Urban poverty

Food for thought on an urban poverty research agenda… (mostly based on Latin America’s experience)

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Outline

- Some facts about urban poverty
- Implications for urban interventions
- Implications for an (applied) research agenda
Some facts on urban poverty

Urban Poverty in Latin America

- Lower incidence of poverty in urban areas
  - urban poverty incidence at 28% is half what it is in rural areas,
  - and extreme poverty incidence, at 12%, is a third
- But a majority of the poor live in cities:
  - 60% of the poor (113 million people)
  - half the extreme poor (46 million individuals)
- Demographics such, that poverty is urbanizing:
  - Continued (but slower) urbanization with big sub-regional differences
  - Without major shifts in poverty trends this implies continued urbanization of poverty
Urban poor - much more integrated into the urban economy

- So urban poverty more responsive to growth
  - elasticity -1.3 vs 0.7 in rural areas
  - more vulnerable to macro fluctuations

- Jobs are central to any urban poverty strategy:
  - Labor income - 4/5th of the poor’s income
  - Deeper labor markets THE advantage of cities
  - Low participation rates of the poor (72%)

- But:
  - Recent decline in “good” jobs for the low-skilled (e.g. in manufacturing)
  - Characteristics of the poor make it harder to access the fewer good jobs that exist – skills, social capital
  - Particular challenge for women – substantial increase in participation in the 90s but mostly in lower quality jobs

Social exclusion despite physical proximity

- Cities more heterogeneous socioeconomically
  - Not systematically more or less equal
  - But lower density of poverty, and dispersion of the poor across neighborhoods
  - Implication: hard to cost effectively target the poor

- But highly segregated:
  - Negative neighborhood effects (we think…)
Great social and physical risk

- Social networks less stable:
  - Relationships based more on the quality of reciprocal links between individuals and friends rather than on familial obligations
  - Implications:
    - Informal mutual arrangements face more challenges
    - More elderly without family support or living alone

- Much greater exposure to organized crime, drugs and gang violence:
  - Particularly true in Latin America with narco traffic

- Greater social risk in child rearing

- Shelter not always secure – titling; “natural” disasters

Overwhelmed rather than absent services

- Much higher nominal access to services that in rural areas:
  - 65% access to water in poorest urban quintile; upward of 90% for electricity

- But quality and availability low:
  - MX: only about half the poor get continuous water service

- Evidence:
  - Incidence of water borne diseases and ARI is higher among urban than rural poor
  - Infant mortality equally high despite much higher access to health care
The great myths...

- The greater availability of social insurance (pensions, unemployment, health insurance) makes social assistance less necessary
  - But high informality and low participation means social insurance coverage is very low among the urban poor (4 to 6% in MX, Peru)

- An urban bias in health and education expenditures favor the urban over the rural poor
  - Where it has been carefully researched (Chile, MX), not true

- Social assistance is more widely available in cities
  - May be true, but no evidence available

Coping strategies of the urban poor in LAC

- Housing as an alternative to formal retirement systems (Gill, Packard and Yermo, 2004).

- Added worker effect - the classic response of the urban poor to income shocks
Implications for urban interventions

- General interventions - city competitiveness
- Targeted complementary interventions:
  - Transport policy that specifically target the poor
  - Crime & violence – safety and stigma
  - Child-care (and possibly elderly care)
  - Micro-credit
- Workfare:
  - Complex in urban areas because public work more sophisticated
  - Targetting
Help the poor accumulate more and better assets

- Housing:
  - How to make it more liquid?
  - How to make it more secure?

- Financial savings – better savings instruments

Implications for an (applied) urban research
General points

- Many “myths” to investigate
- Many markets to better understand - markets in which the urban poor operate

Jobs – general question

What are the interventions that help improve the quality of jobs the urban poor can access?
Jobs – specific topics

1. Urban transport:
   - What are appropriate pro-poor policies?
   - What is the optimal subsidy design for public transport?

2. Child care:
   - What is the impact on women’s wage and job quality?
   - What is the impact on future educational success of poor children?
   - What is the appropriate design and subsidy scheme?

3. Residential stigma and social exclusion
   - Some evidence that living in a poor neighborhood complicates job searches and depresses earnings:
     - need for more, formal, research
   - Neighborhood effect literature developed mostly in the US:
     - how does it apply in developing countries?
   - What to do about it?
     - US approach of promoting mixed income zoning
     - Is this appropriate/politically feasible in developing countries?

Note: different policy instruments needed to cope with spatial vs. racial or sexual discrimination
Assets - housing

- What is the structure of used housing markets in low income neighborhood:
  - liquidity, buoyancy?
  - Stability overtime, as neighborhood formalize and densify?
- How do we make housing a better asset without harming or excluding those that aren’t currently homeowners?
- Role of housing as an alternative to pensions
- Rental markets:
  - Are policies biased towards homeownership?
  - Does this affect (labor) mobility?
  - Should we be doing more? If so, what?

Assets - Savings

- Saving patterns of the urban poor
  - Determinants – income, yes, but what else?
  - Instruments – what are they? How can they be improved?
- Bancarization:
  - US experience applicable elsewhere?
Assets – social capital

Policy implication of existing work:
- Social efficacy (Sampson work)
- Promoting “bridging” or “linking” social capital in low income neighborhood interventions

Social safety nets

Coping mechanisms for macro shocks:
- Workfare
- Other easily deployable alternative to employment insurance?