

# Urban development and employment: the Third World metropolis

Harold LUBELL \*

The specifically urban aspects of the "employment problem" in developing countries have been among the major subjects of inquiry and policy concern of the ILO's World Employment Programme since 1971. In part the urban manifestations of the employment problem are merely the most visible feature of the whole complex of Third World poverty, economic underdevelopment and underemployment. The cities of the Third World have since 1950 attracted an extraordinary influx of migrants from rural areas in search of jobs and of higher incomes and better conditions than in the communities they have left behind. The rapid growth of the urban labour force has in absolute terms far exceeded the growth of employment in modern industry and other formal sector activities, thus shifting part of the burden of underemployment from the countryside to the cities.<sup>1</sup> Consequently, a considerable share of the urban labour force continues to work in the low-productivity activities that make up most of what is now called the informal sector, or else is openly unemployed. The big cities, in particular, have grown enormously and their employment problems have been a subject of considerable concern—nowhere felt more keenly than in the ILO.

## Six cities of the Third World

The ILO has accordingly carried out a series of studies on six major cities of the Third World—Calcutta, Jakarta, Abidjan, Lagos, São Paulo and Bogotá<sup>2</sup>—which attempt to examine several aspects of the problem: the interactions between rural-to-urban migration and urban employment; the possibilities for using urban infrastructure development as an employment policy instrument; the significance of some special groups in urban employment policy; and the place of the urban informal sector in the urban employment picture.

The sample of cities chosen is perhaps a biased one since, with the partial exception of Calcutta, each is the dynamic leading city in a country with an expanding economy. This leads to one of the paradoxical conclusions emerging

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\* At the time of writing this article the author was a staff member of the International Labour Office.

from these case studies: that increasing urban employment can go hand in hand with increasing urban open unemployment where the expanding urban economy is draining a large pool of low-income underemployed rural workers.

In 1970 the six cities studied ranged in population from nearly 8 million to less than half a million.<sup>3</sup> Although their situations differ markedly, they nevertheless show some striking similarities as will appear in the course of this discussion. Calcutta, which was until 1912 the political capital of British India, owes its commercial pre-eminence to exports of jute and tea. It was India's first modern industrial centre and is still Bombay's rival for the role of India's leading trading and industrial city; and Calcutta's is still the urban agglomeration with the largest population in the country. It is the only really big city of eastern India and its population continues to grow despite the economic stagnation and physical deterioration with which it is beset. Jakarta is the capital and biggest city of Indonesia and the major port of Java, but is by no means an industrial city. São Paulo, whose fortune was made by coffee, is the largest city and the main industrial centre of Brazil and is one of the world's worst sufferers from urban pollution. Bogotá is the political capital and largest city of Colombia, but has only recently become a major industrial centre. It has been the scene of one of the most remarkable experiments in economic and urban development undertaken in the present decade. Abidjan's fortune was made by the export of the tropical forest and plantation products of the Ivory Coast and it is now becoming an industrial centre. Lagos is still the political centre of Nigeria despite the recent decree moving the capital to Abuja in the centre of the country; it is the country's major port and its main trading, financial and industrial centre. It is threatened by urban strangulation due to one of the world's most extreme cases of traffic congestion.

## Migration and urban employment

Study of the six cities has clarified a number of aspects of the relation between migration patterns, labour force composition and employment. Three aspects discussed here are geography, labour market segmentation (of which ethnicity is a facet), and the response of migration to the state of the urban economy.

### Geographical setting

Four of our metropolises have in common that the geographic area from which they drain migrants is vast—in the case of Calcutta, Lagos and São Paulo because the countries in which they are located are big; in the case of Abidjan because the national borders are open to immigration from the countries of the Sahel and particularly from Upper Volta. Calcutta draws its population from all over eastern India: West Bengal itself, eastern Uttar Pradesh, Bihar, Orissa, Assam and the hill states to the north-east and east of Bangladesh. It also received several waves of refugees from East Pakistan

after the partition of India (and of Bengal) in 1947 and still gets immigrants from Bangladesh. Immigrants to Lagos come from all over Nigeria, but primarily from the Yoruba population of Lagos State and Western State. São Paulo has drawn immigrants from all parts of Brazil (and indeed of the world) but the main source of its immigrant workforce is now Brazil's overpopulated and relatively undeveloped Nordeste. Migrants flock to Abidjan from its rural hinterland in the Ivory Coast but to a much greater degree from Upper Volta, Niger and Mali.

