

METROPOLITAN ECONOMIC STRATEGY

GROWING OUT OF POVERTY: URBAN JOB CREATION AND THE MILLENNIUM DEVELOPMENT GOALS

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Introduction

Improving the life of slum dwellers is a compelling mission. Creating decent work for all is a similarly ambitious goal. But the day-to-day reality for poor people living in rapidly expanding urban centers is lack of appropriate shelter and the absence of proper jobs. This escalating situation is driving them to work on their own solutions, with their own means.

Local governments and their partner organizations, together with the agencies that support them, can turn these often desperate initiatives into valid opportunities for job creation and better livelihoods. For that to happen, there are two prerequisites — political will, and popular support for integrated approaches that build on and strengthen community organizations and the local private sector. Certainly, national governments need to create the space for local government authorities to act and should facilitate the resources this requires. International agencies should provide the necessary technical and financial support that will enable local actors to move forward.

Slums are a physical manifestation of urban poverty. Many of those living in slums are deprived of adequate shelter and lack access to most basic services. They often do not enjoy any security of tenure, nor can they effectively participate in municipal policymaking. At the root of urban poverty lies the shortage of jobs and of the opportunity to earn an income through decent work. If upgrading programs and empowerment strategies address explicitly the need for jobs, they will be far more successful.

Policies to improve the lives of slum dwellers and to provide adequate alternatives to new slum formation should therefore incorporate employment promotion. This article documents the employment dimension of urban poverty reduction strategies in general and slum upgrading in particular. It builds the argument that employment generation for the urban poor can be effectively promoted at the local level through the simultaneous application of key policy measures and tools, producing outputs which are far greater than the inputs required. Employment generation should not be left to “trickle down” as the outcome of policies and interventions in other areas. Pro-poor job creation can and should be actively promoted as a key step out of poverty and an important stride towards greater social integration.

This article explains how improvements in infrastructure, housing, and services would be much more sustainable if supported by the simultaneous promotion of decent employment opportunities to reduce urban poverty. Employment provides households with the financial means necessary to ensure access to adequate housing, essential services, and basic needs. A decent living requires decent work. The challenge is twofold: not only are many more jobs required to absorb the ever-growing urban workforce but, equally important, strategies are also needed to enhance the quality of urban work in terms of returns to labor productivity, workers' incomes, and working conditions.

Urban Poverty, Income, and Employment

“In facing the challenge of slums, urban development policies should more vigorously address the issue of livelihoods of slum dwellers and urban poverty in general, thus going beyond traditional approaches that have tended to concentrate on improvement of housing, infrastructure, and physical environmental conditions.” (United Nations Human Settlements Programs, *Global Report on Human Settlements, 2003*)

This excerpt is one of the main messages of UN-Habitat's recent global assessment of slums. It puts the "cities without slums" challenge squarely in the global fight against poverty, and underscores that urban policies and programs should not only address the physical aspects of slums, but focus much more explicitly on the fundamental problems of un- and underemployment, lack of income-generating activities, disempowerment, and exclusion, as well as rising income inequalities.

Slums and urban poverty increase worldwide

The worldwide number of slum dwellers was 924 million in 2001. By 2030, this number is projected to increase to 2 billion. Slums will continue to expand, even in fast-growing developing country economies. They are the physical manifestation of rising urban poverty, also known as the urbanization of poverty: an increasing number of the world's poor are living and working in cities and towns. Currently, close to 30 percent of the urban population in developing countries lives below official poverty levels. It is estimated that by 2020 this proportion could reach 45 to 50 percent of the total population living in cities — a 297 to 355 percent rise in absolute numbers (from 128 million households in 2000 to between 381 and 455 million households in 2020). As Box 1 shows, the speed and magnitude of urbanization pose an urban management challenge, particularly in sustaining the provision of adequate jobs, infrastructure, and basic services, especially in developing countries.

Box 1: The increasing urbanization of poverty in Africa

- In the next 25 years, roughly 400 million people will be added to the African continent's urban population, putting tremendous pressure on cities.
- Africa is likely to host an exceptionally large slum population in the years to come. From 1990 to 2001, African urban slum populations increased by about 65 million, at an average annual rate of 4.49 percent, or about 2 percent more than the total population growth (2.68 percent).
- Based on these estimates, if no effective pro-poor policies are implemented, urban slum populations are likely to double, on average, every 15 years, while the total population doubles every 26 years.

Urban management: The jobs challenge

How does accelerating urbanization affect employment and the labor market? Over the next 10 years, the International Labor Organization (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, seeking to use their talents and abilities in a productive and gainful manner. About 1 billion jobs need to be provided by the end of this decade simply to employ new entrants to the labor market. This would require both faster economic growth and policies to promote the creation of decent and productive work opportunities. In view of global trends, pro-poor and pro-jobs policies and programs are urgently needed in urban areas. So far, the inability of cities to absorb the influx productively and to generate enough jobs of decent quality has led to increasing levels of urban informality, poverty, and insecurity.

Urban poverty is a multidimensional phenomenon. Lack of access to employment and adequate income is the main determining factor of poverty, especially in urban areas. Urban dwellers are required to spend a larger proportion of their cash income on basic goods and services (food, fuel, water, shelter, sanitation) than rural dwellers. The urban poor also suffer other deprivations such as inadequate housing and job insecurity, disempowerment and lack of basic infrastructure and services, insufficient social protection, and lack of access to health care, education, and personal security.

The linkages between the income dimension of urban poverty, its causes, and its impacts on other dimensions of urban poverty are summarized in Table 1.

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 its equitable redistribution. Employment directly and positively affects the other dimensions of urban poverty.

"Nothing 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).

Employment generation should be a top priority for urban planners, managers, and policy-makers. Well-defined policies are necessary to promote employment for the urban poor. Efforts to improve living conditions in low-income settlements can by themselves be a source of employment and wealth creation. Conversely, jobs are more easily destroyed than created, hence the need for the municipal planning and regulatory framework to facilitate and steer, rather than obstruct, the informal and small-enterprise sector.

