URBAN LABOR MARKETS

CURRENT TRENDS AND CHALLENGES IN THE GLOBAL SOUTH

Webinar – Urban Futures and Resilience
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Agenda

1. Introduction: Urbanization and megacities
2. Labour markets in the global south
3. Challenges ahead
   i. Informal sector
   ii. Youth bulge
   iii. Insufficient (public) transportation
4. Possible solutions?
5. Case studies
Pace of urbanization worldwide (1950-2050)

Urbanization is occurring rapidly, with millions of people moving to cities.

Substantial increase in urban population shares in all world regions


Cities are becoming larger over time

Not only will more people be living in urban areas, but the cities they live in will be larger \( \rightarrow \) rise of megacities with \( >10 \) million inhabitants.

Many of the new megacities will be located in Asia, Africa and Latin America

Why are cities growing rapidly?

**PULL FACTORS**

In urban areas

1. **More and better jobs**
   - Possibility to engage in higher productive activities.
   - Availability of non-farm jobs.

2. **More and better services**
   - Access to (higher quality) health care, education, infrastructure, entertainment, etc.

**PUSH FACTORS**

In rural areas

1. **Population pressures**
   - Subsistence farming does not provide sufficient livelihoods (e.g. due to land pressure, soil erosion).

2. **Lack of jobs and low wages**
   - Jobs outside of agriculture are rare, and existing jobs offer low wages.

→ Employment perspectives play a key role
What does fast urban growth mean for cities?

A large inflow creates:

- **Pressure on jobs**
  (e.g. vulnerable employment, large informal labor markets)

- **Pressure on services**
  (e.g. crowded school and health centers, traffic congestion)

... and can lead to further problems
(e.g. crime, pollution, slum-building).
Why are urban labor markets in the global south different?

• Migration does not follow job creation
  (in contrast to Europe during industrialization)
  → Large number of young migrants, looking for alternatives outside agriculture.
  → Lack of jobs in the formal economy and wage employment in cities.

• This leads to high levels of informality and vulnerable employment
  → Own-account work (e.g. informal micro-enterprises).
  → Employment is often casual, on-demand, without labour (safety) standards or social security.
Did you know that more than 300 million workers in emerging and developing countries having a per capita household income or consumption of less than US$1.90 (PPP) per day?


Did you know that 61% of urban employment in Africa is in the informal sector?


Did you know that in the next decade, one billion young people will enter the labour market, and large numbers of young people face a future of irregular and informal employment?

The size of the informal economy worldwide

Global overview: approximately **2 billion workers** (aged >15) work informally which represents nearly **62% of global employment**.

* Informal employment is defined as: family workers, own-account workers, workers without social security, workers and in unregistered business with <6 workers.

Good news:

→ Informality is declining in almost all world regions.

However, rates are persistently high in:

- **South Asia**
- **Sub-Saharan Africa**
- **Latin America**

Source: IMF staff calculations.
How does informality manifest itself in cities?

Sectors in which urban informal workers operate:

- **Construction**
- **Manufacturing**
  - Informal factory workers
  - Home-based production
  - Micro enterprises
- **Trade**
  - Street vendors
- **Non-trade services**
  - Domestic workers
  - Transport
  - Waste recycling (waste pickers)

Most of the urban informal workers remain poor and vulnerable:

- Stigmatization & penalization for being illegal
- Inappropriate policies & laws favouring formal firms
- Lack of access to public spaces / services / procurement
- Lack of legal & social protection / social security
- Lack of representative voice in policy-making and rule-setting

Informality is further spurred by a youth bulge (Africa)

Africa’s youth population is rapidly growing, and expected to more than double by 2055. A large number of young people will enter the labor market in the upcoming years, and many will do so in cities.

Unemployment levels are highest among the youth

Young people have much higher levels of unemployment than the adult population. Particularly **South Africa** has a massive youth unemployment problem.
Many job opportunities require car ownership

In Nairobi, multiple job opportunities are not accessible to people without own car.

