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Working Paper

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WIDER Working Paper, No. 2019/102

Provided in Cooperation with:

United Nations University (UNU), World Institute for Development Economics Research (WIDER)

Suggested Citation: Rains, Emily; Krishna, Anirudh (2019) : Will urbanization raise social mobility in the South, replicating the economic history of the West?, WIDER Working Paper, No. 2019/102, ISBN 978-92-9256-738-5, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki,
<https://doi.org/10.35188/UNU-WIDER/2019/738-5>

This Version is available at:

<https://hdl.handle.net/10419/229205>

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WIDER Working Paper 2019/102

Will urbanization raise social mobility in the South, replicating the economic history of the West?

Emily Rains and Anirudh Krishna*

December 2019

Abstract: As developing countries rapidly urbanize, the number of people living in ‘slums’—neighbourhoods lacking property rights and basic services—continues to increase. Whether slum residents will ultimately share in the benefits of the cities they help build or will remain trapped in poverty is not well understood. We review empirical evidence on the potential for social mobility in today’s urban slums in order to assess prospects for upward mobility in cities of the Global South. Finding evidence for limited levels of upward mobility and high levels of volatility, we discuss the substantial public sector interventions that accompanied urbanization in the Global North. We argue that urbanization will not automatically improve prospects for mobility for the urban poor. Instead, it will be critical to implement appropriately nuanced interventions to improve opportunities for the billions residing in today’s and tomorrow’s slums.

Key words: informality, slums, social mobility, urbanization, volatility

Acknowledgements: The authors would like to thank Patricia Jeffery for her helpful feedback. We are also grateful for comments received during the UNU-WIDER workshop on Social mobility in the Global South in September 2019.

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This study has been prepared within the UNU-WIDER project [Social mobility in the Global South – concepts, measures, and determinants](#)

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Information and requests: publications@wider.unu.edu

ISSN 1798-7237 ISBN 978-92-9256-738-5

<https://doi.org/10.35188/UNU-WIDER/2019/738-5>

Typescript prepared by Joseph Laredo.

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The Institute is funded through income from an endowment fund with additional contributions to its work programme from Finland, Sweden, and the United Kingdom as well as earmarked contributions for specific projects from a variety of donors.

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The views expressed in this paper are those of the author(s), and do not necessarily reflect the views of the Institute or the United Nations University, nor the programme/project donors.

1 Introduction

Developing countries around the world are quickly urbanizing. Within the next three decades, the global urban population is expected to increase by 2.5 billion; 90 per cent of this increase is expected in low-income countries in Asia and Africa (Beard et al. 2016; United Nations 2014). In the world's 10 poorest countries alone, the urban population is expected to increase by 130 per cent in the next 15 years.¹

This explosive growth of the urban population in developing countries has gone together with rising inequality. Some of the larger urban areas in developing countries are sites of both concentrated poverty and concentrated wealth, exhibiting the greatest levels of inequality in the world. The range of inequality in Rio de Janeiro, for example, is double that of London or Berlin.² Mumbai is home to both Asia's largest slum and the world's most expensive private home.³ The richest person in Africa lives in Lagos, where an estimated 70 per cent live in slums (Federal Republic of Nigeria 2006). Construction workers and housekeepers reside in mud and tarp shelters, without water, sanitation, or electricity, juxtaposed with the luxury apartments they help build and maintain. These stark renditions of inequality span a vast range of living conditions.

An estimated 55 per cent of the urban population of sub-Saharan Africa, 30 per cent of South Asia, and 20 per cent of Latin America live in the kinds of neighbourhoods that UN-Habitat recognizes as slums: 'The defining characteristics of these areas—now often called slums in the international literature—are their precarious legality and almost non-existent level of services' (UN-Habitat 2016). This UN agency, which has the mandate of supporting effective and equitable development in cities across the developing world, calculates that, on average, 63 per cent of the urban population in developing countries live in a neighbourhood that suffers one or more of the following deprivations—inadequate access to safe water, lack of sanitation, poor structural quality of housing, overcrowding, or insecure residential status—and is therefore counted among a category of neighbourhoods regarded as slums.⁴ Because of the large-scale rural–urban migration that has occurred over generations and the huge internally generated population growth that decades of slum-living have spawned, the population of slums as well as of the city areas in which they are located them have expanded exponentially.

When we speak of slum neighbourhoods (a term we use interchangeably with slum settlements) it is useful to recall that we are referring not to any uniform underlying reality or condition but rather to a variety of residences and neighbourhoods and a range of living conditions. Conditions in slums vary substantially along a continuum of wellbeing (Rains et al. 2018). At one end of this continuum, homes consisting of 7'x7' tarpaulins stretched atop four poles remain entirely disconnected from all municipal services. At the other end, residents of long-established three-storey concrete structures are much better connected to basic services (Krishna et al. 2014). The similarity in their conditions is that residents largely lack property titles, work in informal jobs, or are not served nearly as well by many of the infrastructural and institutional connections that other

¹ Author calculation based on data from World Urbanization Prospects and the World Bank.

² OECD: <https://www.oecd.org/social/inequality-urban-growth.htm>

³ 'Antilia' is the name of Indian billionaire Mukesh Ambani's private home in Mumbai. Dharavi, also in Mumbai, is Asia's largest slum.

⁴ Data are from UN-Habitat, as retrieved from the World Bank World Development Indicators database. 'Developing countries' are those classified by the UN as 'Least Developed Countries'.

urban residents are able to take for granted. These disconnections can serve as barriers to upward mobility for young people growing up in slum communities.