Table 1: The income dimension of urban poverty

Visible causes or contributing factors	Policy-related causes	Impacts on other dimensions of poverty
Underemployment: Staunch competition for low-paid and low-productivity jobs.	Macroeconomic crises reduce real incomes.	Inability to afford housing and land, thus, underdeveloped physical capital assets.
High degree of income insecurity, of wage earners (casual work) and self-employed workers (informal sector).	Failure of public services such as education, health, infrastructure, and transportation to keep up with demand and to serve the urban poor (including issues such as resource allocation, accountability, pro-poor planning and implementation, civic participation, and political rights).	Inability to afford adequate quality and quantity of essential public services, e.g., water supply and solid waste removal, thus unhygienic living conditions and health risks.
Lack of social protection and vulnerability: Illness, accident or death can take a whole family from mere poverty to extreme poverty.		Poor human capital — bad health and educational outcomes due to stress, food insecurity, and inability to afford education and health services.
Unskilled wage labor/lack of qualifications to get well-paid jobs.	Regulatory constraints on small enterprises perpetuate "informality" of work available to the poor, discourage asset accumulation and access to credit, and increase vulnerability of workers.	Depreciated social capital, high inequalities, and frustration such as youth unemployment lead to violence and crime, further impeding local economic development.
Inability to hold a job due to bad health.		Occurrence and persistence of child labor.
Lack of access to job opportunities — the urban poor often have to trade off between distance to jobs and cost of housing.		

Informal employment is growing

Over the past few decades, the formal sector proved unable to generate enough job opportunities to meet the growth in urban job-seekers, and both the qualified unemployed and people with low employability were obliged to turn to informal self-employment or informal wage employment.

Table 2 shows that in all of the developing world, informal employment rose between the 1980s and the 1990s, providing a temporary economic solution of sorts for an increasing number of urban workers.

Table 2: Trends in informal employment – Major world regions (1980-1999)

Region	% share of informal employment (3)	
	1980-89	1990-99
Asia	53.0	63.0
Latin America (2)	52.3 (1)	56.9 (1)
North Africa	38.8 (1)	43.4 (1)
Sub-Saharan Africa	68.1 (1)	74.8 (1) (4)

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

As Table 3 shows, self-employment accounts for a larger share of non-agricultural informal employment than wage employment in all developing regions. In sub-Saharan Africa, the exclusion of South Africa in these figures would raise the share of the self-employed from 70 to 81 percent of non-agricultural informal employment.

Table 3: Share of self-employment in non-agricultural informal employment, by sex, 1994-2000

Region	Self-employment as a percentage of non-agricultural informal employment		
	Total	Women	Men
Asia	59	63	55
Latin America	60	58	61
North Africa	62	72	60
Sub-Saharan Africa	70	71	70

Urban youth: The quest for work

Unemployment among young people between the ages of 15 and 24 years old is a particularly pressing problem in urban areas, and even more so in slums, which often comprise a relatively youthful population. Young people constitute a large proportion of the rural-urban migration while older people often return to their rural areas to “retire”. Teenagers and young adults are particularly affected by growing urban poverty, high levels of unemployment, changing family patterns, the HIV/AIDS pandemic, and deteriorating environmental and health conditions over the past two decades. At the same time, young people are our partners today and the promise of the future. Failure to adequately invest in youth now imposes great constraints on the potential for future development. Data indicate that in Africa, 46 to 98 percent of working youth in slums are engaged in informal economy activities (Figure 1).

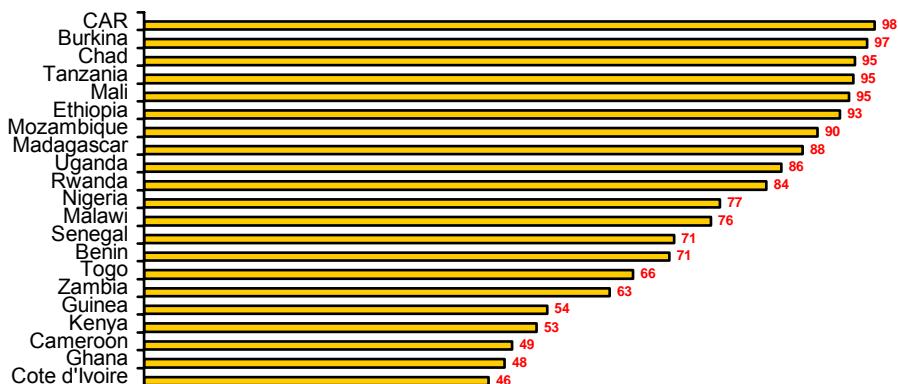


Figure 1: Africa – Percentage of youth in slum areas working in the informal economy

Note: CAR = Central African Republic.

UN-Habitat's Global Urban Observatory (GUO) data further reveal that youth living in non-slum areas are twice as likely to still be attending school as youth in slums. Young slum dwellers drop out of school earlier, enter the job market earlier, and are either working in the informal sector or seeking a job. They are more likely to have a child, to be married, or to head a household than their counterparts in non-slum areas. As family responsibilities increase, the need to earn an income also grows. However, due to adverse economic conditions in most African cities and countries, and low levels of education, most young slum dwellers end up scratching out a living from marginal, low-income, and sometimes illegal activities in the informal sector. Trapped by a vicious circle of low earnings, insecure jobs, low education, and early family responsibilities, in a highly competitive job market because of widespread un- and underemployment, these young women and men have very little opportunities to raise themselves and their families out of poverty. This situation has broader consequences: youth who have limited job prospects and are frustrated about their future are more at risk of falling into personally and socially destructive activities. In turn this deters physical and human capital investment, and undermines efforts to start a process of local economic development.

The disastrous effects of urban youth unemployment are becoming particularly apparent in Latin American and Caribbean cities. Economic stagnation, poverty, and extreme income differentials within these cities have led to a growing prevalence of crime and violence, especially among abandoned street children and unemployed young people. Inadequate skills and scarce employment opportunities make young people more susceptible to participate in rebellions and insurgencies, and to resort to illegal means of earning incomes. High crime rates deter investment, thereby perpetuating poverty, feeding more crime and civil unrest. This vicious cycle may ultimately threaten the stability and democratic values that were attained over the past two decades, as well as the economic and political stability of the region.

The feminization of urban poverty

Poor living conditions in slums, including the lack of water, sanitation, and electricity, along with the harmful pollution and precarious housing, affect women more than men. Women also bear the burden of raising children under the most appalling conditions. In UN-Habitat's *The State of the World's Cities 2004*, all of the standard indicators — poverty rates, health care, education, participation in the labor force, and participation in the political process — reveal the extent to which urban women are worse off now than they were a decade ago. The urbanization of poverty is accompanied by another phenomenon in many parts of the developing world — the feminization of poverty. In urban areas as in informal settlements, up to 50 percent of households are headed by women, who typically rank among the poorer segments of the population. Often unable to inherit land and property, women migrate in large numbers from the countryside to urban slums. Once there, they live and work under the constant threat of eviction, crime, violence, HIV/AIDS, and the daily dangers of unhygienic public toilets. Current statistics show that

between 58 and 60 percent of people infected with HIV/AIDS in sub-Saharan Africa are women. Research conducted by the African Population and Health Research Center shows that slum women are more vulnerable to HIV/AIDS infection than their non-slum counterparts. This is largely the result of the extreme deprivation that prevails in slums. High levels of unemployment, unstable sources of income, and the predominance of low-paying jobs push many women and children into prostitution to supplement household incomes.

