POVERTY REDUCTION IN INDIA: TOWARDS BUILDING SUCCESSFUL SLUM-UPGRADING STRATEGIES

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Contents

Summary

Recent positive institutional reform measures, including decentralization of service provision to local levels and improvement in urban governance in a number of India's states, suggest that the country has a good opportunity to speed up growth and reduce poverty substantially in the new millennium. This paper assesses the suitability of

applying a set of rules developed by the ILO for the design of anti-poverty programs. The paper attempts to describe the complexity and dynamic nature of urban poverty. In this context the formulation of anti-poverty measures will necessarily be difficult. By exploring the issues emerging from a detailed impact assessment of slum improvement projects we have attempted to review a proposed framework for the formulation of anti-poverty programs. The paper suggests that these "rules" for anti-poverty projects, developed by the ILO, do provide a framework to help systematize thinking and which one can usefully employ as a form of a checklist. They valuably identify areas where close monitoring and management will be essential during implementation. If, however, they are to provide a comprehensive analysis of the likely anti-poverty impacts in the urban context, further work should be done to explore how both the wider institutional and socioeconomic aspects and the longer term sustainability dimensions of interventions can be captured. Any framework, to be useful in urban areas, must also ensure the complexities and the dynamics of urban poverty are locally exposed and explored so that there is at least some possibility that the differential impact of proposed initiatives can be predicted when formulating anti-poverty actions.

1. Introduction

Recent positive institutional reform measures, including decentralization of service provision to local levels, improvement in governance, and restructuring of state level expenditure in a number of India's states, suggest that the country has a real opportunity to speed up growth and reduce poverty substantially in the new millennium. What approaches and actions should be taken to achieve this end?

Of late there has developed a framework linking poverty reduction strategies with public actions. The elements of the framework include a comprehensive understanding of poverty and its determinants, choosing public actions that have the highest poverty impact, and the establishment of outcome indicators which are set and monitored using participatory processes. Poverty reduction is enhanced by providing economic opportunities to the poor. Opportunities presented are only as useful as the capabilities of the poor are to take advantage of them. Empowerment of the poor and their protection from economic shocks and personal violence (security) complete the scenario. Public actions or "levers" which have the appropriate impact on these determinants need to be implemented to achieve the desired outcomes.

Recent work carried out by ILO (*Successes in Anti-Poverty,* ILO, Geneva, 1998*)* has posited a number of "rules for successes against poverty" which could prove useful in designing the "levers" which need to be operated to create the setting for positive anti-poverty outcomes. The set of rules identified by Lipton and his colleagues in this work focuses on, among other things, the economic rationality of the poor, the need to reduce transaction costs, the avoidance of monopoly supply, and the building of performance incentives. The conclusions were based on research on rural poverty in various countries, including India, and results to date indicate that observing the rules in the process of anti-poverty program design and implementation leads to more positive outcomes than when they are not observed.

This paper examines the usefulness of these rules in the urban context drawing on

World Bank and the United Kingdom's Department For International Development (DFID) experiences in India, arguably the country with the fastest growing group of urban poor on the planet. The paper first briefly describes some of the key determinants of urban poverty in India. It then examines one set of "levers" which have been pulled in an attempt to improve the lot of slum dwellers in India: the provision of infrastructure and basic services for the urban poor. The paper then uses this evidence to examine the applicability of the ILO rules in the urban context.

2. Poverty in India: The Bigger Picture

Poverty in India is clearly declining but slowly and it remains widespread. As the economy grows, poverty diminishes, faster when the growth is strong, more slowly when growth is weak. This pattern holds for both urban and rural poverty. Indicators that measure the depth and severity of poverty suggest that the decline of poverty did not touch only those just below the poverty line while leaving the remaining poor unaffected. Rather, the process through which poverty was being reduced included those whose consumption levels were far below the poverty line. Nonetheless, because of India's rapid population growth rate, even this rate of poverty reduction has not been sufficient to reduce the absolute number of poor which increased from about 164 million in 1951 (when almost half the population was below the poverty line) to more than 312 million in 1999 (representing at least 35% of the population).

