

Tackling Urban Poverty

Poverty in India has long been rurally imagined. Programmes, policies, missions and resources have followed suit. There are no urban equivalents, for example, of several national missions in work, health, or electricity, among others. This has, in the past two decades, begun to change as the challenges and sheer magnitude of urban poverty continue to rise.

How should policymakers address urban poverty? A focus on urban poverty demands a different approach from one on rural. It should further address not just income but multi-dimensional poverty. Put simply, it focuses not on how much money you have, but what kind of life you are able to live with it. Multi-dimensional urban poverty reminds us that income is only a means to what are actually valued ends for a dignified urban life: access to food, water, sanitation, housing and livelihood, among others.

Urbanising Poverty: Four Key Contexts

A demographic weight

Poverty in India was earlier measured by how much money was needed to buy a certain caloric intake of food. Moving to multi-dimensional poverty meant changes in how poverty is measured. Most recently, the Rangarajan Committee (2014) increased the weights on non-food expenditure components like health, education, rent and conveyance, especially in urban areas. The committee found that 26 per cent of the urban population, or 103mn people, are below the poverty line.

As India urbanises rapidly, these numbers will continue to rise. At this rate, 156mn of the estimated 600mn urban residents in 2031, will be poor. A nearly equivalent number will remain right above the poverty line, not officially poor, but at risk and still deeply vulnerable.

Small Towns, Big Problems

Where are these households? Imaginations of urban poverty typically converge around megacities and large squatter settlements or 'slums'. In reality, however, a majority of the urban poor are concentrated in small or medium-sized towns with less than 100,000 people. In 2004–5, studies found that 85 per cent of total urban poverty was in small and medium towns even though they

accounted for only 73 per cent of all urban residents. This is true not just of income; access to water, sanitation, secure work and secure housing all decrease dramatically from larger to smaller urban settlements.

The Registrar General of India responsible for the Census of India once famously said, 'many small towns in India can be thought of just as one large slum'.

The concentration of poverty in small and medium-sized towns is both a challenge and an opportunity, allowing strong interventions difficult in large cities (in land, housing or employment, for example) as well as impacting closely-linked rural poverty through improvements in these towns.

Tenure or Titles?

Economic growth over the past decade has led to a decline in consumption-based poverty. However, growth by itself is not sufficient to ensure poverty reduction; the nature of growth and its distribution also matters. Increasing inequality can actually dampen the poverty-reducing impacts of growth (Thorat and Dubey 2012). This is perhaps best exemplified by the fact that while multi-dimensional poverty has also declined in India, the decrease has not been at par with that achieved by our poorer neighbours, Bangladesh and Nepal (Alkire and Seth 2013).

Employment generation is the key link between economic growth and poverty reduction. However, India's growth over the past decade has been capital- and skill-intensive and has not led to sufficient job creation for its large unskilled workforce. Therefore, informal employment in urban areas has been increasing. Workers in the informal sector lack job security, access to health benefits, paid leave, and retirement and pension benefits making the quality of employment insufficient to enable gains in poverty reduction.

Exclusions from housing and services

One of the key differences in urban and rural poverty is the high cost of housing and basic services. Urban households spend up to a third of their income in housing and rent costs, much higher than in rural areas. Yet unmet need for housing remains highest precisely among the poorest income classes –95 per cent of housing

shortage is in households whose annual income is less than Rs 200,000 . Studies estimate that unmet needs in housing, if quantified, could increase urban poverty lines by nearly 24 per cent. These coupled with inequalities in access to water, sanitation and energy make households in the lowest fifth by income much worse off compared to their urban neighbours than similarly placed households in rural areas (WSP 2011).

A Multi-pronged Approach

How do we address these different dimensions of urban poverty? A multi-pronged approach is necessary.

1. Focus on Small and Medium Towns

Allocations across programmes to address different aspects of multi-dimensional poverty need to reflect disparities across states as well as the size of urban settlements within them. A dedicated programme for small and medium towns, with an institutional mechanism or body to track its outcomes, is an important innovation to enable this prioritisation.