Working women in all age groups depend on the informal economy more heavily than men, accounting for 90 percent of women working outside of agriculture in India and Indonesia, nearly three-quarters of women in Zambia, four-fifths of those in Lima, Peru, and more than two-thirds in the Republic of Korea. However, the number of women and their economic contributions are likely to be underestimated because they engage in home-based work and street vending, activities which are the most difficult to document. Often, they choose income-earning options that are compatible with childcare and domestic responsibilities. Many women thus perform their economic role from inside or near the house, such as processing food or selling small items. Even within the informal economy, women tend to be concentrated in lower-income segments than men. This results in a significant gender gap in earnings and in the benefits and protection afforded by work. While there is no simple relationship between working in the informal economy and being poor, the linkages, especially in the lowest income-earning activities, is stronger for women than for men. There is a significant correlation between gender, informality, and poverty.

Clearly, women slum dwellers must find better ways of generating incomes if they are to improve their own and their families' living conditions. Supporting women's work will lead to support for poor households and poor children. Therefore, a gendered approach to the informal economy is effectively also a pro-poor approach.

Promoting Enterprise Development and Job Creation for Low-Income People

The informal economy

Most of the urban working poor are part of the informal economy, occupying low-paid, low-productivity, and low-security jobs. This is often an expression of weak or inappropriate governance as well as the result of market forces. Harsh competition for income-earning opportunities has created a "race to the bottom" with increased pressure on wages, working conditions, and workers' rights. Operators in the informal economy lack security and access to markets, financial services, and other types of business support. To break this cycle of informality and poverty, local authorities can (i) adjust their laws and regulations to lower the costs and increase the benefits for people to formalize their enterprises; and (ii) provide assistance to small enterprises to upgrade their skills and increase their access to productive resources and market opportunities.

Regulations that promote formalization

There is ample evidence that the costs of formalization and the local tax burden inhibit many entrepreneurs attempting to start new small enterprises. For existing entrepreneurs wishing to expand their ventures and hire more workers, "red tape" bureaucracy and unaffordable labor regulations often frustrate their efforts. In reaction, many decide to remain in the "grey zone" between the formal and informal economy, at best registering only part of their workforce, paying for a business license but not paying taxes, and other "grey" practices. For example, a study of 150 micro-enterprises in the United Republic of Tanzania in 1992 concluded that "the main reason for entrepreneurs not respecting the requirements of national labor laws and international labor standards is the so-called cost of legality... These enterprises are already only just breaking even." In other words, the costs and complexity of

compliance was found to constitute the key motivation for non-compliance — and not the exploitation of workers for profit.

To promote compliance with labor regulations, a progressive approach is likely to achieve the best results. The first step is to identify and prevent the most abusive conditions such as debt bondage, discrimination, exploitation based on dependency, and child labor. Furthermore, national governments, in consultation with their social partners, should conduct a review to determine i) how rights provided in existing labor legislation can be practically and effectively applied to the informal economy; and ii) where it may be necessary and possible to extend the existing legal scope of rights to cover informal workers. This review of how labor legislation can be more effectively applied to informal workers should also consider whether legal requirements might be simplified — to make it easier for employers and third parties, including intermediaries, to comply with these regulations, and for workers to understand their rights. Note that drafting and enforcing labor regulations are usually done at the national level. Local governments have little influence over matters such as the minimum wage and other labor laws, including hiring and firing, social security contributions, and working conditions.

Complexity and costs of registration are deterrents

There are various ways to assess the extent and costs of registration and compliance. For example, business climate surveys were used in Viet Nam, where key stakeholders and entrepreneurs were asked their opinion on the difficulties faced by local businesses. The results of these “polls” were collated into a consultative forum on ‘Micro-enterprise Day’. This marked the beginning of a lengthy reform process to make the regulatory environment more favorable.

Extensive and detailed “road-map” studies in a number of countries provide a detailed picture of what it takes for the poor to gain access to local government offices and pay the bribes, in addition to paying for the business registration and license fees. In Tanzania, a UN study found that many entrepreneurs make regular, genuine efforts to license their businesses and register their ownership. But the time wasted and money spent often deters them from taking further steps. Regulations are multiple and complex, and many of them are outdated or inappropriate to the size and operations of the small-scale ventures of the poor.

Many well-intentioned citizens give up their efforts to formalize their businesses. They are condemned to pay the fines and bribes to enforcement agents who control the streets and markets. The accumulated “costs of remaining informal” are usually overlooked or underestimated in economic reviews and private sector analyses. It is often held that enterprises choose to remain informal in order to avoid regulatory costs and taxes. But if offered a genuine service in return for the payment of fees and taxes, many entrepreneurs will formalize their businesses.

Compliance — a tool for developing the small-enterprise sector

Recent ILO research affirms that small enterprises complying with business registration requirements create more employment over time than those that do not comply. Legal provisions can be carefully drafted to reduce the costs of compliance for small enterprises. Problems arise from overlapping responsibilities among government departments and from the build-up of an outdated “web” of policies over time, some of those outdated policies serve no obvious purpose and may even contradict others. Box 2 shows how compliance offers practical benefits to small-enterprise owners and workers by increasing their access to the support and services available within the formal economy. Thus, an enabling national policy framework uses compliance with well-crafted laws and regulations as a tool for developing the small enterprise sector.

Box 2: Lima (Peru) — Lowering the regulatory barriers and increasing the benefits of formalization

Enterprise registration more than tripled from 1,100 to 4,000 between 1998 and 2000 after a municipality within the city of Lima 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. More recently, several local governments established labor rights offices to advise operators in the informal economy about labor rights and assistance programs.

Rethinking tax thresholds for small-scale enterprises

Another step forward is tax reform. In early 2004, the Tanzanian government decided to exempt enterprises with an annual turnover of less than US\$20,000 from paying income tax. Although designed to ease financial burdens on the poor who are working as self-employed entrepreneurs, this tax exemption also may create a barrier for growth-oriented enterprises. To remain eligible for income tax exemption, small entrepreneurs might prefer starting additional small ventures. In such cases, gradual scales of fees and taxation may be better ways to draw enterprises and employees into a single, integrated formal economy.

