

Urban Poverty: Global Overview and Outlook

15th Meeting of the COMCEC Poverty Alleviation Working Group

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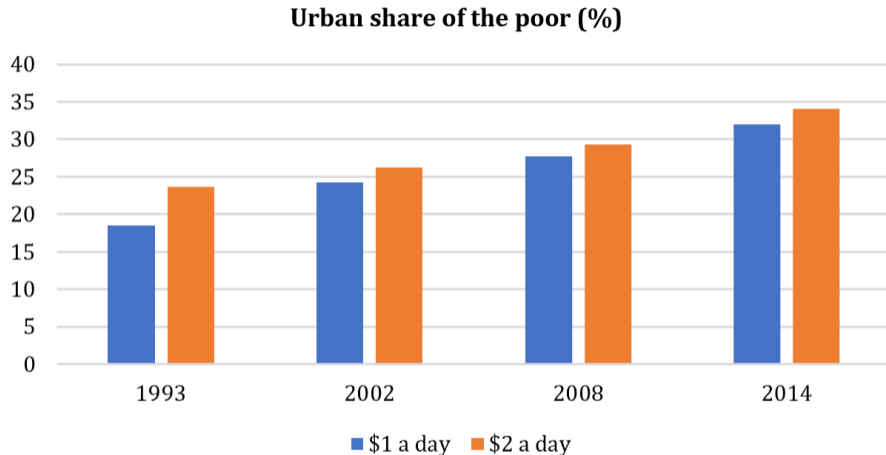
- Rapid development of urban areas has been a striking global feature of the past century.
- UN figures suggest that more than half of the world's population (around 55 percent) live in urban areas.
- Urban population increased more than six-fold from 751 million in 1950 to around 4.2 billion in 2018.
- Urban population growth patterns display significant regional heterogeneity across the world—the fastest-growing urban areas are in Asia and Africa.

Urban poverty: A growing challenge

- Sustaining the welfare of people living in urban areas has become a significant challenge.
- In 80s and 90s, around 80% of households below the poverty line lived in rural areas. As of 2014, this ratio is below 70%. Poverty is expected to further shift from rural to urban areas as urban populations grow.
- Rural poverty is still a key policy issue for economic development. But, rapid rise in urban poverty is expected to pose major challenges that need to be addressed urgently. Some *de novo* issues: Covid-19 and refugees.
- The New Urban Agenda—i.e., the SDG 11—aims “to make cities and human settlements inclusive, safe, resilient, and sustainable” and “ensuring access for all to adequate, safe and affordable housing and basic services, and upgrade slums.”

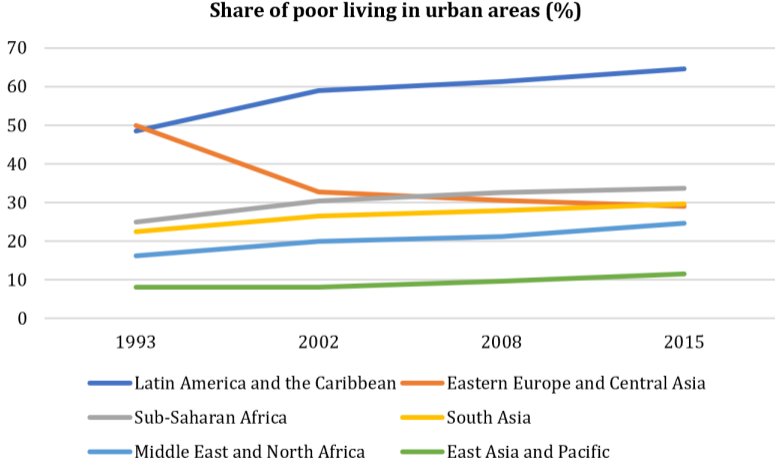
The aims of the report and conceptual framework

- The main goals of this report are to highlight key areas of policy interventions for the OIC countries and to identify policy recommendations to reduce urban poverty in line with the New Urban Agenda (SDG-11).
- It also discusses the main challenges in conceptualizing and measuring urban poverty with a particular focus on data collection and the use of ICT tools in monitoring poverty in urban slums.
- The report's conceptual framework highlights effective measurement of urban poverty as a key pre-requisite for evidence-based policy making.