Scholars hold opposing views on the prognosis for social mobility in developing-country slums. The most optimistic views draw upon the belief that the urban history of the West will be repeated—that urbanization worked as a social elevator in yesterday’s West, and it will serve the same function in developing countries today. According to this logic, slums are viewed as a necessary, but temporary, part of economic development. Slums provide affordable housing for recent rural–urban migrants, allowing them to establish a foothold in the urban economy. As urbanization fuels economic growth, either slums will develop or residents will move out to other middle-class neighbourhoods (Frankenhoff 1967; Glaeser 2011; Turner 1969; World Bank 2009). Citing Western history as an example, Glaeser (2011) argues that the presence of slums today bodes well for economic growth tomorrow and, analogously, that growth will lead to progressive improvements in slums.

Arguing against any easy historical analogy, other contemporary scholars have presented accounts of today’s slums as poverty traps rather than social elevators, repositories for a vast reserve army of workers in low-quality jobs, mostly in the informal sector, who are pressed beneath a low glass ceiling with few prospects for intergenerational upward movement (Fox 2014; Marx et al. 2013; Moser 2009; Perlman 2006). Our review of the best available empirical evidence from around the world comports with these expectations: upward mobility appears to be limited in developing country slums.

The rest of this paper is organized as follows. We first review the empirical evidence from studies undertaken in different countries that have a bearing on the prognosis for social mobility in slums, finding limited and sporadic upward mobility but also consistent downward mobility, brought on by risk and vulnerability. In Section 3, we look at historical and emergent factors that contribute to the precariousness of life in slums. Institutional disconnections inherited from the time of colonial rule, supplemented by the more recent effects of demographic changes and technological advances, serve to constrain the potentially empowering influences that reach slum residents on account of increases in literacy and national economic growth. Because there are many downward-pulling and fewer upward-pushing factors, the descendants of poor migrants still live in slums generations after their forebears set up home in the city. In the fourth section, we re-examine, in the light of this consideration of push and pull factors, the extent to which parallels can be drawn with the Western experience. This history shows that slums and slum-like conditions persisted despite economic growth—until effective policy supports were introduced.

In the fifth and last section, we consider the kind of policy supports that will be required in order that greater overall opportunities reach people in slums, examining how downward-pulling influences can be countered and upward-pushing influences accelerated. Although a general set of supports can be broadly identified, specific measures will have to be contextually designed; conditions vary across countries and cities and differ even among slums within the same city.

2 Empirical evidence on social mobility in today’s urban slums

To date, empirical evidence on social mobility is nascent outside the West in general (Iversen et al. 2018), and in slums in particular (Mitlin and Satterthwaite 2013). We review below the best available empirical evidence, including evidence we ourselves have collected over several years from nearly 10,000 households in hundreds of slums in three large Indian cities: Bangalore, Patna, and Jaipur. Studies of social mobility in urban slums can be categorized into two groups based on

methodology. The first set of studies follows a small number of cases over a generation or more, while the second set samples a wider swath of slum residents over a shorter period. Both approaches reach similar conclusions: slum residents experience limited upward mobility and face high risks of downward mobility.

We first highlight two multi-decade longitudinal case studies that followed a small number of individuals over a generation or longer. One landmark ethnographic study follows residents from three Brazilian slums over a period of four decades (Perlman 2006). Not only does the author continue to revisit these three neighbourhoods over this period, but she also makes a substantial effort to locate and re-interview residents who have moved to different neighbourhoods. Perlman (2006) finds that slum-dwellers experience some degree of upward mobility over generations but that this plateaus for those who remain in the slum areas. Furthermore, the author notes that, as the labour market is increasingly dualized, a rising educational premium has made it harder for slum residents to move from informal to formal occupations. Some families that have remained in the favelas have experienced *downward* mobility. Those few who have experienced higher levels of upward mobility had first moved out of the favelas.

Another multi-decade ethnographic study of families from an Ecuadoran slum finds similar patterns (Moser 2009). Over a 30-year period, the neighbourhood is transformed from informally occupied mangrove swampland to a neighbourhood with paved roads, running water, electricity, and land titles. Yet, while some households escape poverty, many remain poor, and others experience upward and downward fluctuations. Furthermore, in the households that experience intergenerational upward mobility, children remain excluded from the middle class, as rising educational gains do not translate into commensurate occupational gains. As Perlman (2006) finds in Brazil, Moser (2009: 6) finds in Ecuador:

Turning to the next generation [...] adult sons and daughters were better educated but [...] they faced new and increasingly daunting challenges in a globalized context where few good employment opportunities would present themselves [...]. Despite their better education, they had been insufficiently economically mobile to make it to the gated communities (cuidadelos) where the new middle class lived.

Another group of studies examines social mobility across larger samples, albeit over shorter periods. Zulu et al. (2011) follow thousands of households from two slums in Kenya over a seven-year period. Many households fluctuate between being above and below official poverty lines during that time. A slight majority (51 per cent) have lived in their neighbourhood for over 10 years and, seemingly paradoxically, it is those who have been more successful economically who are more likely to remain in the slum. However, as long as households continue to live in a slum area, they face severe human capital constraints due to health risks and exclusion from educational and labour force opportunities.

A study based on cross-sectional data from 30,000 South African households compares employment rates and job characteristics across urban formal, urban slum, and rural areas to provide a snapshot of variation in labour market outcomes across neighbourhood types (Turok and Borel-Saladin 2018). The authors find that urban slum residents experience higher employment rates in higher-paying and more secure jobs than rural residents, but the outcomes are best for urban non-slum residents. However, the authors note that their findings are ‘necessarily suggestive’, given that they are unable to compare employment outcomes for the same household over time. Another ‘exploratory’ paper that draws on South African panel data, over a four-year period, finds that residents of slums fall into poverty more frequently than other urban residents on account of downward-pulling influences similar to those identified by the study in

Kenya (Turok and Budlender 2017). Mitra (2006, 2010) surveys thousands of slum residents across five Indian cities, asking about current and past employment, finding limited levels of upward mobility, as many continue to work in the same occupation over time, and some residents experience downward income mobility.