Incentives to formalize

Other than simplified registration procedures and lower fees, municipalities can offer incentives for formalization. One example is to add business information and support services to the registration unit or desk. Apart from a fundamental shift in perception by the entrepreneurs, this welcoming approach also helps people to find their way to available sources of credit, new market venues, or management consultants. The Bolivian government went a step further and introduced the “Enterprise Card”, a registration certificate that made the registered enterprises eligible to participate in procurement programs.

Municipalities promoting private entrepreneurship

The key to creating more job and income opportunities for the urban poor is through more pro-active, entrepreneurial municipal governments. Reducing the costs of business registration and increasing the licensing benefits is only one dimension. An increasing number of local governments are adopting a much wider mandate, promoting their cities and towns as good places to invest and develop.

Municipal marketing

To make small enterprises in slums more visible and accessible, municipalities can set up directories and “yellow pages” information systems. For example, in one municipality in Lima, Peru, the mayor initiated a census enumeration, including a listing of business activities, both formal and informal, in low-income areas. Subsequently, the mayor was able to encourage foreign buyers of garments to purchase goods from “slum” enterprises with the potential to deliver quality products on time. Supported by technical and management training and an innovative low-cost leasing arrangement for sewing machines, several hundreds of essentially home-based enterprises have benefited from this new market outlet, largely established by the city government.

Some urban areas develop an overall vision about the potential of the local economy. In Bolivia and Brazil, for example, municipalities set up promotional campaigns to make better known to outsiders the advantages and benefits of their locality. These actions are called “municipal marketing”. In South Africa, the city of Durban has adopted a comprehensive policy specifically addressing poverty in the informal economy (Box 3).

Another venue for obvious promotional efforts is tourism. Municipalities help attract tourists by helping direct them to local bed-and-breakfast facilities and local markets. Beautifying parks and green spaces,

improving security, upgrading and maintaining historic sites and other attractions — all of these policies and programs contribute to drawing more tourists.

Box 3: Durban's informal economy policy — Comprehensive and inclusive

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 adopted was one 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 included the informal economy. The outcome of this consultative process is a policy with the following components:

- Promotion of diverse economic opportunities along the spectrum from informality to formality;
- Area-based management combined with sector-based support for small enterprises;
- Integration of the functions of management, support for enterprise development, and regulation;
- Simple registration procedures;
- 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.

Adopted in 2000, this policy is based on the recognition that the challenge of governing the city must include informal enterprise development. It also acknowledges that management and support of the informal economy is a task that can be undertaken through consultation with stakeholders and the provision of incentives.

The Durban initiative has sparked similar consultations in other South African cities, notably Johannesburg. With the support of StreetNet and the ILO, capacity building in organization and representation will accompany the process of collective bargaining that has already started.

Source: <http://www.streetnet.org>, www.ilo.org/seed/associations

Municipalities facilitating business development support, skills training, and microfinance

As promoters of economic development and job creation, municipalities can opt to develop support programs specifically targeting the poor as entrepreneurs. Box 4 gives a successful example in Benin.

Box 4: Cotonou (Benin) — Supporting groups of women micro-entrepreneurs

Despite the important contribution of women micro-entrepreneurs, municipal authorities seldom take their concerns into account. Usually, women micro-entrepreneurs must count on their own efforts and ingenuity in developing their activities, with the assistance of their families and relatives.

Development organizations have provided support to micro- and small enterprise development as a means to reduce poverty. In Cotonou, Benin, the ILO has pursued an integrated approach that combines financial and non-financial assistance. Based on existing savings and credit systems, a mutual guarantee fund was established to support loan programs for groups of women entrepreneurs. Capacity-building for association building and collective initiatives underpinned the approach. A self-managed common loan fund support center was established with the assistance of the municipal government. More than 2,000 women benefited directly from this support. These savings and loans groups now have well-functioning relationships with local banks and the municipal authorities. Their success and visibility has led to the replication of the approach in two other cities in Benin.

A second example in Amhara, Ethiopia, strengthened women micro-entrepreneurs' associations through ILO-supported training. After analyzing their needs and prioritizing their actions, a pilot trade fair was held to exhibit their products in a central location in town. The commercial success — sales of the day represented more than normal monthly turnover — sparked a rapidly growing interest in adhesion and membership contributions. In consultation with the city government authorities, one of the central road junctions is now designated for holding trade fairs three times a month featuring women entrepreneurs.

In both examples, micro-finance and access to markets are crucial ingredients in successful enterprise development and income generation. The underlying organizational strengths of the women entrepreneurs to negotiate and maintain a physical space — either to obtain business support or exhibit their goods — were decisive in sustaining and scaling-up these initiatives.

Micro-finance programs illustrate the need for supporting enterprise development. For example, one newly developed financial instrument for small enterprises engaged in construction and in building infrastructure is micro-leasing. Lack of access to investment funds is a serious constraint for local contractors attempting to win bids for infrastructure upgrading. Even when the contracts are primarily labor-based, the costs of acquiring small vehicles or equipment are often insurmountable. With the contracts used as collateral, micro-finance institutions are starting to offer equipment to lease. This is now happening in Ethiopia and Ghana, for example, after considerable capacity-building in financial and administrative management. The government's role is to recognize and promote such initiatives and ensure that local, labor-based contractors, including small businesses without the required capital assets but supported through leasing schemes, are included in tendering procedures.

Similarly, local governments can operate or facilitate business service information centers. In El Alto, Bolivia, a huge slum settlement of about 500,000 inhabitants at the outskirts of La Paz, a business support program backed by the Inter-American Development Bank (IADB) and the municipal government established referral centers for small entrepreneurs in search of appropriate management training, technology support, market opportunities, financial services, and association support. Rather than directly providing business development services, the program took a mediating role in an effort to better link private market demand with the supply of local goods and services. In other cities, this function is sometimes provided in collaboration with business associations and non-governmental organizations (NGOs).

Supporting street trading

Many of the urban poor obtain an income from street trading, and many of the urban poor also buy from street traders — a phenomenon that performs an essential role both in terms of economic development and distribution of income. Women and youth are often over-represented in street-trading activities. The space for and contribution of street vendors is much disputed and the subject of numerous confrontations, sometimes violent, between local governments and street traders. There also are reports of increased crime after government action against street vendors. For example, in Kenya, local authorities reported significant crime increases following the destruction of kiosks throughout Mombasa. The demolition of the illegal businesses left hundreds of residents without sufficient incomes. Authorities fear that incidences of violence and armed robberies may continue until alternative means of earning income are developed. At times, various municipalities tried to address the problem, but this frequently led to ad hoc solutions based on donor funding, such as providing new indoor market facilities at inappropriate locations with unaffordable rents.