Source: World Bank, World Development Indicators and Ravallion (2007).

Regional heterogeneity



Source: World Development Indicators and Ravallion (2007).

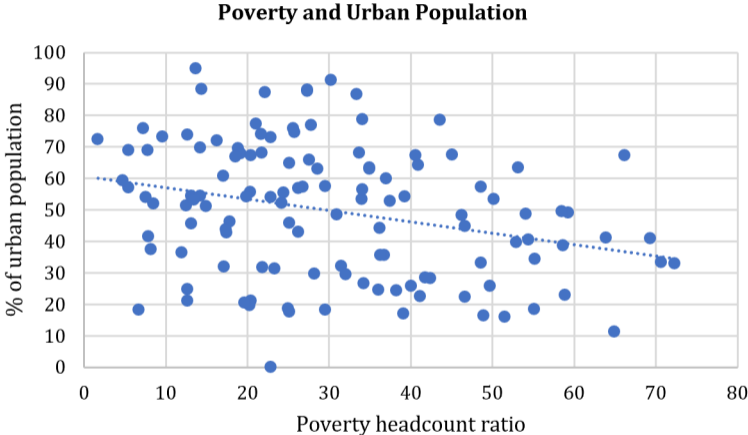
Slums feed urban poverty and inequality

- Over 880 million urban residents are estimated to live in slum conditions today, compared to 792 million and 689 million reported in 2000 and 1990, respectively.
- Median income is lower in rural areas than in urban areas. But, the percentage of people below the poverty threshold is lower in rural areas than in urban areas, which means that high economic inequality is an inherent feature of urban populations.
- Slums feed urban poverty and socio-economic inequality, which is a universal stylized fact.

Negative link between urbanization and poverty: A statistical flux?

- There is a weakly negative relationship between urbanization and poverty.
- But this is not a causal link. Highly urbanized countries have very low poverty rates in general—i.e., unobserved heterogeneity masks the true causal relationship.
- The classical perception that “urbanization is a generally positive factor in overall poverty reduction” may not be entirely true. In fact, increased urbanization in the underdeveloped world is associated with increased urban poverty.

Urbanization and poverty: A cross-country comparison



Source: World Bank, World Development Indicators.

Multidimensional nature of urban poverty

- Measures of poverty often focuses on monetary variables—income, consumption.
- “Urban poverty” is a multi-dimensional concept, and focusing on monetary measures may overstate the negative link between poverty and urbanization.
- As urban populations grow, access to key public services (such as health, education, security, transportation, housing, etc.) gets congested over time.
- Thus, non-monetary dimensions of urban poverty have become a crucial topic and urban poverty is now widely recognized as a “multidimensional” concept.

Determinants of urban poverty I

Dependent variable: Share of population living in urban slums							
	[1]	[2]	[3]	[4]	[5]	[6]	[7]
ln(GDP)	-0.025* (0.014)						
ln(Gini)		0.049 (0.083)					
Informal emp.			0.226*** (0.062)				
Female LFP				0.007 (0.062)			
Child emp.					0.258*** (0.056)		
ln(hosp. beds)						-0.009 (0.031)	
ln(rail line)							-0.022 (0.014)
# of obs.	99	93	62	102	82	104	63
R-squared	0.04	0.01	0.17	0.01	0.19	0.01	0.04

Robust standard errors are reported in parentheses. ***, **, and * correspond to 1 percent, 5 percent, and 10 percent significance levels, respectively.