Other social indicators of well-being record a history of progress that has been, like the decline of poverty, steady but slow. Health and education indicators describe a country which has made substantial gains against widespread deprivation over the 50 years of its Independence but has not achieved the momentum needed to lift the great majority of its poor into the economic mainstream. Literacy has increased from 44% in 1950 to 62% in 1997. Infant mortality has dropped from 146 deaths per thousand in 1950 to 71 in 1997. Life expectancy at birth has doubled since 1947. However, more recent research has identified continuing malnutrition among young children.

The vast majority of poverty analysis that has been done in India rightly focuses on the rural sectors, where indeed 73% of its population of 930 million (mid-1995) reside. However, the remaining fraction of India's population, 250 million people, is projected to grow by a factor of between two and three to 660 million by 2025. This population growth rate is significantly larger than those affecting rural areas. There exist 23 urban centers, each containing more than one million people. The urban population is estimated to produce 50% of the GDP, expected to increase to over 60% by 2001. The magnitude and importance of the urban sector to the country's economy suggests that it behoves policy makers and planners to know more about India's urban population and especially those aspects which impinge upon the urban poor.

3. Definition and Indicators of Urban Poverty

There are a number of ways to define poverty in general and urban poverty in particular and how to best measure it in a population. Poverty can be described as the lack of specific consumption, i.e., not enough to eat. A broader definition defines poverty as the lack of command over commodities exercised by a population. A still more

sophisticated definition is based on the capability of the poor to function in society. This latter approach to defining poverty takes into account the functioning of a group and the degree to which it commands social capital, paying attention to what members actually do as opposed to what they can do.

A conventional approach to measuring poverty rates has been to identify the number of people (households) below a poverty line defined by the expenditure required by an average household to meet a specified minimum nutritional norm measured in terms of calories. This approach adopts the simplest definition of poverty but is subject to the criticisms that it is uni-dimensional, mechanistic, it leads to a perception of the poor as a passive group that can be objectively measured, it ignores income in kind which can often equal or exceed cash income, and it misses the crucial importance of neighborhood and environmental considerations. In many cases data limitations suggest the simplified approach, a combination of measures for consumption expenditure and social indicators. Moreover, in India, experience shows that different indicators have often told the same story. Various estimates have converged to between 30 and 40% of the urban population living in poverty, albeit the difference between the two numbers covers 25 million people!

	Rural	**Urban**	**Total**
Head count	35.7	29.9	34.4
No. of poor (million)	240.5	71.5	312.0
Percentage of total poor	77	23	100
Poverty gap	8.39	7.77	8.13
Squared poverty gap	2.83	2.73	2.69

Table 1. Poverty in India (1997)

4. Key Factors Affecting Urban Poverty in India

Labor markets impact on urban poverty. Urban poverty can be explained in large measure in terms of the Indian urban labor market. Very high levels of heterogeneity and stratification characterize India's urban labor market. The market appears to have very distinct compartments and urban vulnerability is a function of the compartment in which a household's main income earner is situated. Work carried out by researchers has extended this analysis in more detail by categorizing the compartments in the labor market according to the degree to which they were protected and regular. Not surprisingly, those workers that fell into the unprotected non-regular category obtained the lowest incomes. While only four% of households with fully protected regular working heads fell below the poverty line, more than 50% of the households with unprotected irregular breadwinners existed below the poverty line. The importance of casualization as the main and increasing source of urban poverty has been widely accepted. Casualization of the labor has been accompanied by the feminization of the labor market. An important question to examine is the way in which poor urban households respond to changes in economic circumstances and labor market conditions.