In a few cases, however, municipalities have made genuine attempts to include representatives of street traders in planning for improved street trading arrangements. In Durban, South Africa, the city government recognized that effectively managing the conflict over a scarce number of spaces for street traders will only occur when public officials can negotiate with strong organizations of informal workers,

and that the government can play an important role in enabling these organizations to flourish. Local governments can also do much to educate public employees about why informal workers and their organizations are relevant contributors to the health and strength of the urban economy. Gathering data on the informal economy, including number of workers, their employment status, enterprise size, sectors in which they work, and traders' economic contribution to the city and the region, can be useful tools for making policy and educating the general public. In India, the Self-Employed Women's Association (SEWA) uses statistics as part of its successful strategies in negotiating for better working conditions for women street vendors and home workers.

In a second example (Box 5), street vendors in the Philippines organized themselves and negotiated effectively with local government officials in Cebu. The Cebu story illustrates why municipalities should recognize, and work positively with street traders to promote economic development and poverty reduction. Street trading will not disappear anytime soon, even with accelerated economic growth. As long as poverty and informality persist, people will take up petty trading. New forms of informal trading can be found today in the shopping malls of Bangkok and Jakarta. Certain zones around and within these spacious commercial buildings are officially designated for use by organized street traders.

Box 5: Cebu (Philippines) — Organization of street vendors

The informal sector is important to low-income people in Cebu because large numbers of the workforce earn their incomes this way. One significant area of activity is informal trading, generally on the streets. During the early to mid-1980s, the situation of street vendors in Cebu was very difficult. Local government officials were hostile to their activities, and their stalls were frequently demolished.

Gradually, the street vendors became organized. Over the years, conflicts and negotiations with the municipal administration made vendors more representative and politically stronger. Street vending has become more acceptable to the city government during the past decade, and informal traders increasingly are able to earn money in the city without harassment. However, the situation remains far from easy. Demolitions continue, creating immense difficulties for groups of the urban poor who have few alternative sources of income. While the Squatter Prevention Encroachment Elimination Division of the city government provides some support to keep areas tidy and acceptable to other users, street vendors dread the operations of this division. On the whole, the relationship between the vendors and the municipality is satisfactory, although in some cases vendors complain of the lack of due process. As a result of continuing difficulties, and trader association lobbying supported by a major NGO in recent years, government authorities agreed in 2000 to establish a technical working committee to recommend new practices.

Within the vendors' organizations themselves, development of organizing capacity is mixed. Leadership struggles mean that groups come together, in some cases affiliating with the citywide federation, only later to break up and/or leave. While successful organization and subsequent negotiations have offered greater security to groups such as the Tobacco Vendors Association and the Lahug Vendors Association, problems remain. In the case of the CTDA, a trade association for trisikad (jitney) drivers operating at the port, association leaders are vulnerable to pressure from local politicians, making agreements that provoke divisions within their membership and so weaken their unity and effectiveness. Despite this, the associations have had some success in resisting repressive enforcement and in winning certain concessions from the Cebu Port Authority.

Women street vendors

Urban city planners are often oblivious to many of the obstacles regularly faced by women street traders. Gender-responsive transportation, security, childcare services, access to sanitation, and other infrastructure and service improvements can ease the burdens of female street vendors in their struggle for economic survival. Equally important is stopping harassment, confiscation of goods and money, and arrest by police forces, because many informal women vendors are subjected to constant police harassment because they lack legal status and formal recognition.

Designating space, allocating land, and building basic infrastructure

Street trading should be given its appropriate and negotiated place in a city's space, although planners typically pay little attention to such small-scale economic ventures. One exception is Bangalore, India, where access to land is facilitated for the poor in order to enhance their incomes (Box 6).

Numerous cities encourage small business growth, which constitutes important potential for urban economic development. A growing number of local governments and development agencies are beginning to provide support for economic "clusters" of private firms, with a view to upgrading them by linking them with local, national, and international partners. The United Nations Industrial Development Organization (UNIDO) and the ILO are pioneering this approach, developing practical tools to analyze the dynamics of industry clusters in local and global value chains. One particular challenge is to bring municipalities on board in a way that facilitates and expands the economic growth and cluster-based business development. One vital challenge is to ensure that economic growth actually benefits low-income people, especially when they may be engaged in exploitative subcontracting work, or as underpaid workers in sweatshops.

Box 6: Bangalore, India — Access to land and small-business development to enhance incomes

Bangalore, India, capital of the southern State of Karnataka, has become known as India's Silicon Valley with the development of its computer software and information technology industries. This city provides a useful example of how the processes of settlement planning interact with the growth of small and medium-sized enterprises. Land is a critical resource in urban development, and it can be used either to enable the poor to enhance their livelihood opportunities, or to increase their vulnerability.

In large parts of south Bangalore, the master planning approach, with its "top-down" emphasis on public land acquisition, is dominant. In contrast, in Mysore Road in the west and Yashwantur in the north-west there are highly diversified employment centers for local economic activities with, for example, machine repair and fabrication, plastics production and recycling, weaving, auto repair, and electroplating units. These urban areas have important local political interests associated with the land market that have been able to resist master planning. Successful local business development, both informal and formal, has been facilitated by a land tenure system that is flexible, diverse, and allows for mixed uses. Sites can be developed incrementally when a business needs to expand. In many cases, subcontractors and suppliers live and work close together. Such land settlement patterns enable low-income groups to establish themselves on well-located sites. This gives them access to employment opportunities and creates a diverse economic structure with a variety of income groups. Moreover, it allows for a form of politics firmly based on local land ownership but cutting across partisan lines and even to some extent class and ethnic lines, based on complex reciprocal relationships. In this situation, small enterprises are integrated into local politics and so have some protection from developments that might force them out.

Equally important for urban economic development is support for home-based entrepreneurial activities. Programs for improving housing, infrastructure, and services should be explicitly targeted to neighborhoods with a substantial degree of home-based enterprises. This will create the double benefit of both improving living conditions and the business environment. Moreover, cost recovery and financing for urban services will be more favorable through the direct positive gains from increased employment and incomes.

Box 7 outlines the results of detailed research about home-based enterprises in four developing country cities. Interestingly, one conclusion is that the planning of new residential areas should reflect the needs of low-income residents as small-scale and informal business entrepreneurs. Access roads, electricity grids, water supply, waste collection, and sewerage facilities should be commensurate with those needed by light industrial areas.