In our study of slums in Bangalore, later extended to Jaipur and Patna, we employed different methods to assess intra-generational changes within households, questioning respondents about current economic outcomes as well as asking them for self-reports of past outcomes—in relation to parents' and grandparents' occupations. To address the severe data limitations typically associated with studies of slums (Bhan and Jana 2013; Mitlin and Satterthwaite 2013) we alternate between satellite analysis and field surveys to build an original sample of nearly 10,000 slum households across more than 200 slums in these three Indian cities. These settlements span the full slum continuum from tarpaulin tents to three-storey concrete buildings, and are spatially distributed throughout each city. We accumulated information using a variety of methods—comparing individual slums' satellite images over a 15-year period, compiling oral histories, interviewing community leaders and local property brokers, and surveying over 10,000 households. This is, to our minds, the most comprehensive examination yet of social mobility in developing country slum conditions (Rains and Krishna 2019).

Examining satellite images over a 15-year period, we find that neighbourhoods rarely develop from slum to non-slum areas—at least in terms of physical characteristics. In prior work, we inductively identified a list of visible criteria that can be used to identify slum areas: crowding, low building height and haphazard arrangement, low-quality roof material, and absence of cement roads (see Rains et al. 2018). The number of slum-like characteristics visible from the satellite images is strongly and inversely correlated with the neighbourhood's position along the slum continuum.

As illustrated in Figure 1, most neighbourhoods (89 per cent) do experience positive physical changes over time, most commonly in roof material. However, very few neighbourhoods (1 per cent) exhibit positive changes in all visible characteristics. In this small number of cases, conditions improve because the government has selected the areas for redevelopment. We find no relationship between slum age or location and either government selection for redevelopment or physical changes over time. This suggests that slums do not necessarily develop along similar trajectories over time or across space.

While satellite data allow us to examine neighbourhood-level development over time, we turn to our other data sources to examine changes at the household level. Though slums are sometimes regarded as settlements for transient, migrant groups, we find that 73 per cent of households are native to their city of residence. The majority (66 per cent) of families have lived in the same home for multiple generations, a finding consistent with those of examinations in other countries (Lilford et al. 2017; Perlman 2006; Zulu et al. 2011).

Community interviews also reveal limited movement out of slums. In 29 per cent of neighbourhood focus groups across the three cities, respondents report that neighbours have moved out of the settlement in the past two years. However, in only 3 per cent of these cases did the focus group respondents believe that neighbours had moved to nicer neighbourhoods. We also draw on in-depth one-on-one interviews with nearly 100 residents of Bangalore. Most people cannot think of anyone in their neighbourhood whom they would describe as having become particularly successful, and only 5 per cent of those interviewed give examples of people from their neighbourhood moving to a nicer area after obtaining influential jobs or selling property. Notably, all of these examples are from the most well-off neighbourhood where we conducted in-depth interviews. These neighbour reports suggest that, even if there is some within-city relocation to nicer neighbourhoods, it is certainly far from the norm.

Figure 1: Using satellite images to assess neighbourhood changes over time



Note: Ashraya Nagar neighbourhood in Bangalore, India, in 2005 (left) and 2015 (right).

Source: Google Earth.

Consistently, among those in our sample who have moved, we do not find evidence of movement from less to more well-off neighbourhoods. Most households that have moved within Bangalore (85 per cent) report moving from a better or similar neighbourhood, while only 15 per cent report moving to a nicer settlement. The most commonly reported reasons for moving from nicer and similar areas are that the former were too expensive or too far from work. The most common reason for moving to a nicer area was also to be closer to work, while the second most common reason was safety, consistent with case studies from slums in Durban, South Africa (Posel and Marx 2013).

It is important to note that this limited movement is not due to constraints on transacting properties in slum settlements, as posited by influential scholarship on property rights, such as de Soto (2000). Rather, we find robust housing markets across the slum continuum, where transactions are facilitated by well established brokers and lawyers (Krishna et al. 2019). Our in-depth interviews provide insights into other barriers to outward movement. Several people remark that a comparable home in a non-slum area would be markedly more expensive, such that households would need to experience exceptionally high levels of economic progress to be able to move out to a non-slum neighbourhood:

If I want to go outside [...] to the city, I can't. We have to control and manage with the budget we have. If I have to buy in the city, I will have to pay lakhs⁵ of rupees [...] See, now if we go to the same house [...] same dimension house [...] outside, we have to pay 20,000 rupees rent. Here, not even 1.5 kilometres from here. If we just go for a same house, same infrastructure and all, we have to pay [high] rent.

It is definitely not possible. It won't happen. It won't be sufficient. No matter how much happens, it won't be enough. Here, we have made everything the way

⁵ Hundreds of thousands.

we want it. [For] the same thing, if we go elsewhere, maybe this [rent] will be tripled or quadrupled.

In addition to examining neighbourhood-level changes and movement out of slum areas, we examine the extent to which households experience intra- and intergenerational mobility. The evidence again supports the conclusion that, while some households experience mobility, upward movement plateaus at a low level. We draw on household survey data to examine two measures of household mobility. First, we consider mobility over a 10-year period, using the ‘Stages-of-Progress’ approach. Second, we consider intergenerational mobility by comparing father and son occupational status.

The Stages-of-Progress approach, which has been used and adapted in diverse rural and urban contexts, is a useful tool to investigate poverty dynamics (Krishna 2010; Narayan et al. 2009). The respondent specifies how many assets or capabilities, ranked from 1 to 10 in Bangalore, they are able to possess or achieve, as well as how many they were able to possess or achieve 10 years ago. The list, which corresponds to increasing levels of wellbeing—or increasing stages of progress—was developed over time with extensive inputs from the communities under study. In prior community meetings held in different slums the same sequence of stages was narrated by the assembled community groups.