Women are substantially over-represented amongst the poorest (women and children

account for 73% of those below the poverty line). It has been asserted that gender differences within the incidence of poverty in urban areas are more intense than those in the rural areas. Increased female labor force participation, particularly among the lowest income households, is the single most important coping strategy, making female–headed households and poor women in general a distinct poverty group. Events that force women into the labor market often come as shocks to the family system. Such "shocks" include ritual celebrations, the most expensive of which are marriages which require dowries. The most calamitous event is the loss of a major income earner. Greater still are the impacts created by illness of a major earner. Coping with the costs associated with the illness often requires women to join the labor force or take on a second job. Where this is impossible, the most common non-labor response is through disposal of household assets or credit, the latter creating a household debt which further strains the resources of the family. A negative circular pattern of ill health leading to indebtedness leading to the loss of assets and further impoverishment can have a devastating impact on households.

4.1. Social Infrastructure

Human capital measured in terms of health and educational status is regarded as a key indicator of economic development. Health and education are considered critical measures of non-monetary dimensions of welfare as well as important inputs into an individual's earning potential. Despite the relative paucity of data stratified by socio-demographic factors in the urban sector, a degree of inequality in the current distribution of health and education can be observed. It is apparent from existing national data sets that ill health and low levels of education are concentrated among the lower income groups. Benefit-incidence studies have shown that a disproportionate share of the benefits of health and education programs accrue to the non-poor, often because the facilities are located closer to the non-poor and the non-poor make more use of the facilities because of the income effect, i.e., they are richer. Government social service subsidies are not well targeted and, consequently, are not efficient at redistributing income.

4.2. Vulnerability of the Urban Poor

The urban poor in India are highly vulnerable to social fragmentation and depletion of their social capital, the least tangible yet essential asset of the poor. Community and inter-household mechanisms have been weakened by social and economic heterogeneity. Societal divisions along non-economic lines have given rise to inclusion/exclusion mechanisms, central to the uses of communities and groups. Increased communal violence and social fragmentation can be attributed to loosening social ties, competition for access to scarce resources, and the widening gap between rich and poor. One way of overcoming the uni-dimensional aspect of poverty as currently defined in India is to analyze the vulnerability of households: the insecurity of the well-being of individuals, households, or communities in the face of a changing environment. To assess vulnerability there is a need to look at both tangible and non-tangible assets: labor, human capital, productive assets, household relations and social capital.

4.3. Location of the Urban Poor

Surveys of some of India's urban slums are reported to indicate that the mean income of the slum population is between 9 and 16% above the poverty line. Surveys indicate that 40-50% of slum households are living just below the poverty line while 11% are living just above it. The remaining 30-40% of slum dwellers live well above the poverty line. Conversely, it is estimated that only 40-60% of the urban poor live in slums or squatter settlements. The balance lives on pavements (close to sources of income), overcrowded tenements, or commute daily to and from peri-urban areas. The implication of this fragmented pattern of location of urban poor makes it difficult to target programs without risk of some degree of leakage of benefits to the non-poor.

4.4. Poverty and Basic Urban Services

The steady deterioration in the quality of the urban environment occasioned by increasing urbanization is having adverse effects on the urban poor. Although there is a general awareness of the relationship between environmental quality and health, information about poor areas on which to base policy and planning decisions is scarce. Such is the environmental stress in poor areas that even the non-poor living in such conditions do not escape the maladies created by lack of basic urban services. Kundu observes that approximately 34% of the urban poor are not covered by piped water supply and are obliged to obtain water from sources that mostly private and at a cost higher than that of the piped supply. The number of persons per public stand pipe in low-income areas far exceeds the norms established by public authorities (150 people per stand). Low pressure, interrupted supply and distance from dwellings all contribute to less than adequate service. Kundu notes that less than 40% of households with a monthly per capita expenditure of Rs. 85 (1993) or less have a toilet facility, and about 70% of those who do, share it with other households.