Box 7: Working at home — Integrating small enterprises into residential planning

Home-based enterprises (HBEs) are unpopular with many policy-makers and economic development theorists. HBEs are statistically undercounted because they are often illegal, and their operators fear either they will be closed down or harassed to pay official bribes in order to keep their enterprises running. Their numbers, however, continue to grow. Declining formal sector employment drives many people to set up an enterprise in the only space they can use without further cost — their home. Across the developing world, planning laws are often incongruent with the practices and attitudes of the millions of people who earn incomes from their home-based business activities.

HBEs represent a diverse range of entrepreneurial actions. The most common HBE is as a small outlet selling daily household necessities for people who do not have a refrigerator or much storage space. Production HBEs are often concerned with clothing manufacturing. Other enterprises in the samples of 600 households from four cities include everything from television tuner assembly to the breeding of crickets (which are essential for feeding ornamental fish and songbirds that are very valuable in East Asia). The case study evidence suggests that HBEs:

- greatly increase employment opportunities for low-income households, particularly women;
- generate 50-75 percent of all household income for participating households;
- occasionally pose threats to health and safety, though operators are for the most part well aware of these risks, and take action to minimize the dangers;
- do not, as is often claimed, bring extra traffic into residential areas;
- generate better living conditions — HBE operators typically have more indoor space than their non-HBE neighbors.

Planners need to come to grips with the fact that urban areas are vigorous, changing, challenging, and productive environments. Commercial, retail, and light industrial uses should be encouraged in low-income residential areas to enable incomes to rise through productive home-based livelihoods. Policy-makers should:

- allow locally managed regulation of HBEs — if representative local committees vote to allow them in their neighborhoods, then government officials should not intervene to close them down;
- provide electricity with HBEs in mind. Industrial levels of electrical voltage should be available if required;
- ensure that trash collection services are prepared to expect higher levels of waste generation as a result of HBEs;
- allow space for HBEs when allocating land in newly zoned residential areas.

Supporting representative organizations of businesses

The success of local development strategies is often linked to the degree and strength of representative organizations of entrepreneurs and workers. These range from self-help groups for income generation (often registered as NGOs or community-based organizations), cooperatives, and small-business associations, to chambers of commerce, sector-based employers' organizations, and labor unions. These organizations are different from community or citizens organizations, which are mostly area-based. Entrepreneurs' and workers' organizations tend to be member-based and organized around a given economic activity across wider geographic areas.

Although the origins and motivation of both business and worker organizations differ widely and are certainly not always aligned, it is essential to strengthen their voice and participation in economic planning processes and their role in serving their members.

Street traders' organizations, as the section on supporting street trading shows, can become important partners and co-regulators if local governments are willing to work with them. Similarly, small business associations can perform delegated functions in tax collection among members, such as in Ghana (Box 8). A growing number of studies highlight the potential role that associations, cooperatives, and

enterprise networks can play in supporting and complementing private markets to achieve positive economic outcomes for the low-income people and for the municipality.

Box 8: Tax collection through small business associations: Example of a formalization strategy

The Industrial and Commercial Workers' Union (ICU) of Ghana facilitated a delegated role for small business associations to collect tax revenues. In return, associations retain a commission of 5 percent of the annual tax revenue transferred to the government. Training and advice is provided by the ICU to strengthen the associations in their negotiations with the national revenue authority (IRS) about the level of tax collection among members. To guide this process and ensure accountability, the following principles were agreed:

- i) each association identifies tax collectors within its membership to collect taxes from members working in the same trade;
- ii) sector associations register their members with the IRS, with names and addresses;
- iii) associations' tax collectors are formally acknowledged by the IRS and given identity cards as IRS representatives;
- iv) estimates for the whole country must be made available for all the associations prior to collection, so that members are able to identify their level of taxation from clear parameters;
- v) the IRS compensates associations for transportation and collection costs and pays a commission of 5 percent at the end of each fiscal year;
- vi) sector associations themselves compensate their tax collectors.

In parallel to unlocked or hidden individual assets of the poor, local organizations of the working poor help mobilize and foster social capital. New and dynamic entrepreneurship cannot be fully realized without building on the — often informal — networks of people and collectives. Recognizing, trusting, and empowering these structures is the fundamental basis on which sustainable economies are built. However, truly representative organizations with accountable and transparent management structures are rare. Instead, patronage, clientelism, and sometimes corrupt behavior characterize many of the traditional interest-based associations. The challenge is to identify those organizations with true developmental potential and then strengthen their abilities to engage members, make their voice heard in policy arenas, and offer valued services to their members.

Sustainable development and integration of informal sector workers into the urban economy is possible when local governments have strong organizations of informal workers with which to consult and negotiate. Local governments have a concrete role to play in enabling the development of partnerships with informal sector workers. Considerable training is required among local government staff to improve their understanding and recognition of economic member organizations, particularly those operating in the informal economy. Training can help facilitate both dialogue and collaboration between informal sector economic organizations and the local authorities, to generate a more productive economic environment and greater integration into the formal economy

Box 9 summarizes the situation of women market traders in Ghana.

Box 9: Kumasi, Ghana — Women traders fight poverty despite local government inaction

Market trading forms the main occupation for over 70 percent of urban women in Ghana, and the Kumasi central market (KCM) is the largest in the country. The KCM performs vital economic development functions in Kumasi, promoting trade, creating employment, and generating revenue. In fact, it is the main source of revenue for the Kumasi Metropolitan Assembly (KMA). Yet local government marginalizes market traders, especially women, and the important role of women traders in the urban economy is largely ignored.

Most women traders are not among the city's poorest, because their income from market trade is instrumental in keeping them and their households out of poverty. Market income also plays a central role in strengthening urban women's financial autonomy. In the absence of any official trade-related information, market women rely on social networks to sustain their trade. These social networks also are essential for the long-term social and economic security of women trader households. Formal market associations in the KCM have tended to collapse due to the inability of their leaders to resolve problems among their large and heterogeneous membership. Lack of accountability and communication on the part of the KMA also undermines formal associations. Moreover, busy women traders have scant time to engage in formal collective action. Thus, the role of women traders as leading family income earners in tackling poverty at the local level remains relatively invisible within formal sector society and institutions.

There are clear linkages between household well-being and market trading. Investment in KCM should be an important poverty reduction strategy for KMA, but both national and local policy-makers generally ignore the true economic potential of market trading. For policies to change, new attitudes towards women's economic and social contribution are required, and a breaking of the political hegemony that fails to support the social and economic contribution of women market traders. In the meantime, the women traders of Kumasi are fighting poverty by themselves, without either the recognition or the support they genuinely need, deserve, and have earned.