In contrast to these four cases, the main source of immigration to Jakarta is the heavily populated island of Java, and more particularly the western part of it, rather than the whole of Indonesia. The case of Bogotá is even more exceptional in that the main pool from which migrants are drawn is rather limited. Because of Bogotá's relatively cool climate and the physical division of Colombia into valleys separated by high mountain chains, many potential immigrants from the heavily populated Caribbean coast of Colombia are either discouraged or attracted by alternative employment opportunities before they reach Bogotá.

### Labour market segmentation

Immigration is one of the factors shaping specific urban patterns of labour market segmentation.<sup>4</sup> In most of today's dynamic economies, it is the immigrants who fill the low-paid, physically most demanding and least desired jobs. In Calcutta, it is the Biharis who make up most of the production workers in the jute mills; in Abidjan, immigrants from the Sahel fill the unskilled jobs for which local workers are not available; in São Paulo, the construction sites are manned by the Bahians and other immigrants from the Nordeste; and in Bogotá, it is migrants from the nearby rural areas who supplied the labour for the construction boom of the mid-1970s. In Latin America and elsewhere, construction work is often the main point of entry into the formal urban labour market, but this is not the case in India, where construction work is carried out by seasonal migrants from rural areas who periodically return to their villages and to agriculture.

A good proportion of rural-to-urban migrants also drift into the urban informal sector, either because formal sector jobs are not available (as in the case of Jakarta) or because there are legal or administrative restrictions on the entry of foreigners into formal sector jobs (as in Abidjan) or because self-employment provides a more natural and desirable prolongation of the non-industrial rhythm of rural life than employment in the formal sector. Access to the most lucrative activities in the informal sector, however, often requires the sort of knowledge and connections that come with being born and bred in the city.

The fragmentation of the labour market into occupations filled by the native population and those filled by immigrants takes on an ethnic dimension, which can be of considerable significance for employment policy, when the

immigrants come from far enough away to differ from the natives by language or nationality. In the case of Calcutta, where the two major industries are jute manufacturing and metalworking (engineering), the workers in the jute mills are mostly immigrants from Bihar, while the engineering industries employ mostly Bengalis. Development of the engineering industries will employ more resident Bengalis; expansion of the jute industry will not. Furthermore, as the educational standards of resident Bengalis (and Bengali refugees from former East Pakistan) are much higher than those of the migrants from Bihar and the other neighbouring Indian states, the problems of the educated unemployed in Calcutta are felt most keenly by the Bengalis. The ethnic pattern of labour force participation may therefore be important in deciding for whom jobs are to be created. In Abidjan, the immigrants who fill the unskilled jobs come in part from the savannah region in the north of the Ivory Coast (and hence are internal migrants) but mostly from the further savannah and Sahel regions north of the frontier (and hence are international migrants). The educated unemployed are primarily Ivory Coast nationals who are not interested in taking unskilled jobs; the unskilled who fill the jobs that are available are immigrants from Upper Volta, Niger and Mali. A policy concentrating on the absorption of Ivory Coast nationals, for any given growth rate of the economy, would call for less reliance on unskilled labour and more on mechanisation and technical personnel—as well as on intensified training of the nationals seeking such jobs. A manpower and employment policy designed to promote a wider regional economic role for the Ivory Coast in French-speaking West Africa would favour more labour-intensive approaches to development.