- Public transportation is unorganized and chaotic, and often prohibitively expensive.
- Minibuses are the most common means of public transportation for the poorer population.

→ Lack of public transportation bars large parts of city inhabitants from accessing jobs.

Which ideas exist to improve urban employment?

**Key actors need to work together**
- Organizations of informal workers
- Civil society
- Government
- Academia
- Development agencies

**Ideas for ensuring inclusive cities**
1. Recognition of informal workers and their organizations
2. Development of participatory platforms, so all voices can be heard
3. Provision of basic infrastructure services
4. Provision of improved and affordable transport
5. Inclusion of pro-poor workers in municipal budgets
Case study – India

In Delhi, home-based workers belong to the vast informal sector.

The **Self Employed Women’s Association (SEWA)** Bharat adopted a process of **market-linkages** and **production** through a **decentralized approach** with the goal of improving employment conditions for workers.

Which approaches were implemented?

- Created Embroidery Centres to link members to the production process as well as support services like health training, micro-finance, skill training, and so on.
- Secured contracts with new suppliers and companies.
- Streamlined the production process and logistics between members, centres, and suppliers.
- Passes on a maximum amount to workers and keeps what’s needed to recover the transportation, rent, and maintenance costs.
- Expanded the market base through retail and direct export.
- Provided skills training and upgrading.
- Provided social security and other services.
- Advocated for workers on national and international scales.

Source: http://www.inclusivecities.org/impact/livelihood-support-delhi/
Achievements

- Provided benefits to workers of US $77 (Rs. 4,722) per worker per annum. Helped workers access government benefits are US $1.5 (Rs. 95) per worker per annum.
- Increased scale of operations by linkages to 20 brands and 36 suppliers.
- Established a Producer Company of women members (Ruuab).
- Helped achieve a cash income increase of 32 per cent due to fair profit sharing.
- Developed market linkages that have increased the number of working days by 12%.
- Helped embroidery workers increase their cumulative income by 50 per cent.
- Established five Embroidery Centres and sub-centres, providing work to 800 embroidery workers on a regular basis and to close to 3,000 workers at intervals.

Source: http://www.inclusivecities.org/impact/livelihood-support-delhi/
Case study – Ghana

Accra, Ghana: Market traders improve occupational health and safety (OHS)

City’s market traders faced **unsafe and unhygienic working conditions**:
- Poor drainage and waste disposal
- Heat and poor ventilation
- Frequent fires breakouts
- Inadequate lighting and storage
- Regular harassment from local authorities

Source: http://www.inclusivecities.org/impact/better-ohs-accra/
Achievements

The Makola Market and the Ga East Traders Union realized that it was difficult to gain better OHS individually – but that they could organize and learn as a group.

A new bus station, baths, toilets, and lorry park at Abokobi Market.

Commitment for construction of a pedestrian shopping mall at Kwame Nkrumah Circle.

Commitment for drain clearing and waste disposal.

Representation on municipal bodies.

Source: http://www.inclusivecities.org/impact/better-ohs-accra/
Key take-aways

1. Urban labour markets in the global south are characterized by a large informal sector
   - Rural-urban migration, spurred by a youth bulge (in Africa), will lead to ever growing cities.
   - Arriving migrants will be largely absorbed by the informal economy, as formal jobs are lacking.
   - Jobs in the informal economy are in their majority: low-paid, low-productive, vulnerable, unsafe, volatile.
   - Many jobs cannot be accessed due to barriers, such as lack of public transportation.

2. Coordinated efforts among key actors are required to ensure inclusive cities
   - The single informal worker lacks agency to initiate policy changes.
   - Policy solutions must take into account the reality in which informal workers operate, and hear their voices to understand challenges and needs.
THANK YOU FOR YOUR ATTENTION

In case you would like to contact me for other inquiries:

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