The average household reports being capable of achieving 4.65 of the 10 stages. Most households (78 per cent) experience some upward mobility, but overall, 81 per cent remain poor during the 10-year period considered.⁶ Table 1 displays the percentages that remained poor, remained non poor, became poor, and became non poor over the 10-year period.

Table 1: Changes in Stages-of-Progress over a 10-year period

| | Poor (at time of survey) | Non poor (at time of survey) |
|---------------------------|--------------------------|------------------------------|
| Poor (10 years prior) | 81% | 14% |
| Non poor (10 years prior) | 2% | 2% |

Source: Authors’ construction.

Of those who rose out of poverty, more than 80 per cent moved up by just one stage or two and lingered close to the poverty cut-off. We also find that many children continue to work in informal, insecure, and low-skilled jobs, as their parents did before them.

The men of the communities we studied work as plumbers, painters, coolies, auto-rickshaw operators, drivers, carpenters, tailors, vegetable sellers, ‘daily wage’ persons, security guards, cleaners, salesmen, welders, factory workers, petty contractors, mobile phone technicians, and call-centre operators. The higher the level of technology involved in their work, the more people earn, in general. Mobile phone technicians and call-centre operators tend to earn considerably more than security guards and coolies, but relatively few people are employed in such higher-paying jobs, and very few of these residents are studying to be a doctor, lawyer, or engineer. Most give up studies soon after—and many some years before—completing high school.

We apply an occupational classification scheme developed specifically for the Indian context by Iversen et al. (2016) to compare father and son occupational classes.⁷ The classes range from 1 to

⁶ Following Krishna (2010), we classify scores under 7 as poor.

⁷ We do not consider mother and daughter differences in this paper because we expect the schema may differ by gender. Developing an appropriate schema to measure female mobility is an important avenue for future research.

5, with higher values corresponding to higher-prestige jobs. We find more instances of upward mobility (41 per cent) than downward (12 per cent), but it is most common that individuals work in the same occupational class as their father. Table 2 displays the joint distribution of father and son occupations.

Table 2: Joint distribution of father/son occupations

| | 1 | 2 | 3 | 4 | 5 |
|---|--------|--------|-------|-------|-------|
| 1 | 33.72% | 21.29% | 7.84% | 5.05% | 1.38% |
| 2 | 3.00% | 8.42% | 2.24% | 1.75% | 0.37% |
| 3 | 0.55% | 1.29% | 1.31% | 0.55% | 0.08% |
| 4 | 0.53% | 0.82% | 0.55% | 1.99% | 0.10% |
| 5 | 1.36% | 2.01% | 0.82% | 1.23% | 1.72% |

Note: Each cell represents the percentage of the male population employed in the occupational category indicated by the column whose fathers were employed in the occupational category indicated by the row. Cells shaded in light grey indicate upward movement, while cells shaded in darker grey represent downward movement.

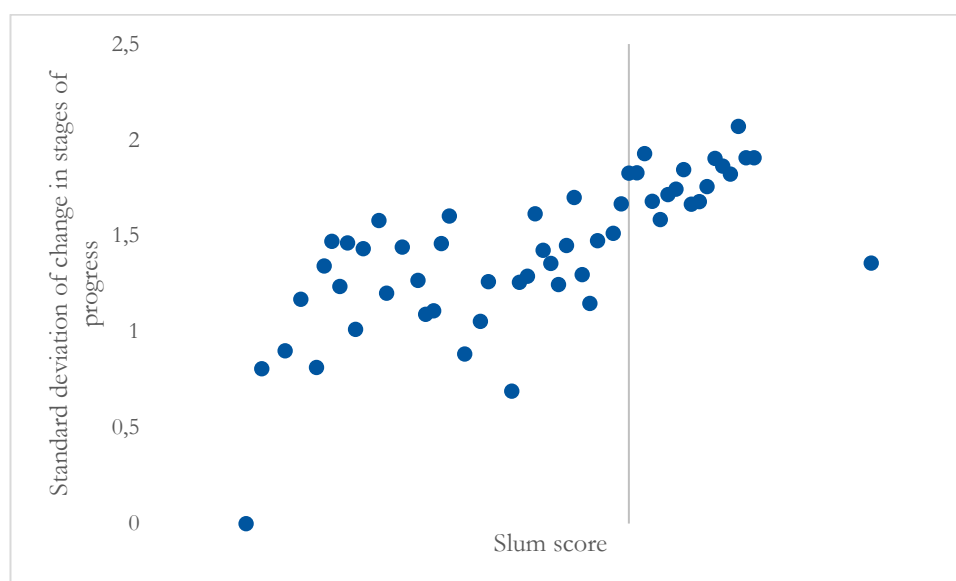
Source: Authors' construction.

Both measures indicate that many slum residents experience some upward mobility, though this plateaus over time. The data also show instances of downward movements comparable to rates reported for remote rural India (Krishna 2010).

While we find that some neighbourhoods and some households are more likely than others to experience upward mobility, all slum-dwellers are susceptible to shocks. Volatility increases in proportion to upward mobility. There is larger downward movement in the neighbourhoods where there is greater upward mobility. This is further illustrated in Figure 3. We find that the standard deviation in changes of Stages-of-Progress increases significantly with ‘slum score’—a score we calculate to measure a slum’s relative position along the overall continuum⁸ (Rains et al. 2018). We do not find a relationship between the average changes in Stages-of-Progress and slum score. This evidence suggests that in slums that experience greater overall infrastructural development, households experience greater volatility in material wellbeing. The largest gains and the largest losses are observed in the best-off slums.