### Response of migration to the state of the urban economy

Although the massive influx of rural populations into the cities of the Third World may give the general impression that the migrants come whether employment is available or not, it may be deduced from the experiences of two of our cities, Calcutta and Bogotá, that migration responds negatively to declines as well as positively to improvements in the urban economy.<sup>5</sup>

In the case of Calcutta, the population of the metropolitan area grew more slowly than that of rural West Bengal and indeed of West Bengal as a whole over the decade from 1960 to 1970, perhaps because some degree of saturation occurs when an urban agglomeration reaches Calcutta's size, but more probably because the degree of political and economic chaos reached by the city in the last years of the 1960s discouraged immigration. At the same time, the population of the rural areas of the districts immediately surrounding Calcutta (Nadia, 24-Parganas, Howrah and Hooghly) grew slightly faster than the average for rural West Bengal, and to that extent increased the potential labour force of metropolitan Calcutta.

In the case of Bogotá, the construction boom of 1973-74 drew many workers into urban construction from agriculture in the nearby provinces that are the main source of migration to the capital; but unemployment in

the city apparently did not rise after the slackening of the construction boom despite a decrease in total employment, which suggests that construction workers drifted out of the city and back to the countryside when jobs were no longer available. What may have been intended as permanent migration and long-term participation in the urban labour force turned into circular migration back to the migrant's rural area of origin.

## **Urban infrastructure**

Unless urban infrastructure construction programmes can be set up on a massive scale and are designed to be largely self-sustaining, the direct effects through employment in construction will generally be less important than the indirect effects due to decongestion of chaotically crowded urban areas. A basic assumption for assessing the potential for direct absorption is that the urban unemployed will take construction jobs, or alternatively that construction workers who are new entrants to the urban labour force will become permanent members of it. This assumption clearly holds in general for Latin America, where construction is a common point of entry into the urban labour force, and in particular for both São Paulo and Bogotá. In India, however, urban construction activity is in most cases carried out through contractors who hire their labourers from rural areas on a seasonal basis. In the case of Calcutta, therefore, construction workers remain part of the rural labour force and construction does not absorb the urban unemployed.

Even where the urban labour force is willing to work in construction, however, there are two obvious constraints on the use of urban infrastructure investment to create employment. One is that urban construction activity as carried out by public works authorities is not very labour-intensive. Normally about a third of the direct cost of construction is compensation for the input of labour, while perhaps a quarter of the value of locally produced building materials used in construction projects is in its turn compensation for labour. The other overriding constraint is that the availability of public funds for infrastructure investment is usually limited; this is so even in Indonesia and Nigeria, where government receipts are liberally supplemented by oil revenues. Thus one of the policy recommendations of the Jakarta study was to increase the financial resources available to the Jakarta regional government for development purposes by recovering the marginal cost of additional public services (e.g. electricity, water, roads) from their direct beneficiaries through betterment levies and more realistic property tax rates. To have a substantial impact on employment in market economies, construction activity has to tap private sources of financial savings on a massive scale. In São Paulo, this is happening more or less spontaneously. In Bogotá, the construction boom of 1973-74 came about as the planned result of a reform in the credit system which drew private savings into construction.

Using urban construction as a "leading sector" to break out of the circle of economic underdevelopment and underemployment was the central

strategy of the 1970-74 Colombian national development plan. The strategy, for which Roberto Arenas and Lauchlin Currie<sup>6</sup> were responsible, accepted a long-term massive shift of population from rural to urban areas as inevitable and indeed as a phenomenon to be encouraged. The key tactic in the strategy was the mobilisation of financial resources and their redirection towards construction through the introduction in 1972 of a construction savings and loan fund with interest rates linked to the consumer price index. The increase in interest rates generated a substantial inflow of funds and, since interest rates were freed only for financing construction, into the market for construction. The result was the construction boom and a noticeable increase in employment, which were both concentrated mostly in Bogotá. The boom also generated a price inflation which led the next national administration to abandon the experiment in 1975. The Colombian experience clearly demonstrated that urban construction is an effective instrument for generating productive activity and employment in the short run, but abandonment of the Currie-Arenas strategy left no time to see how the effects would work themselves out in the medium and longer term.

