combined.


\textsuperscript{30} ILO InFocus Programme “Boosting Employment through Small Enterprise Development” (IFP/SEED) www.ilo.org/seed

• promote and provide vocational and managerial training for small and micro-enterprises and other relevant training for local economic development actors;

• support association building so that workers in small and micro-enterprises are included in the social dialogue;

• demonstrate to entrepreneurs how improvements in working conditions can lead to higher productivity and more profits;

• target the most vulnerable members of society;

• improve access to finance for the poor;

• make all relevant parties aware that the informal sector is the most important source of income for the poor and that it requires special efforts to improve the legal status of its workers and provide social protection.
Enterprise registration more than tripled from 1,100 to 4,000 between 1998 and 2000 after a municipality within the city of Lima, Peru, simplified procedures. About 45 bureaucratic steps were cut to 12, reducing processing time from 70 days to just one. In addition, the municipality established a business advisory office that assists an average of 2,500 clients a month.

To create an enabling environment for small enterprises at local level, 37 Units for the Promotion of Enterprises (UMPES) have been created in Peru over the last six years. In a collaborative effort between the Government and the Municipal Institute of Research and Training (INICAM), capacity building was undertaken in the following areas:

- Management training for enterprises
- Vocational training
- Promotion of trade fairs and market research
- Information concerning business development services
- Credit schemes
- Association building
- Employment promotion programmes

More recently in Peru, several local governments have established labour rights offices to advise operators in the informal economy about labour rights and assistance programmes. In neighbouring Bolivia, a law on simplification introduced a business registration card that also facilitated access to government tenders.

Helping communities to help themselves

The ILO pursues public-private partnerships (PPP) for local job creation, including community contracting, as a means of bridging the employment gap in poor urban settlements. It has been demonstrated that these approaches can turn many community problems into opportunities for work, improved well-being and greater social cohesion. The ILO finding that community execution of infrastructure or service contracts often lowers their direct cost, is also a strong point in favour of these methodologies.\(^32\)

Community contracts, however, need a conducive environment and it is therefore important to build the capacity of local authorities to anticipate needs, design works, manage contracts and work in partnership with community groups. Communities also require support and capacity building. Initially a large involvement of the community will slow project management and require considerable technical support.

The ILO guide *Community contracts in urban infrastructure work? Practical lessons from experience*\(^33\) takes practitioners and potential practitioners through the various stages of the process. The ILO has also prepared, in collaboration with partners, two international action learning courses, one for engineers and town planners,\(^34\) and the other for site supervisors.\(^35\) The courses enable participants to understand and appreciate their respective roles (and that of the community), in generating employment while creating basic infrastructure, and to carry out their role effectively.

A more general course guide called *Local employment in the informal economy*\(^36\) has been developed by the ILO to help raise the capacity of the Asian urban informal sector to generate decent work. It is concerned with making municipal officers and other urban actors aware of the significance of the informal economy in providing employment and income for large numbers of citizens. It provides a basis for interventions to improve the performance, working conditions and social inclusion of the informal economy. Participants in the course conclude with an action plan for their institution or organization, leading to local pilot initiatives.

In order to address the problem of building community capacity on a wider scale rather than on a project-by-project basis, the ILO promotes *Community-based training*\(^37\) (CBT). CBT consists of procedures for systematically identifying employment and income generation opportunities at the community level. Subsequently, skills and entrepreneurial training programmes are designed to help launch sustainable self-employment and income generating activities. For poor women entrepreneurs in particular, a Grassroots management training programme is offered which uses non-traditional training techniques such as theatre, role-play and story telling; this has a strong appeal for business people with low literacy skills.

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32 This is supported by a Dar es Salaam study of the achievements of 22 community contracts and two local private contracts in urban infrastructure upgrading which showed that the cost of community contracts are considerably lower compared to private sector contracts (ILO/ASIST, 2000).