⁸ This is robust to including controls. We observe a similar pattern with intergenerational occupational mobility. Both fathers and sons work in higher occupational classes in more well-off neighbourhoods. However, the standard deviation in occupational classes is higher for sons than for fathers, suggesting that recent gains in employment status are volatile.

Figure 3: Standard deviation of changes in Stages-of-Progress by slum continuum position



Source: Authors' construction.

3 Why volatility is high in slums—push and pull factors

Historical as well as emergent factors have contributed to the growth of developing cities in such a manner that large parts of the urban population have been under-invested in and are consequently under-prepared for seeking places in the better-paid parts of the economy.

Historically, colonial administrations, which operated ‘on the cheap’ across large parts of Asia and most of Africa, tended to concentrate government offices and officials in cities, limiting the penetration and the territorial reach of the colonial administration beyond urban centres (Boone 2003; Davidson 1992; Mamdani 1996). Within cities, too, colonial administrations established segregated and disparately planned areas. One part of the city, planned for habitation by the colonial ‘elite’ and its local loyalists, was built to resemble cities in the West—with street lighting, underground sewers, functioning educational institutions, courts and registry offices, hospitals and libraries. The other parts, meant for the colonized population, were poorly served by infrastructure and institutions. It was to these poorer parts that a migrant coming in from a village would gain access, sometimes setting up a shack wherever relatives and friends showed that space was available. The unplanned sprawl of the ‘native city’ contrasted sharply—and still does—with the orderliness of the civil and military lines (Bjorkman 2015; Fox 2014; Hansen and Verkaik 2009; Roy 2009).

Emergent factors, coming on top of these legacies, have further de-privileged poorer city areas. Slums keep coming up, and existing slums expand, but most slum residents live in conditions of informality. Many are ‘triply informal’ with

- informal jobs, not protected by a contract or labour laws and not assured of social protections like health care or old-age survival supports;
- informal properties, with no titles or partial titles; and
- a lack of city-based identity papers and an unacknowledged and informal existence in the city.

The institutional hiatuses that arise on account of informality prevent slum-dwellers from availing themselves of the opportunities available to others in the city. They work informally, so are not connected to the benefits of welfare legislation—pensions, health care, and sick leave. Even security of tenure is not available to them. Informal housing cuts them off from financial markets and creates the conditions for gross inequalities in social services and infrastructure provision. Schools and clinics cannot be legitimately located in places that do not exist according to official maps and papers. Those who lack identity papers are non-existent people.

Informality creates a vast barrier to social mobility. Yet informality is rife in slums. While a wide range of work can be considered informal, in general,

ample empirical research has shown that workers in the informal economy face a higher risk of poverty than those in the formal economy, while informal economic units face lower productivity and income. Indeed, most people enter the informal economy not by choice but as a consequence of a lack of opportunities in the formal economy and in the absence of any other means of earning a living (ILO 2018).

Informal employment is characterized by instability, making it difficult to amass savings that can allow workers to weather shocks or make investments in human capital (Harriss-White et al. 2013). In both the case of urbanization without economic growth and that of urbanization without industrialization, vast numbers of urban residents find employment in the informal economy.

Less than 6 per cent of the thousands of residents we interviewed in the slums of Bangalore, Jaipur, and Patna, including the nicest slums, have formal jobs—that is, jobs that provide social security or insurance benefits. Most slum residents in these cities are informally employed—the best-paid as auto-rickshaw drivers and mobile phone repairmen and call-centre operators and the worst-paid as maids and manual labourers. As in the cities of other developing countries, where large numbers live in slums, the greatest share of the urban population is informally employed. In Latin America and the Caribbean, 47.0 per cent of the entire urban population (and a far larger proportion in slums) are informally employed, the proportion reaching as high as 75.3 per cent (Bolivia).⁹ In South Asia, this figure is 75.1 per cent, which ranges from 58.6 per cent (Sri Lanka) to 85.1 per cent (Nepal). The percentage is highest in sub-Saharan Africa, where 80.8 per cent of urban residents work as informal labourers—as many as 97.2 per cent in Rwanda.

Volatility is high because of the precariousness associated with living in fear of being evicted from one's home or losing one's job at a moment's notice. Low, unstable wages make it difficult to accumulate savings, making slum residents particularly susceptible to financial shocks (Harriss-White et al. 2013).

Slum residents enter into 'marriages' of convenience with local political bosses who offer protection from eviction and access to some public services in exchange for votes. Because politicians wish to hold on to vote banks, service provision is dribbled out incrementally over decades. The improvements residents experience are usually due to political intervention, rather than any accrued rights or tenure status (Auerbach 2016; Krishna et al. 2019). As a retired municipal officer explained to us, 'There are no concrete rules. Decisions about who has to be relocated, who has to be given *hakku patra* [property documents] [...] depend on the mercies of officers and leaders [...] and] cases are sped up during times of election.' Similarly, most (75 per cent) slum residents report that vote banks are important prerequisites for neighbourhoods to

⁹ Statistics are drawn from ILO (2018).

receive services. In reflecting on her neighbourhood's exclusion from service access, one resident told us, 'we don't serve as a strong vote bank—our slum is small, with negligible population; no one [politician] wanted their name involved.'

Informality prevents slum residents from making helpful connections with the sources of economic dynamism that are experienced by others living in a city. Accessing institutional sources of finance for homebuilding, for instance, or for business development, is something a slum dweller is rarely able to accomplish.¹⁰ Hardly any slum resident is supported by institutions in acquiring job-related skills or in connecting with potential employers. In general, slum-dwellers are unable to make use of multiple public institutions, including

the city's universities. Their encounters with bureaucrats almost always lead either to trouble or [to] official inaction [...]. Their experience with the courts is virtually non-existent [...]. The city's poorest residents have next to no contact with the press [...]. The government provides almost nothing by way of medical facilities (Manor 1993: 10).¹¹

The architecture of the state in colonial and pre-colonial times gave rise to these situations. Fragmented institutional enclaves set up in the colonial era—one set of spaces and rules for the colonists and government officials, and another space, less well served and less well governed, for the native majority—have persisted into the current period.¹²

At least two other aspects of urbanization in today's developing countries interact with the high levels of informality to diminish the prospects for broad-based social mobility. The first pertains to demographics, while the second is concerned with the changing technology of production.