The indirect employment effects of urban construction programmes will reflect the effectiveness of macro- and micro-level urban planning in breaking urban physical bottlenecks. Unless a massive construction strategy of the Currie sort is implemented, these indirect effects are likely to be more important than the direct effects. The potential macro-level indirect effects are most obvious in cities like Calcutta and Lagos which are threatened with urban strangulation due to inadequate road networks, inextricable traffic jams, deteriorating urban services, flooding and other infrastructural shortcomings. Further industrial development of these cities is especially dependent on the installation and improvement of major elements of urban infrastructure. In metropolitan Lagos, new areas on the mainland are being opened up to industrial investment by the construction of extensions to the network of expressways. In metropolitan Calcutta, the site of the West Howrah industrial estate, which is now a long and bone-jarring journey from town, will be only a few minutes away once current plans for highway construction are implemented. The existence of adequate space provided with the necessary infrastructure (roads, electricity, water and drainage) will inevitably attract new large-scale and small-scale industrial establishments. Positive micro-level effects can stem from the creation of market-places and work sites for small enterprises if they are adequately serviced and favourably located in, or accessible to, crowded residential areas where consumers are concentrated in cities such as Jakarta and Calcutta or in industrial estates where subcontracting arrangements can be facilitated.

### Special target groups

Two overlapping groups—natives of the city and the educated unemployed—may, for clear political reasons, be more important than others for urban

employment policy. In situations of heavy immigration, for example, creating or protecting jobs for the natives of the place (Bengalis in Calcutta, Ivory Coast nationals in Abidjan) can take on considerable urgency. The educated unemployed, on the other hand, present a special problem because of their articulateness and potential for political organisation. Unemployment among educated Bengali youths in Calcutta, for example, calls for special attention if only because they have already demonstrated their capacity for disrupting the normal life of the city through political violence. If special programmes can be initiated to provide organised social services in the fields of education and health, this will not only benefit the recipients of these services but will also create productive employment for some of the educated unemployed and thus help to avoid costly political disturbances.

### The urban informal sector <sup>7</sup>

Tentative estimates of the size of the informal sector indicate that its percentage share of the urban labour force in the six cities studied is as follows: Calcutta (1971), 43; Jakarta (1967), over 40; Abidjan (1970), 31; Lagos (1963), 50; Bogotá (1974), 53-58; São Paulo (1970), 35-43.

In Jakarta, where only 10 per cent of the workforce is employed in manufacturing as compared with close to 40 per cent in Calcutta, around two-thirds of registered enterprises had fewer than four workers per establishment, while the bulk of the increase in the Jakarta labour force between 1961 and 1971 was absorbed into the informal sector as workers on family-owned small farms, *betjak* (rickshaw) drivers, hawkers, vendors and petty retail traders, and service workers. A follow-up survey of informal sector households and enterprises in Jakarta carried out for the ILO by the Indonesian National Institute of Economic and Social Research <sup>8</sup> showed that nearly 80 per cent of informal sector enterprises are in trade or services and that over 90 per cent are single-person owner-operated enterprises.

In the case of Calcutta, the ILO's interest in the informal sector has led to further research and the beginnings of an action programme to assist small informal sector enterprises. One of the pieces of research was a follow-up study commissioned by the ILO on informal sector manufacturing in Calcutta, which examined the relationship between the formal and informal sectors; the author, A. N. Bose, considers the relationship to be one of "exploitation" by the formal sector of the small-scale enterprises of the informal sector.<sup>9</sup> The action programme has resulted from the concern of the Calcutta Metropolitan Development Authority (CMDA) and the World Bank with the problems of small-scale enterprises: the CMDA is taking steps to assist small-scale producers in the slums of metropolitan Calcutta by making small bank loans available to them through two of the nationalised commercial banks and by providing an urban small business extension service organised by the West Bengal Department of Cottage and Small-Scale Industries.<sup>10</sup>

In São Paulo a special feature of the Brazilian economy has increased the number of self-employed and therefore the size of the informal sector. A growing number of "independent workers" sell their services to the formal sector instead of being hired as direct employees; they thus fall outside the scope of the social insurance system and are remunerated at a rate higher than the going wage net of social charges but less than the going wage plus social charges. Furthermore, the fall in real wage rates since the early 1960s has made the more traditional type of informal sector activity relatively more desirable than performing unskilled work in the formal sector.