2. Employment-centric urban growth:

In order to sustain growth momentum and simultaneously achieve poverty reduction, it is essential to adopt an employment-intensive growth pathway driven by existing cities rather than functioning only in separate manufacturing zones. To promote enterprise, state governments along with urban local bodies and para-statal agencies need to provide housing, infrastructure and public transport particularly in small and medium-sized towns, while the national government needs to ensure that these have adequate power supply and are connected through railways and highways. State pollution control boards will have to be empowered to mitigate environmental externalities of some labour-intensive industries.

3. Enabling Skill Development

Skill development, as imagined in the Deen Dayal Upadhyaya Antyodaya Yojana (DAY), for example, aims to provide skills training for wage employment and for self-employment. However, training needs to be matched with employer-demand for skilled workers. Moreover, the focus of skills training in India has to emphasise the informal services sector where the bulk of current and new jobs will be located.

4. Financial Inclusion

One key institutional mechanism to empower urban households to climb out of poverty is deepening financial inclusion. This includes not just expanding access to bank accounts but a set of directed interventions:

- Access to secure credit for investment, housing and asset building or consumption smoothing, via mortgagability of diverse housing titles.
- Access to insurance against welfare shocks including injury, catastrophic expenditures or loss of employment.
- Access to health insurance for preventive and curative care.

Linking such access to work status and delivering it through formal and informal employers could align and integrate employment-centred poverty alleviation efforts, increasing their efficiency and sustainability. Other options include either targeted or universal basic income grants as implemented in Brasil, Mexico, Venezuela and South Africa with considerable success.

5. Housing for All by 2022

The laudable mandate to universalise access to housing faces many challenges. Past policy interventions have unsuccessfully sought to increase the scale and pace of new housing construction to close a significant housing gap.

As argued elsewhere (IIHS 2015), Housing for All requires a different approach: a national, in-situ upgrading mission led and implemented by urban local bodies with assistance from the state and central governments. Such a mission begins from existing, self-built housing that comprises most of our housing 'shortage' – the answer is to upgrade this existing housing and extend its security of tenure. This is the only way to address housing shortage at scale.

6. Universal Access to Basic Services

There has been a growing convergence on the need to universalise access to basic services in urban areas, including environmental services like water and sanitation as well as access to energy. Exclusions from such services have severe consequences for households

(impoverishment, low productivity, malnutrition and even premature mortality), infrastructure (inefficiencies, high costs across disconnected systems), and the economy (loss in revenues, productivity and ability to attract investment).

Universal access to electricity for households has almost become an urban norm but small businesses and household enterprises remain starved for adequate, reliable power. To achieve universal access and improved service levels, the focus increasingly needs to shift to service delivery with a focus on the specific challenges of service provisioning to the poor, in small and medium-sized towns, and in weaker regions and states.

7. Expansion in Access to Health and Education

A constitutional guarantee to a Right to Education has enabled primary enrolment in urban areas to become nearly universal. Attention now needs to be paid to learning quality and outcomes, reversing dropout rates in secondary school particularly among marginalised communities as well as balancing the quality gap between public and private schools. The latter particularly, if reversed, would significantly impact housing expenditures and therefore poverty estimations.

Health, however, requires the kind of dedicated, centrally driven attention, resources and institutional support that education received through the 1990s. Primary and secondary health care infrastructure remains absent in even the largest of our cities, let alone small and medium towns. Supply constraints remain the primary stumbling block, and health spending (1.2% of GDP) is the lowest in India when compared to countries far more impoverished.

Key Messages

- Focused policies targeting small and medium towns in central and state government programmes on urban poverty.
- State- and city-level urban development strategies that promote and prioritise sustainable, employment-intensive growth in existing cities rather than primarily in separate manufacturing zones.
- Linking skill development missions with informal service-sector work in addition to current imaginations of industrial training.
- Universalising access to basic services including water, sanitation and electricity for all urban residents.
- Integrated financial inclusion mission that deepens access to credit, insures against welfare shocks and promotes higher human development.
- A housing upgrading-centred mission led and implemented by urban local bodies to universalise access to secure shelter.
- A resource-intensive national mission to increase health infrastructure and spending.

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