In the West, urbanization occurred towards the end of the demographic transition (Bloom et al. 2003).¹³ Mortality and fertility rates had already begun to fall, and the dependency ratio—the size of the working age population relative to the non-working population—was also decreasing. The US population became majority urban around the same time as its dependency ratio decreased to 50 per cent. In contrast, developing countries began urbanizing earlier along their demographic transitions, and dependency ratios are now higher and falling more slowly in developing countries

¹⁰ More than one-third of residents owned their homes and possessed private titles in Bangalore's notified slums, but less than 6 per cent were able to avail themselves of institutional sources of home financing (Krishna 2013).

¹¹ Similarly, Bhatia and Chatterjee (2010) document the financial exclusion of slum-dwellers in Mumbai, the financial capital of the nation. Other notable references on the same point include Benjamin (2000), who refers to slum-dwellers as people embedded in 'local economies', i.e. low-cost manufacturing and service operations catering to other low-income residents in a narrow adjoining area. Nationally, less than 5 per cent of slum-dwellers have availed themselves of institutional sources of home financing. In 2005, 5.1 per cent of non-slum urban households in India had health insurance compared with only 1.8 per cent of slum households, as found by a nationwide survey, the Human Development Profile of India – II, covering more than 50,000 households, administered by the Indian National Council for Applied Economic Research.

¹² Many Indian cities were designed to have these different parts—a smaller planned part consisting of the civil lines and cantonment areas, and a larger and messier part that grew willy-nilly and was meant to house lesser individuals. 'The cantonments and the British residential areas, with spacious roads and grounds [...] privileged with machinery to assure good sanitation conditions [...] were segregated from Indian areas' (Dasgupta 2005: 5160). For similar accounts of divided cities in post-colonial Africa, see Fox (2014) and Njoh (2004).

¹³ It is well documented that countries experience a demographic transition over time (Teitelbaum 1975). At first, both death and birth rates are high. Death rates will fall as a country develops and then fertility declines as children become more likely to survive. At the end of this transition, both death and birth rates are low. A country's position along this trajectory has important implications for policy needs.

than they were when Western countries urbanized. By the time Africa is expected to become majority urban (in 2035), the dependency ratio is still expected to be above 70 per cent.¹⁴ This means that each worker's earnings are shared by a larger number of people, leading to a proportionately reduced capacity of families to invest in education, healthcare, etc. In the least developed countries, 73.1 per cent of children complete primary school, and only 37.5 per cent go on to enrol in secondary school. In contrast, in the US, the enrolment rate for 5- to 19-year-olds increased from 47.2 per cent in 1850 to 64.3 per cent by 1920, the same period over which the country became majority urban.

Alongside a rapidly growing urban population, higher dependency ratios, and lower education levels, technological advances add to the dampening influence on slum residents' upward mobility prospects. Not only are large numbers of the working-age urban poor employed in low-productivity informal positions, but it is also becoming increasingly difficult for them to acquire a higher-productivity position.

Technological advances have fundamentally altered labour market structures. In countries that industrialized early, industrialization—of a Fordist kind, with extensive assembly lines staffed by a large number of formally employed and increasingly unionized workers—promoted movements into the middle class. In manufacturing today, many fewer people, albeit with higher levels of education (high school, if not college), are required (Carr 2014; Ford 2015). Recent technological developments

have augmented the contributions made by more abstract and data-driven reasoning, and in turn have increased the value of people with the right engineering, creative or design skills. The net effect has been to decrease demand for less skilled labour while increasing the demand for highly skilled labour (Brynjolfsson and McAfee 2014: 135).

According to *The Economist*, the spread of technology globally 'has created a growing reservoir of less-skilled labour while simultaneously expanding the range of tasks that can be automated.'¹⁵ These trends will deepen, another report predicts, and countries with a greater number of robotic programmers and more high-tech infrastructure will become more attractive to manufacturers than other countries with large reserves of cheaper but less-skilled and less-educated labour.¹⁶ 'Most of the value added is in a few big sophisticated firms that prefer using machines to humans [...] What manufacturing FDI [foreign direct investment] India does attract tends to be high-end—for instance, Volkswagen has a smart €570 million plant full of robots.'¹⁷

The greater demand for jobs from a large and growing urban population coupled with the relatively small and diminishing supply of formal jobs augurs poorly for the upward mobility of today's slum residents. The informal sector has grown rapidly in response to the large unmet demand for employment and wages.

Left to itself, the market could make these trends worse. Even as slum residents invest in the education of their children, the threshold for getting a high-skilled job keeps getting higher. Where

¹⁴ Projections are from World Urbanization Prospects.

¹⁵ 'The privileged few: To those that have shall be given', *The Economist*, 4 October 2014.

¹⁶ Boston Consulting Group:
www.bcgperspectives.com/content/articles/business_unit_strategy_innovation_rise_of_robotics/

¹⁷ 'Wasting time', *The Economist*, 11 May 2013.

previously a high school diploma would get you a good job, a college degree is no longer enough. As a result, labour has shifted from higher to lower productivity work in several places (McMillan and Rodrik 2011), and this trend has resulted in labour force polarization (Autor and Dorn 2013). The widening skill gap between informal and formal work has made it more difficult for slum residents to find formal employment even as educational attainment has increased (Perlman 2006). In fact, of the minority who have completed tertiary education, nearly one-third still work in the informal economy—in Africa (26.7 per cent), Asia (30.7 per cent), and Latin America (30.5 per cent) (ILO 2018).