In Abidjan, as indicated above, the fact that many informal sector activities are carried on by foreign immigrants is of considerable significance for employment policy. In Lagos, the situation of informal sector participants might be improved if training were provided for informal sector craftsmen (e.g. roadside mechanics) and if the quality of training provided through the existing indigenous apprenticeship system were raised. Both the Abidjan and Lagos studies insist, however, that any attempt to impose controls on the apprenticeship system should be undertaken with extreme care.

The importance of training for self-employment is also evident in Bogotá, and it is gratifying to note that the Colombian National Apprenticeship Service (SENA) is developing a flexible scheme for mobile training units designed to reach the residents of low-income areas in the run-down centres and new peripheries of the country's larger cities.

## **Demand constraints, supply constraints and balanced growth**

One of the basic questions facing urban employment policy is central for economic development itself: whether the national economy can generate the resources needed to sustain higher levels of economic activity and whether producers will be able to raise their output of goods and services in response to the higher effective demand in urban areas. A basic limitation on the expansion of urban employment and urban production in most developing countries still appears to be the low supply elasticity of the rural economy, which leads to actual or potential shortages of food to satisfy increased demand as urban and rural incomes rise. To be effective, a policy of urban economic expansion requires easing of this supply constraint.

In Colombia, where the issue was put to the test in implementing the national development plan of 1970-74, the validity of Lauchlin Currie's position that supply responds to effective demand was directly demonstrated in the case of construction: when constraints on financing were relaxed by the freeing of interest rates on funds for construction, a building boom ensued. Construction activity expanded by about 30 per cent in two years, and the total number of semi-skilled and skilled construction workers was expanded through training centres and training on the job. For the economy as a whole, however, the picture was more complicated. The construction boom had



inflationary effects because it coincided with an upturn in activity elsewhere in the economy, especially in production for export. Furthermore, it generated secondary increases in demand, particularly for wage goods which could not, at least in the short run, be satisfied out of increases in domestic production. A major problem was higher demand for food, to which the agricultural sector responded not by increasing output but by raising prices. Supply bottlenecks appeared in the production of building materials, while in the case of general manufacturing the increases in consumer demand stimulated by the rise in income generated in construction, combined with exports, pushed output to plant capacity with two- or three-shift operation, so that further extension of the boom would have required investment in new plant. Supply bottlenecks also appeared in agriculture, where response to increases in demand was much slower than expected for a variety of possible reasons. These included enough of a shift of labour from agriculture into urban construction—at least in the region around Bogotá—to hinder the expansion of agricultural output, a shift of working capital by commercial farmers from agriculture into construction, and the basic inability of small-scale subsistence farming to expand its output simply because urban demand increases.

The implication is that, for continual expansion, balanced growth is necessary; but that a bit of imbalance is necessary to get it moving. Currie's "leading sector" approach is essentially one of unbalanced growth, at least initially. The difficulty demonstrated by the brief period of the Colombian construction boom is that of keeping the rate of expansion of the leading sector within bounds which will provide a sharp stimulus to the rest of the economy without creating bottlenecks in the laggard sectors that will activate strong inflationary pressures. The leading sector is needed to break out of the trap of stagnation, but severe new strains are likely to be generated unless the rest of the economy expands more or less in balance with the leading sector.

Balanced growth also implies some degree of geographical balance between urban and rural development. In Nigeria, where the need for such balance is acute, the potentialities for achieving balanced regional development also exist. The creation of an increasing number of state capitals and the intended shift of the national capital from Lagos to the interior have generated political pressures for the allocation of resources to secondary urban centres for infrastructure development and industrial investment. Lagos itself will experience a relative deconcentration of economic activity and some transfer of jobs to its immediate hinterland, which is being opened up by a good road network. In West Bengal, the prospect for rapid development of agriculture held out by the massive growth in the number of tube wells and the introduction of related agricultural technology, offers the possibility of a parallel expansion of the rural economy and that of metropolitan Calcutta by increasing the supply of agricultural products to Calcutta and the demand for Calcutta's production of the engineering goods needed in agriculture.