33 Available from elip@ilo.org or asist@ilo.org.

34 International training course for engineers and town planners, Sustainable community-managed and labour-based upgrading of urban low-income settlements. ASIST/ILo, asist@ilo.org


36 Available from www.ilo.org/seed/ppp

37 CBT is promoted by IFP/SKILLS through non-country specific field manuals (that can be adapted to local socio-economic situations), national and regional workshops, policy advice and technical assistance. In 2004 CBT was further developed into the Training for Rural Employment and Empowerment (TREE) package.
IV.5

An integrated approach to local employment promotion

In the view of ILO, an integrated approach embracing social and economic objectives is necessary to set in motion sustainable growth and improved well-being for the world’s urban population. The formulation of such an approach requires a platform for an inclusive urban dialogue, involving the local authorities as well as private actors and their organizations, including those representing informal sector workers and employers and community-based associations. In this approach, employment promotion – more and better jobs – should be an explicit objective. When wages are paid to cash-starved communities as a result of employment-intensive upgrading, this ultimately has a positive effect on long-term employment creation and output because it creates a sudden, welcome rise in private consumption. This rise, associated with the general productivity improvements that are the outcome of the upgrading, sends a positive signal to enterprises. Once they start to sell more products and employ more people, they consume more resources. Within an enabling environment which offers business support, the increased demand will lead to further business expansion.

In this way, the initial investment starts to turn over, and, if it is large enough, it can launch sustainable economic processes that will support the progressive extension of social services to the poor. These economic and social goods, taken together, provide support for a decent life. Working simultaneously on several levels in this way, it is the ILO’s belief that developing countries can start to envisage urban economies robust enough to weather external shocks, able to capitalize on their assets and take advantage of opportunities. The generation of decent employment opportunities is both the means and the end of these processes.

ILO experience confirms that increased investment in poor areas, together with the right technical and organizational methods of implementation, can create a large number of jobs for the urban poor, which will allow them to live and work decently and with social protection. It also believes that there is great job potential in involving the poor in improving their own living and working conditions, and specifically in environmental protection.
Cities and their surrounding areas in developing countries urgently need to improve economic activities and raise incomes. This will require working on several fronts simultaneously, providing local and sectoral approaches with broader strategic frameworks and more concerted action. Given this imperative, the ILO proposes urban employment as the unifying concept for urban poverty reduction in the immediate future.

The international community has fixed itself the goal of halving poverty by the year 2015. The Habitat Agenda recognizes that promoting equitable, socially viable and stable human settlements is inextricably linked to eradicating poverty. The ILO believes that poverty can be significantly reduced by increasing the level and quality of employment among the poor in cities and extending social protection to them.

Poverty is the source of disturbing increases in environmental degradation by poor people, which compromises their future. Another characteristic of poverty is social exclusion in all its different forms, including the lack of representation of the poor in the policy, planning and implementation of decisions that affect them. Women and children are most affected by the different dimensions of poverty, exclusion and a degraded living and working environment.

Decent employment, which encompasses a job that respects human dignity and right to social expression, is a critical dimension of any solution to reduce poverty sustainably and rapidly. Accordingly, people who depend on the informal economy are high on the ILO priority list.

Fulfilling the mandate given to it by the international community, the ILO works to demonstrate:

- first, that it is feasible to make employment planning and job creation effective and meaningful;
- second, that it is feasible to ensure greater participation of the poor in policy-making, investment decisions and mainstream economic activities;
- third, that it is feasible to promote social cohesion and protection for the groups which are most vulnerable and exposed to poverty; and
- fourth, that this is fully compatible with sound environmental management.

The ILO will make its contribution to the goals of equitable, socially viable and stable human settlements for all. It will work as a global team player for more productive and integrated local economies. In partnership with other international, municipal and national agents, ILO can and should contribute to improved governance at the policy and strategic levels, at the planning and programming levels, and at the implementation level in urban settlements. Jointly, we can provide the tools and instruments for closing the urban employment gap in ways that upgrade and enhance the environment. Concerted action is an indispensable building block for transforming the many poor urban settlements into prosperous and sustainable Cities at Work.
CITIES AT WORK
Background information and statistics on the informal economy


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Employment generation in infrastructure works


——/Habitat. Shelter provision and employment generation (Geneva, 1995).

**Public-private partnerships and community contracting**


**Local economic development agencies**


**Social protection**


**Environment and small scale enterprise**

Canadian International Development Agency. Reinventing the city: The role of small scale enterprise (CIDA, Asia Branch, 2001).

**ILO policy on the informal sector, sustainable development and urban issues**


**Relevant ILO web sites**


**Web sites on urban issues**