Strengthening representation in the informal economy: The role of social partners

Even where they have the right to organize, informal operators and workers are rarely organized. They seldom have their own membership-based organizations to represent their interests. Where they have mobilized and organized themselves, it has been at the grass-roots or community level, in self-help groups, or in trade-based associations. Micro-entrepreneurs and the truly self-employed are more likely to organize than dependent workers in the informal economy. Even where organizations in the informal economy do exist, they normally are characterized by fragility, structural constraints, and limited effectiveness. They are seldom officially registered or recognized. In addition, they have limited access to or influence over formal private institutions and public authorities. Only in a small but growing number of cases are they affiliated with formally structured national or international organizations of employers, chambers of commerce, trade unions, or cooperatives.

Closing the representational gap is crucial for all concerned. For those working in the informal economy, the representational gap is an important reason for their inadequate legal and social protection, along with their lack of access to productive assets, capital and product markets, training systems, public services, and amenities. Without effective freedom of association, they are not able to exercise countervailing powers in order for their work to be recognized, protected, formalized, and decently paid.

Established labor unions and employers' organizations have a concrete role to play in the organization of informal economy entrepreneurs and workers. There are a growing number of initiatives to reach out to those working in the informal economy. Given the increasing importance of the informal economy in terms of job creation and economic development within the context of flexible labor markets and global production systems, both sides have come to realize that it will be increasingly difficult for labor unions and employers' organizations to maintain or improve conditions in the formal economy without also addressing the informal economy. The lack of representation by stakeholders in the informal economy is becoming even more detrimental in terms of their future economic, social, and political influence.

How labor unions help informal workers

Labor unions face significant challenges reaching informal workers, who are generally “invisible” — scattered, difficult to contact, and often with inadequate formal schooling. Even when unions identify and contact informal workers, they find it difficult to make these workers aware of their rights and of the benefits of unionization. Labor unions often prefer to help informal workers set up their own organizations and then establish alliances with them, rather than organize them as union members. Established unions can provide guidance, training, and other support to enhance the capacity of informal workers and their associations in developing organizational structures and management to help them become effective democratic institutions. Unions also can train organizations of informal workers to promote social dialogue and engage in other democratic union-type activities in pursuit of their members’ interests. Other types of assistance include institutional support, such as acting as intermediaries with public authorities or financial institutions, and setting up programs such as cooperatives that benefit informal workers. An especially important role for established labor unions is lobbying on behalf of these informal worker organizations to help them to achieve recognition, bargaining power, and legal protection from governments and other formal institutions.

Enlarging the scope of action of employers’ organizations

In their representative role, employers’ organizations mainly involve larger formal economy enterprises. Most employers’ organizations do not represent employers in the informal economy. But employers’ organizations increasingly recognize that they cannot effectively promote and protect their interests without enlarging their scope of action to cover informal entrepreneurs. One important rationale for employers’ organizations is that informal economy operators are potential future members, if they can be assisted in growing their enterprises and entering the formal economy. Many of the barriers that constrain informal enterprises also adversely affect employers in the formal economy. As in the case of labor unions, some employers’ organizations have encouraged informal economy operators to form their own associations. Formal employers’ organizations can assist associations of informal entrepreneurs in a number of ways: developing a lobbying agenda specifically geared to the needs of micro and small enterprises; providing business support (developing business plans, project design, access to financing) and other relevant services (personnel management, productivity improvement, basic management skills, accounting, and entrepreneurship training programs); helping link micro-enterprises with the formal economy through targeted procurement; providing a range of information which micro and small enterprises have difficulty obtaining, including laws and regulations, and market access and opportunities. In several African countries, including Kenya, Nigeria, and Uganda, employers’ associations have helped informal operators to start up and develop their businesses. In Benin, some 1,600 micro-enterprises in a wide range of trades and employing 6,500 people have organized into 60 mutual savings and loan associations. These associations have combined traditional solidarity-based savings and credit practices with economic organization. They have succeeded in increasing their capital formation, and also improved their bargaining position vis-à-vis local governments.

Tripartite systems of consultation and negotiation

Finally, it is important to acknowledge what tripartite partners — governments, workers’ organizations, and employers’ associations — can accomplish through social dialogue. It is also useful to remember that in addition to collective bargaining, other forms of dialogue and collaboration can be significant. “Voice regulation” through tripartite systems of consultation and negotiation at the national level or by industry sector is increasingly recognized as a dynamic and effective means of promoting efficiency and addressing equity and distributional issues in both the formal and informal economies. In addition, there is a substantial diversity of civil society groups, movements, and NGOs providing visibility and advocacy on informal economy issues. However, these groups generally do not directly represent people from the informal economy, as many of them are not membership-based organizations, or they do not have democratic structures. Some of these groups are very active and vocal on a national or even international basis, and their organizing experiences and network structures can be very useful.

Examples of cooperation and alliances between NGOs, labor unions, and employers' organizations are increasing.

Conclusions and Recommendations

Conclusions

The urbanization process will continue to pour millions of generally poor and low-skilled people into towns and cities — all looking for employment opportunities to improve their economic circumstances and that of their families. This influx is creating two acute crises: 1) a job/poverty crisis, as evidenced by the growth of the informal economy and increasing poverty levels in cities; 2) an infrastructure and service crisis, as evidenced by lack of the most basic facilities, especially in the poorer communities, and the growth of slum areas where most of the low-income people live.

Despite its irreversibility, many governments have long been in denial of the urbanization process, seeing it as a nuisance rather than an opportunity. This has led to weak planning and policies and a general reluctance to develop the informal economy, to regularize informal patterns of settlement, to provide basic infrastructure and services, and to facilitate the integration of the poor into the urban economy. The lack of genuine decentralization, policy and institutional failures, as well as weak governance and lack of accountability to the local population, at all levels, contribute directly to the worsening of urban poverty and the exponential growth of a political and social underclass — as manifested by the growth of slums.

In addition to suffering low and unpredictable incomes, the urban poor are thus exposed to the ever-present threat of forced eviction, as well as health hazards due to bad drainage, waste accumulation, and lack of sanitary facilities. They bear most of the social and economic costs of high crime levels and insecurity in their communities. Finally, they are excluded from many of the attributes of urban life that are critical to full citizenship, and endure a stigma unknown to the rural poor — the very fact that they live in a slum settlement.

"Whether cities actually provide a ladder for escaping poverty or dig a deeper hole for those at the bottom depends on two main factors: first, whether a city's potential to create jobs is liberated or is hamstrung by institutions and policy conditions; and second, whether city residents have effective access to land and housing, education, health care, and security, even if they have erratic incomes, few powerful connections, and unrecognized status in the city." (*Cities Alliance, 2004 Annual Report*).