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One tentative conclusion that may be drawn from these studies is that there is little likelihood that the cities of the Third World will stop growing or that the problems created by their physical growth will become too intractable to solve. The economic and political interests involved in their continued expansion and development ensure that at least partial solutions will be found to the most urgent problems of urban development itself. At the same time it should be recognised that the Third World metropolis will be fulfilling its true role only if it serves as a catalyst for the development of its entire national hinterland—upon which its own continued growth ultimately depends.

#### Notes

<sup>1</sup> Paul Bairoch: *Urban unemployment in developing countries: the nature of the problem and proposals for its solution* (Geneva, ILO, 1973).

<sup>2</sup> See Harold Lubell: *Urban development and employment: the prospects for Calcutta*, foreword by J. Tinbergen (Geneva, ILO, 1974); Heather Joshi, Harold Lubell and Jean Mouly: *Abidjan: urban development and employment in the Ivory Coast* (Geneva, ILO, 1976); S. V. Sethuraman: *Jakarta: urban development and employment* (Geneva, ILO, 1976); Kalmann Schaefer, assisted by Cheywa R. Spindel: *São Paulo: urban development and employment* (Geneva, ILO, 1976); Olanrewaju J. Fapohunda and Harold Lubell, with contributions by Jaap Reijmerink and Meine Pieter van Dijk: *Lagos: urban development and employment* (Geneva, ILO, 1978); and Harold Lubell and J. Douglas McCallum: *Bogotá: urban development and employment* (Geneva, ILO, 1978). See also Harold Lubell: "Urban development and employment in Calcutta", in *International Labour Review*, July 1973, pp. 25-41; Heather Joshi, Harold Lubell and Jean Mouly: "Urban development and employment in Abidjan", *ibid.*, Apr. 1975, pp. 289-306; and S. V. Sethuraman: "Urbanisation and employment: a case study of Djakarta", *ibid.*, Aug.-Sep. 1975, pp. 191-205.

<sup>3</sup> The populations of the six cities have been estimated for 1970 as follows (in millions): São Paulo, 7.8; Calcutta, 6.9; Jakarta, 4.3; Bogotá, 2.6; Lagos, 1.4; Abidjan, 0.4. See Population Division, Department of Economic and Social Affairs, United Nations: *Trends and prospects in the populations of urban agglomerations, 1950-2000, as assessed in 1973-1975* (New York, doc. ESA/P/WP.58, 21 Nov. 1975).

<sup>4</sup> See Subbiah Kannappan: "Editor's introduction", in S. Kannappan (ed.): *Studies of urban labour market behaviour in developing areas* (Geneva, International Institute for Labour Studies, 1977), pp. 3-12.

<sup>5</sup> This is, of course, a less subtle statement than the Todaro model's analysis of wage differences between urban and rural workers and the probability of finding an urban job. See Michael P. Todaro: "Income expectations, rural-urban migration and employment in Africa", in *International Labour Review*, Nov. 1971, pp. 387-413.

<sup>6</sup> For a formal theoretical statement of Lauchlin Currie's approach, see his "The 'leading sector' model of growth in developing countries", in *Journal of Economic Studies* (Glasgow), May 1974, pp. 1-16.

<sup>7</sup> For other preliminary statements on policies for the informal sector see S. V. Sethuraman: "The urban informal sector: concept, measurement and policy", in *International Labour Review*, July-Aug. 1976, pp. 69-81; and Paulo R. Souza and Víctor E. Tokman: "The urban informal sector in Latin America", *ibid.*, Nov.-Dec. 1976, pp. 355-365.

<sup>8</sup> Hazel Moir: *The Jakarta informal sector* (Geneva, ILO, 1978; mimeographed World Employment Programme research working paper; restricted).

<sup>9</sup> A. N. Bose: *Calcutta and rural Bengal: small sector symbiosis* (Calcutta, Minerva Publications, for the ILO, 1978).

<sup>10</sup> Harold Lubell: "Migration and employment: the case of Calcutta", in *Social Action* (New Delhi), July-Sep. 1977, p. 288.