The expectation that urbanization will, by itself, serve as a social elevator seems to run into a reality of a different kind; in developing country slums, the fastest-growing part of the urban population, directed policy supports will be required. The relevant lesson from economic history is not that the formation of a middle class is automatic and inevitable; a more careful reading of history shows that policy supports went together with economic growth in forging broad-based poverty reduction. Similar supports and others are more urgently required for present-day developing country slums.

4 The evidence from high-income countries

Historical accounts provide substantial evidence of slum-like conditions and large-scale urban poverty within cities in today's rich countries. In England, '[t]he unprecedented concentration of opportunities for employment in large cities oriented migration to those cities as never before' (Tilly 1976). In the United States, industrialization similarly accelerated urban growth rates, with the population of New York City, for example, doubling each decade between 1800 and 1880.¹⁸ In both cases, urban population booms resulted in a vast number of poor migrants living in overcrowded, structurally unsound housing with inadequate sanitation and water. In 1911 London, nearly 800,000 people were estimated to live in slums (Yelling 1992). A scholar at the time described these neighbourhoods as follows (Dewsnup 1907: 14):

Houses intended for one family each were made to accommodate several, and every available plot of land was built upon without regard to ventilation or any other sanitary condition; dwellings were almost literally piled one upon the top of the other, and many of the grim, narrow, and hardly-ventilated streets and dark, noisome alleys of the present day owe their origin to the unregulated building of this period. Thus the rapid development of the new industrial system, causing both a growth and redistribution of population, and producing new social conditions which an immature municipal government and an undeveloped public conscience failed to order and arrange with a view to the ultimate welfare of the people, accentuated to a marked degree the unsatisfactory housing conditions already existing in the towns.

In New York City, an estimated two-thirds of the population lived in slum-like 'tenements' in 1900. Riis (1890: 10) highlighted problems with health risks, unaffordable rental prices, and ambiguous tenure status in these areas:

¹⁸ Statistics are drawn from historical census data.

[I]n one cholera epidemic that scarcely touched the clean wards, the tenants died at the rate of one hundred and ninety-five to the thousand of population; which forced the general mortality of the city up from 1 in 41.83 in 1815, to 1 in 27.33 in 1855, a year of unusual freedom from epidemic disease [...] Swine roamed the streets and gutters as their principal scavengers. The death of a child in a tenement was registered at the Bureau of Vital Statistics as ‘plainly due to suffocation in the foul air of an unventilated apartment,’ and the Senators, who had come down from Albany to find out what was the matter with New York, reported that ‘there are annually cut off from the population by disease and death enough human beings to people a city, and enough human labor to sustain it.’ And yet experts had testified that, as compared with uptown, rents were from twenty-five to thirty per cent higher in the worst slums of the lower wards [...] Whether or not the title was clear to the land upon which they were built was of less account than that the rents were collected. If there were damages to pay, the tenant had to foot them. Cases were ‘very frequent when property was in litigation, and two or three different parties were collecting rents.’ Of course under such circumstances ‘no repairs were ever made.’

During industrialization in the West, employment could be both insecure and dangerous. Slum-dwellers worked in trades in which employment was ‘discontinuous’ (Booth 1902). There were often no guarantees that a job would still exist for those who took leave after suffering an injury or illness, and it is estimated that one-quarter of the employees in Andrew Carnegie’s Pittsburgh steel mills died or were severely maimed (White 2017). Low wages and long hours made it difficult to accumulate savings or invest in human capital even when training opportunities or public libraries were constructed for employees (White 2017). Particularly poor families in Britain, the US and elsewhere sent their children to work rather than to school (George 1882; Nardinelli 1980). By 1900, 18 per cent of American workers were under 16 years of age. Scholars of that era expressed concerns that the urban poor would remain stuck in poverty without the help of substantial policy supports—e.g. George (1882: 5): ‘It is true that disappointment has followed disappointment, and that discovery upon discovery, and invention after invention, have neither lessened the toil of those who most need respite, nor brought plenty to the poor.’

By the late 1920s, however, the situation in New York and other US cities had changed drastically. Hazardous tenement buildings had been upgraded and investments in public housing were being made; child labour had become a thing of the past and school enrolment rates increased; overall, conditions of life had vastly improved for the urban poor.

What happened to enable broad upward mobility in this context? Conditions in slums did not improve only because of overall economic development. In addition, substantial public sector interventions were implemented, including labour protections, housing laws, and improvements in public health services. From the turn of the 20th century to the 1920s, referred to as the ‘Progressive Era’, a sweeping set of progressive policies were introduced to improve public health, housing, and labour standards, reduce child labour, increase educational attainment, reduce municipal corruption, and facilitate progressive taxation (Buenker et al. 1977).¹⁹ The number of

¹⁹ It is important to note that social policies were not administered equally in the US, and outcomes varied substantially by race. In another later wave of urbanization termed the ‘Great Migration’, millions of African Americans resettled from Southern rural areas to Northern cities. In contrast to the progressive policies implemented during the Progressive Era, the policies implemented as a result of the Great Migration may have *reduced* levels of intergenerational mobility for African Americans (Derenoncourt 2019). This further underscores the importance of public policies in facilitating (or hindering) opportunities for upward mobility during periods of urbanization.

such measures introduced in Congress increased by nearly four times between 1895 and 1911, while the number of measures passed peaked to 7,024 during the 59th Congress (in session 1905–1907). Between 1890 and 1930, spending on education increased by *17 times*, and school enrolment increased by 29 per cent. Ample legislation was introduced at state and local levels as well.²⁰ To protect workers who had experienced injuries, in 1908, the federal government established a limited workers' compensation system; by 1921, all but four states had enacted more comprehensive state-level legislation.²¹ Reforms initiated during the Progressive Era eventually resulted in higher levels of formal employment, such that by 1934, 75 per cent of American employees had social insurance through work.²² These regulatory changes were matched by a substantial increase in government spending on social welfare. Between 1890 and 1930, federal spending on social welfare increased by over seven times to 4.2 per cent of GDP. In contrast, the current estimate for developing countries is only 1.5 per cent (World Bank 2018: 105–22).