4.5. The Impact of Migration on India's Urban Poverty

A recent study on the relationship between poverty and migration in India illustrates the complexity of the question. It is clear that both poverty and inequality play a role as does the migrants' own interpretation of whether they are poor or not. Migrants come from a variety of districts, not necessarily the poorest, and historical reasons often play a crucial role in this. Some areas have developed a tradition of migration and, once certain patterns of migration exist, they do not change easily. Migrants come from a variety of backgrounds and they probably take up different jobs. They belong to various castes and to both landless and landowner groups. Although there is some evidence that the landless migrate less because they cannot afford the investment, this seems to be context-specific: in some areas they migrate less but this is not necessarily the case in other areas or in other periods. Data on income and expenditure of migrants as compared to non-migrants confirm the diversity of migration experiences. Although the poorest in rural areas may find it more difficult to migrate, there are data that show that in some areas the poorest do migrate. The comparison with the non-migrant population in urban areas shows that they are slightly better off. Finally, the scarce data about how migrants fare over time do indicate that they often are able to improve their position.

The phenomenon of cyclical migration, aside from adding to the complexity of the picture, also complicates the question of determining the urban population count.

The complexity about migrant characteristics, and the disagreement amongst urban researchers about them, contribute to the lack of clarity about how migration influences rural and urban poverty. If the poor are well informed and urbanize and do not greatly drive down the urban wage-rate or employment opportunities by doing so, the process would reduce poverty. But there are doubts about whether and how much migration contributes to poverty reduction. In a recent paper by Ravaillon and Datt, it is argued that in India the process of rural-urban migration has not contributed to poverty reduction. According to their analysis, agricultural growth has been the main cause.

5. Rules for Anti-Poverty Program Design in the Urban Context

Given the complex nature of the social, economic and physical environment in which a growing number of urban poor eke out their livelihoods, it is clear that the formulation of anti-poverty measures will be complex and problematic. To assist it is important to review the impact of anti-poverty initiatives that have been undertaken to date. If this is to be a useful exercise it is important to try to analyze findings in a potentially transferable framework.

Lipton and his colleagues' recent work, supported by the ILO, postulated "13 rules" for success against poverty. The work focused on poverty alleviation in the rural context and only briefly reviewed possible relevance to urban anti-poverty policies. The work is based on a detailed review of a number of rural credit and public works programs. This paper attempts to take this dialogue further by reviewing urban initiatives in India in the context of the proposed framework.

The Slum Improvements Projects (SIPs) are briefly described below and then the following section outlines key lessons emerging from a recent detailed impact assessment study of these projects. Taking these lessons from the SIP experience this paper then tries to see whether there is any useful application of Lipton's "13 rules" in the urban context.

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World Bank, India: *Achievement and Challenges in Reducing Poverty*, May 1997, Washington. [Poverty in India, like the nation's population, is predominantly rural but remarkably responsive to economic growth. As the economy grows, poverty diminishes, faster when growth is strong, slower when it is not. This World Bank report surveys widely varying poverty-reduction results across states and reviews the inequalities that persist across gender, castes and ethnic groups. The report cites slow progress in the investment in human resources as a contributor to poverty. The reforms India started in 1991 are said to hold promise of considerable improvements in the country's 300 million poor.]

Biographical Sketches

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Alison Barrett spent four years as head of the British Government Department for International Development's Urban Poverty Office in India and is currently South Asia Regional Adviser for Cities Alliance, based in New Delhi. As well as her work with official agencies she has worked with non-government organizations in both rural and urban development and emergency relief. Alison's first degree is in Civil Engineering and her postgraduate in Economics. Her current agenda with Cities Alliance, administered by the World Bank, is to encourage scaling-up slum upgrading and promote productive partnerships between government, non-government agencies and citizens for urban poverty reduction.

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Richard M. Beardmore is an urban planner with 25 years of experience in developing country urban development. He holds the position of a Senior Urban Specialist in the South Asia Energy and Infrastructure Unit of the World Bank where he is involved in urban policy and project development with counterparts in the South Asia Region, including India. During his career, he has worked throughout most of East and Southern Africa on issues of housing and urban development. His interests and experience covers areas of urban service delivery, urban policy reform, local government strengthening, urban housing, decentralization and post-conflict reconstruction. Prior to joining the Bank, he undertook long-term assignments in Kenya, Lesotho and Zimbabwe on behalf of bilateral development agencies involved in the urban sector. He holds degrees from McGill University and MIT.