Determinants of urban poverty II

Dependent variable: Share of population living in urban slums							
	[1]	[2]	[3]	[4]	[5]	[6]	[7]
ln(GDP)	-0.025* (0.014)	-0.034*** (0.013)	-0.006 (0.023)	-0.007 (0.023)	0.011 (0.025)	0.010 (0.025)	0.016 (0.031)
ln(Gini)		0.055 (0.082)	0.061 (0.075)	0.063 (0.073)	0.053 (0.079)	0.060 (0.071)	-0.086 (0.088)
Informal emp.			0.233* (0.122)	0.230* (0.122)	0.233* (0.129)	0.304** (0.118)	0.320*** (0.114)
Female LFP				-0.009 (0.085)	-0.034 (0.085)	-0.047 (0.089)	0.103 (0.089)
Child emp.					0.172* (0.100)	0.179* (0.104)	0.164 (0.132)
ln(hosp. beds)						0.041 (0.058)	-0.044 (0.054)
ln(rail line)							-0.059*** (0.020)
# of obs.	62	62	62	62	62	62	62
R-squared	0.04	0.07	0.20	0.20	0.26	0.27	0.47

Robust standard errors are reported in parentheses. ***, **, and * correspond to 1 percent, 5 percent, and 10 percent significance levels, respectively.

- Slum populations are mobile and their locations cannot be identified by official address-based databases as they engage in informal residency.
- They are typically under-represented in survey-based household data sets.
- To address under-representation, specific field surveys need to be designed to collect high-quality data; however, each region and culture have their own characteristics.
- Region- or group-specific surveys often cannot be brought together in a systematic way to have an idea about the big picture. Therefore, comparability and external validity of region-specific information might be low.

- Region-specific data collection is often costly, lengthy, and also requires intensive technical work, which mask the benefits in comparison to costs.
- Survey-based field studies often need to be supported by additional fine-grained regional information, which needs more effective use of ICT tools and techniques.
- Collecting high-quality data and sustaining targeted data-collection studies require long-term and consistent institutional support.

- With the rapid increase in urban populations, unemployment, underemployment, and lack of access to decent jobs have become major labor market issues in urban areas.
- The New Urban Agenda clearly indicates that the increase in joblessness in urban areas is positively correlated with urbanization trends in all regions of the world—but, the trends are more visible in Asia and Africa.
- High informality is a salient feature of urban labor markets in developing countries.
- With the advancement of new labor-saving technologies—such as automation and digitization—demand for manual and low-skilled labor constantly declines, which also feeds joblessness among the urban poor.

Job polarization, inequality, and urban poverty

- College-educated workers have experienced significant expansion/growth in their job opportunities and wages, which are mostly high-skill/high-wage jobs.
- Mid-skill/mid-wage jobs have sharply vanished and wage growth has been negative for this type of jobs.
- Low-skill/low-wage (mostly informal) job opportunities have also expanded, but the wage growth have been stagnant for low-skill jobs—slum residents.
- Job polarization is linked to the simultaneous increase in urban poverty and income inequality [Autor (2019)].

- Public investment in infrastructure leads to employment creation especially for low-income urban residents.
- Local resources, such as labor, raw and manufactured inputs, land, skills, and other human/physical resources are heavily utilized, which are associated with immediate welfare improvements for the residents.
- Common forms of infrastructure investment: construction, modernization, and/or maintenance of water/irrigation systems, mobile communication and internet network, bridges, ports/airports, roads/highways, railways, power plants.

- Recent forecasts suggest that the share of world population living in urban areas may increase to around 70 percent and the size of urban population is expected to reach 7 billion as of early 2050s.
- Most of the projected increase in urban population is expected to take place in Africa and Asia, which suggests that the OIC countries will be particularly exposed to the projected urbanization process.
- The UN projections suggest that, by 2030, there will be at least 43 megacities (with population greater than 10 million inhabitants) in the world, and almost all of the newly emerging megacities will be located in Asia and Africa.

- Rapid urbanization and deteriorating living conditions in slums make viable policy design a top priority. OIC countries are no exceptions.
- High population density in slums reduces the capacity of public policy to intervene and respond to urgencies, develop efficient long-term strategies for urban poverty reduction, and improve the living standards for everyone residing in urban areas.
- Accordingly, various areas are highlighted in this report to implement urban poverty reduction policies in the OIC countries.