The United States is not an isolated example. Broad social policy reforms were introduced in other presently rich countries as well, albeit at different times. Examples from the United Kingdom include the 1833 Factory Act, which sought to reduce child labour, the 1875 Conspiracy and Protection of Property Act, which allowed worker protests, the Public Health Act of the same year, which established government health authorities, and the 1911 National Insurance Act, which provided health insurance for workers. Sweden and Denmark are other notable examples of countries where social policy, including pensions, health care, and public education, kept pace with urbanization and industrialization. 'Until the end of the 19th century, Sweden was a poor, backward agrarian country on the outskirts of Europe' (Salonen 2001: 144) but a public law to subsidize voluntary sickness funds was passed as early as 1891. In Denmark, similarly, 'the state began to subsidize health care funds in 1892. The number of fund members rapidly increased. At the beginning of the 1890s, the Danish funds covered less than one-tenth of the population, but by 1930 their coverage was two-thirds' (Kangas and Palme 2005: 27). Nor did Japanese government officials simply sit back and wait for growth to bring about poverty reduction and social mobility. Quite early on, they sponsored studies that directly investigated poverty, including in slums. In response, the Japanese government implemented a series of social policy measures (Kasza 2006; Milly 1999). In Hong Kong, 'government expenditures strongly favored low-income groups, principally through the provision of housing, health, and educational benefits.' Government and corporate policies aimed to facilitate 'rapid dissemination of information on employment and business opportunities' (Findlay and Wellisz 1993: 53, 77). In South Korea, even as government entered into long-term contractual arrangements with corporate conglomerates (Amsden 1991), it was engaging with NGOs to implement wide-ranging policies, leading to a rapid expansion of quality healthcare, education, and other welfare programs (Kwon and Yi 2009).

All of these policy supports were provided even as rapid economic growth in these countries (then of a Fordist kind) was pushing up production and employment possibility frontiers. Conditions in today's developing countries are hardly as encouraging for social mobility. Policy reforms in support of social mobility are even more urgently necessary.

²⁰ U.S. Department of Labor: <https://www.dol.gov/general/aboutdol/history/mono-regsafepart06>

²¹ Ibid.

²² Data are taken from historical census records for the entire country. The statistic would likely be higher in urban areas.

5 Policy lessons

We do not expect today's urbanization trends to facilitate broad-based upward mobility without a great deal of planned policy support. The Western story broadly was one of economic growth *plus* substantial policy intervention. Purposive policies aimed at improving housing and labour standards and investing in developing human capital were implemented even as the economy was transforming, becoming less rural and agricultural and more urban and industrial. Policy interventions of these kinds are necessary but still lacking in developing countries, where low levels of job productivity undercut abilities to take advantage of growing working age populations. Furthermore, technological changes have altered labour markets in ways that make it even more difficult for individuals to make the transition from informal to formal economy positions.

Ensuring that the urban poor have the opportunity to experience upward mobility will require substantial efforts. These are required, first, to reduce volatility by containing downward mobility. Downward shocks are not uncommon in slums. With so many employed informally, financial shocks can be devastating. Reducing volatility requires social insurance. Retirement benefits and workers' compensation are important requirements: what are workers to do when they are elderly or disabled? Interventions are also required that focus on improving health outcomes. Second, as in the past, in the West, conditions in slums are dangerous. Residents face outsized fire and flooding risks, while overcrowding and inadequate sanitation accelerate the spread of communicable diseases. Slum-dwellers are also often employed in unsafe work environments. Factories offer relatively higher and more stable wages than agricultural work, but evidence from sub-Saharan Africa (Blattman and Dercon 2018) and South Asia, including the infamous Dhaka factory fire that killed more than 100 workers,²³ shows that these jobs still pose serious health risks. Labour standards are needed to protect workers against injury in the workplace.

More generally, progressive formalization of the various dimensions of informality is required, in terms of work contracts, tenancy agreements, identity papers, etc. Slum residents in the early industrialization period in the West were steadily given these protections. Further steps will also be needed to create more productive jobs in cities of the developing world. For this, investment in education and skill development is critical. Countries will not be able to leverage a 'demographic dividend' without educated citizens, and citizens will not be able to adapt to the higher skilled jobs that technology has created without substantial improvements in training. Investment in education and vocational or technical training is important.

While this broad set of goals, related to reducing volatility and downward mobility and improving the prospects for upward mobility, can be generally applied, slums differ. How particular interventions should be designed is a matter for localized investigations and careful ground-up policy experimentation.

The necessary investments required to expand opportunities in developing countries may seem daunting, but improving prospects for upward mobility is possible. Beard et al. (2016) highlight Medellin (Colombia) and Surat (India) as two examples of cities that have successfully implemented social policy interventions to improve outcomes for the urban poor.

Will slum residents ultimately share in the benefits of the cities they help build? Scholars and practitioners should not assume that urbanization will automatically improve prospects for

²³ <https://www.nytimes.com/2012/11/26/world/asia/bangladesh-fire-kills-more-than-100-and-injures-many.html>

mobility for the urban poor. Instead, it will be critical to implement appropriately nuanced interventions to improve opportunities for the billions of people residing in today's and tomorrow's slums.

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