This article examined the plight of the urban working poor in three inter-related dimensions: (i) employment opportunities; (ii) access to basic infrastructure and services; and (iii) social inclusion. It shows that policy measures and strategies exist which allow cities to make considerable progress on all three dimensions, contributing to a more balanced urban development, in both economic and social terms. Most of these measures impose no extra financial burden on urban governments. They require political will, capturing underutilized resources, developing partnerships, and recognizing the urban working poor as a resource, not a burden. The five main ingredients of a pro-poor and pro-employment urban development strategy are listed below.

- ✓ **As a first step, employment generation should be made a top priority for urban planners, managers, and decision-makers, in the form of deliberate policies to promote employment for low-income people.**

This implies the recognition of the urban poor as full citizens with a "right to the city" and the recognition of the informal economy, where most of them are active, as an important sector for production, consumption, and job creation.

- ✓ **Second, employment promotion objectives should be incorporated in all relevant government policies and programs, and in particular in terms of infrastructure provision.**

The UN Millennium Project calls for massive investments in infrastructure to meet the Millennium Development Goals, echoing similar calls by the International Monetary Fund (IMF) and the World Bank. Such investments are also a great opportunity for massive employment creation. The point made in this article and consistently over the years by the ILO is that the process through which infrastructure is provided should be accorded the same importance as the end product. In countries where labor is abundant, capital scarce, and wages relatively low, for many infrastructure projects it is technically possible, socially desirable, and economically justified to optimize the use of a resource that is underutilized and readily available — unskilled or low-skilled labor. Infrastructure investments can serve as an entry point to start an employment-intensive growth process “from the inside”. It is within the reach of national and local governments and international donors to promote the necessary reforms to that effect.

“It is indeed a paradox that there should be such underemployment and wastage of talent where there are needs of incredible magnitude representing hundreds of millions of work-days and so many people available to do the work.” (ILO, *Cities at Work*, 2004).

- ✓ **Third, partnership approaches must be developed between municipal governments, community-based organizations, and associations of small-scale enterprises.**

Such partnerships can concern the planning, provision, and maintenance of basic infrastructure and services such as waste collection and water supply, the regulation of economic activity including markets, street trading, and home-based industries, collection of taxes and fees, and ensuring security. A wide variety of innovative and proven partnerships combine all or some of the following advantages: (i) job creation for the urban poor; (ii) improved services and infrastructure; (iii) small enterprise development; (iv) stronger community-based organizations; (v) skills development; (vi) creation of a sense of ownership and civic pride; (vii) improved transparency in the use of municipal resources; (viii) improved working conditions; and, very often, such partnership approaches provide (ix) cost-effective solutions to urban service and infrastructure problems.

- ✓ **Fourth, municipal governments can and should create a more conducive environment for small enterprises operated by low-income people and those that provide jobs for low-income people.**

Specifically, local authorities can (i) adjust their laws and regulations to lower the costs and increase the benefits for people to formalize their enterprises, and (ii) provide assistance to small enterprises to upgrade skills, and increase their access to productive resources and market opportunities. Business security, market opportunities, economies of scale, linkages between formal and informal enterprises, organization and representation, as well as access to financial services can be significantly enhanced by a more positive, enabling attitude by local authorities.

- ✓ **Fifth, underlying these pro-employment policies is the fundamental principle of empowering organizations of economic actors and community groups to participate meaningfully in planning, budgeting, and implementing urban poverty reduction strategies, and to negotiate their best interests.**

Residents’ organizations (especially of slum dwellers), cooperatives, small-business associations, chambers of commerce, local labor unions — these are the institutional partners needed for a representative urban dialogue.

“For those of us working on the ground, there is no substitute to creating mass organizational capacity among the poor to engage these local and global institutions to bring change that works for the poor.” (Sheela Patel, Shack/Slum Dwellers International, June 2004).

Recommendations for coordinated policies and action at the national, municipal, and community levels**National policies**

- Mainstream the employment dimension in macroeconomic policies, Poverty Reduction Strategy Policies (PRSPs), and decentralization policies;
- Mainstream employment-intensive approaches in infrastructure investment policies and programs (including appropriate bidding procedures and small-contractor development);
- Creation of a regulatory and fiscal framework conducive to private sector development;
- Enable and finance capacity-building for local economic planning.

Municipal policies

- Recognize the importance of infrastructure for employment promotion and incorporate the needs of small-scale local economic actors, including home-based enterprises, in infrastructure planning;
- Target the employment needs of particularly disadvantaged groups such as youth and women;
- Establish a pro-poor procurement system that facilitates community contracting and small enterprise participation in public bidding;
- Systematically consider and adopt labor and local resource-based methods in infrastructure investment;
- Lower the costs and increase the benefits of formalization for informal sector operators;
- Facilitate the access of small-scale enterprises, both formal and informal, to financial and business development support;
- Develop constructive partnerships with other stakeholders, including community-based organizations, small-business associations, and local labor unions, to identify local economic development opportunities and translate these into action.

Community level

- Mobilize, empower, and build the capacity to engage in community contracting, including the formal recognition of community-based organizations (in letter and in spirit);
- Ensure the participation of women as major stakeholders in all aspects of project identification, design, and implementation;
- Develop synergies to enhance the employment outcomes of slum-upgrading: the combination of labor-based approaches, community contracting, small enterprise development, and infrastructure improvement can provide a major boost to the local community economy;
- Optimize the mobilization and use of local resources: labor, small contractors, artisans, building materials, tools, light equipment, finance, skills, organizational capacities, and local creativity;
- Promote local economic development in and for slums.

Ultimately, what is needed is the vision and the commitment to bring all stakeholders together and do the sensible things that are the tasks of any well-governed city — putting employment on the local agenda, providing economic opportunity, enabling empowerment, improving basic services and infrastructure, planning for future needs, expanding local sources of revenue, promoting and attracting investment — in active cooperation and dialogue with all citizens, especially the urban poor, both women and men.

Defining the informal economy

The International Conference of Labor Statisticians (ICLS), held in 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 term "enterprise" is to be understood in a broad sense, referring to any unit engaged in the production of goods or services for sale or barter. It covers not only production units, which employ hired labor, but also production units that are owned and operated by single individuals working on their own account as self-employed persons, either alone or with the help of unpaid family members. 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 ICLS in 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 labor regulations are not applied, not enforced, or not complied with for any other reasons.

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